

## **U.S. Proposes to Cut Back on Solar Installation Tax Credits by 2017**

By Kristofer Hatch J.D. Candidate 2017 | November 23, 2015

By the end of next year, the U.S. will [cut back](#) on tax credits for wind and solar. Solar power's most prominent tax credit will expire at the end of 2016, with the most significant tax credit for wind power having already expired.

Currently, federal subsidies provide residential solar installers with a thirty percent tax credit through the [solar investment tax credit](#) (ITC). The ITC has been extended in the past, and has helped solar installation grow by over 1600% since its inception in 2006. At the end of 2016, this subsidy will be reduced down to [ten percent](#).

These cutbacks on credits for solar energy could have steep consequences on the solar industry in the United States. Elon Musk has [blamed](#) the closing of Zep Solar UK, a subsidiary of his US-based parent company, Solar City, on cuts to solar subsidies in the UK. Other markets however, have managed quite well, despite a lack of tax credits. Solar energy in Chile, for example, has fared much better without governmental support: total installed solar capacity [increased](#) from less than 4 Megawatts to more than 220 Megawatts in a year, without the support of subsidies.

The threat of tax credit cuts has put the pressure on for solar installers. According to Bloomberg New Energy Finance (BNEF), more than [8.5 gigawatts](#) of solar capacity will be installed by the end of this year, and 11 gigawatts installed in 2016. BNEF expects solar installations in 2017 to drop about 70 percent if the tax credit is not extended.

The debate as to the necessity and effectiveness of the ITC tax credit is heated. [Proponents](#) of the ITC claim that it plays a vital role in creating new “high-wage American jobs, spurring economic growth, ensuring U.S. global competitiveness, lowering energy bills for consumers & businesses, and reducing pollution.” [Critics](#) however are less enthusiastic, citing that subsidies have provided solar developers with an estimated \$39 billion annually, however solar still remains only 0.5% of all electricity generated in the U.S. as of 2014. Furthermore, solar job creation is only estimated at roughly 32,000 jobs, with manufacturing of solar panels mainly taking place in China.

Regardless of whether the ITC subsidy gets extended, the outlook is bright for the solar industry. U.S. Energy Secretary Ernest Moynz [believes](#) that the “price of solar and wind power has fallen so dramatically that the market for them can now grow without subsidies.” The cost of rooftop solar could fall to as low as 6 cents per kilowatt hour in the near future: a price competitive with fossil-fuel alternatives.