

What are Tax Credits? — How do they work?

Many people misunderstand what a Tax Credit is, and are therefore confused about how it actually works. Sometimes they think it is something other than what it actually is, and therefore don't realize what a great thing a Tax Credit is.

We will explain, in simple terms, what a Tax Credit is, and how it works:

A Tax Credit is a ***Dollar for Dollar credit*** against your **TAX LIABILITY**.

Question: What is your **TAX LIABILITY**?

Answer: It is the total income taxes you owe the State and/or Federal Gov't for the tax year.

Answer: It is the actual State or Federal Taxes that are due to the State and/or Federal Gov't for the year, based on your income and deductions. It is the Taxes you need to pay The State and/or Federal Gov't for the tax year.

Question: What is a **TAX CREDIT**?

Answer: It is a ***Dollar for Dollar CREDIT*** against the total income taxes you owe the State and/or Federal Gov't for the tax year.

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The Tax Credits Reduce The Cost Of A Solar System.

How Much Will The Tax Credits
Reduce Your Real Cost?

In general, the answer is: **A lot.**

About **65% of the cost of the system.**

(After the HECO Instant Rebate, the Federal & State Tax Credits Reduce the Real Cost of the System About **65%**)

A tax credit is generous.

A tax credit directly reduces the taxes you pay, *dollar for dollar.*

A \$1 tax credit is worth \$1.

Examples Of How The Tax Credit Works

(The following examples are also the same for the Federal Tax Credits. Just substitute the word 'Federal' wherever the word 'State' appears.)

Example: During the tax year you have Pre-Paid or had withheld from your pay checks \$2,250 in State income tax. At the end of the year, when you calculate your actual state tax liability, it is exactly \$2,250. If you had a solar tax credit of \$2,250, then you will receive a refund of \$2,250 from the state when you file your tax return. (If you didn't have a solar tax credit, you wouldn't have received any tax refund.)

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Example: During the tax year you have Pre-Paid or had withheld from your pay checks \$2,000 in State income tax. At the end of the year, when you calculate your actual state tax liability, it is exactly \$2,250. If you had a solar tax credit of \$2,250, then you will receive a refund of \$2,000 from the state when you file your tax return, and you would not owe and therefore not have to pay the other \$250 in state income tax. (If you didn't have a solar tax credit, then you wouldn't have received any refund, and you would have had to pay an additional \$250 in state income tax.)

Example: During the tax year you have Pre-Paid or had withheld from your pay checks \$2,000 in State income tax. At the end of the year, when you calculate your actual state tax liability, it is exactly \$3,000. If you had a solar tax credit of \$2,250, then you will not have to pay the additional \$1,000 in state income tax, ***plus*** you will receive a refund of \$1,250 from the state when you file your tax return. (If you didn't have a solar tax credit, then you wouldn't have received any refund, and you would have had to pay an additional \$1,000 in state income tax.)

Example: During the tax year you have Pre-Paid or had withheld from your pay checks \$3,000 in State income tax. At the end of the year, when you calculate your actual state tax liability, it is only \$2,500. If you had a solar tax credit of \$2,250, then you will receive a refund of \$2,750 from the state when you file your tax return. (The refund of \$500 you over paid in taxes, plus the \$2,250 in state solar tax credits. If you didn't have the solar tax credit, then you would only have received a \$500 refund.)

Example: During the tax year you have Pre-Paid or had withheld from your pay checks \$1,500 in State income tax. At the end of the year, when you calculate your actual state tax liability, it is only \$1,500. If you had a solar tax credit of \$2,250, then you will receive a refund of \$1,500 from the state when you file your tax return. Then the balance of the \$750 in state solar tax credits that you didn't use this year, will be used next year, or in any succeeding year, until all of your solar tax credit is used up. (If you didn't have the solar tax credit, you wouldn't have received the \$1,000 refund.)

Example: On a solar system costing \$5,750, your Tax Credits would be:

	System Cost	\$5,750
Less:	HECO Instant Rebate/Co-Payment	— <u>\$1,000</u>
	System Cost after Co-Payment	\$4,750
<u>(The amount you pay for the system at time of purchase)</u>		
	Less: 35% State Tax Credit	— \$1,662.50
	(35% of \$4,750)	
	Less: 30% Federal Tax Credit	— <u>\$1,425</u>
	(30% of \$4,750)	
	System Cost <u>after</u> Tax Credits	\$1,663

\$3,087 Your Total Tax Credits ($\$1,662 + \$1,425 = \$3,087$) = **System cost reduced 65%**
\$4,750 The amount you pay for the system at time of purchase

Plus . . .

. . . your annual utility savings will pay for the other 35% of the cost . . .

*. . . in most cases, the system can thereby pay for itself
within 1.5 to 2 years!*

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INSTANT REBATE

- Get a HECO **\$1,000.00 instant Solar System rebate** at time of purchase



**ONE THOUSAND
DOLLAR
INSTANT
SOLAR REBATE**

Some restrictions apply. Offer subject to availability of funds.
Valid exclusively for Hawaiian Electric Company customers.
This coupon entitles you to a \$1,000 instant rebate on the
purchase of a solar water heating system installed by a
Hawaiian Electric Company Participating Contractor.

30% Federal Solar Energy Tax Credit

- Receive **THOU\$AND\$** in Federal Solar Energy Tax Credits

35% State Tax Credit

- Receive up to a **\$2,250.00 Hawaii State Energy Tax Credit**

SAVINGS!

- *Save year after year after year on your electric bill*

Remember:

Fuel Costs and Utility Rates will continue to **GO UP** year after year

FREE HECO INSPECTION

- After Solar System installation: **HECO** will give your system a **100 point Quality Control inspection**

\$100.00 Discount Off Any *Solar Water Heating System*

Purchased thru Michael F. Gold — *Hold onto this valuable coupon!*

— Limit one \$100.00 Discount per residence purchase. Expires 12/31/09 — **A-1 Marketing, Inc.**

For an Average Family of Four (4)

A conventional Water Heater Uses between 240 to 500 kwh/month

At current Utility Rates, that's about \$51.00 to \$105.00 per MONTH!

That's \$612.00 to \$1,260.00 per YEAR!

**A properly designed Solar Water Heating System
can save you 90% of your Water Heating Costs!**

That's SAVINGS of \$551.00 to \$1,134.00 per YEAR!

**With the \$1,000.00 HECO Rebate,
The 30% Federal & 35% State Tax Credits
Pays for about 65% of the cost of the system!**

**With your annual utility savings,
the system can pay for itself within 1.5 to 2 years!**

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Remember . . .

If you do not purchase a Solar System . . .

**You cannot use the money
you would use to purchase your solar system
for anything else . . .**

You cannot spend that money on anything else . . .

Why?

**If you don't invest in a Solar System,
the money you would have used to pay for the system,**

- has to be used to **pay your Federal Income Tax****
- has to be used to **pay your State Income Tax****
- has to be used to **pay the Electric Co. to Heat your Water****

So . . .

**. . . If you are spending that money for taxes and utility bills,
. . . *how can you spend that money on anything else but your
Solar Water Heating System?????***

Why Convert To Solar NOW?

- * *Every week you delay —*
— the longer you wait to invest
— the more you will pay!



- 1.) *In wasted money you use to heat your water*
— Money that could have been used to pay for your Solar System.
For every \$1 increase in the cost of a Barrel of Oil, you will pay approximately .0020378457¢ more per KWH ...OR ... OVER 2¢ per KWH For every \$10 increase in the cost of a Barrel of Oil!
- 2.) *In higher system costs*
— Prices will go higher & higher, due to more demand and less supply of components.
- 3.) *In loss of \$1,000.00 in HECO incentive funds, should they end before you purchase a system and the funds are no longer available to you; availability of funds IS LIMITED*
— there is a limited amount of incentive funds each month and each year — “first come first served” — “you snooze you lose”!

**BASED ON WHAT YOU NOW KNOW,
IF WE CAN PROVIDE YOU WITH A
SOLAR SYSTEM THAT WILL MEET 100%
OF YOUR EVERYDAY HOT WATER NEEDS —
AND GUARANTEE IT TO DO EXACTLY THAT —
ARE YOU INCLINED TO STAY
WITH THE CONVENTIONAL
ELECTRIC SYSTEM YOU NOW HAVE,
OR ASSUMING THE INSTALLATION COST
OF THE SOLAR SYSTEM IS AFFORDABLE,
AND DONE ON A BASIS WHERE IT NOT ONLY PAYS
FOR ITSELF, BUT ACTUALLY MAKES YOU MONEY,
WOULD YOU LIKE TO CONVERT
TO SOLAR ENERGY?**

Considering a Solar Water Heating System for Your Home?

Let us provide a No Cost — No Obligation Solar System Design and Price Quote for Your Home.

Call Michael Gold: 454-2666

☑ **Reduce your Water Heating Cost by 90%**

Save Hundreds of Dollars a Year
On your Electric Bill

☑ **Receive a \$1,000.00 Incentive Instant Rebate From HECO on the Cost of Your System**

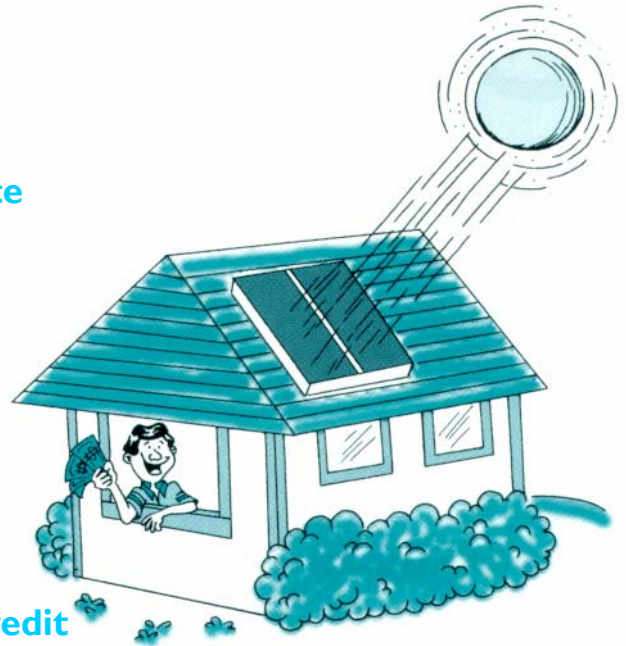
By participating in the HECO Residential Efficient Water Heating Program

☑ **Receive a 35% State Energy Tax Credit**

Save up to **\$2,250.00** off of your Solar System cost, with State Tax Savings

☑ **Receive a 30% Federal Solar Energy Tax Credit**

Save **THOUSANDS** off of your Solar System cost, with Federal Tax Savings



Let us design a **Solar Water Heating System** to meet the **Hot Water** needs of your household.

We have been designing Solar Water Heating Systems **Since 1978.**

All System Designs — Including: ALL Components, Plumbing, and Installation Materials & Fittings, meet or exceed HECO System Design Requirements — to Qualify for the \$1,000.00 Rebate. — **GUARANTEED!**

Let us present a quote for your **custom designed system.**

Call Michael Gold: 454-2666

Representing a HECO Participating Solar Contractor

