



INCOME TAX IMPLICATIONS OF OWNING A SOLAR ELECTRIC SYSTEM IN ONTARIO

Since you are to be paid for your solar electricity sales, in the eyes of the Canada Revenue Agency, your contract with the Ontario Power Authority (OPA) makes you a business. This means that the income you earn from selling kilowatts is taxable.

There are a number of allowable deductions you can take against this income, which will reduce the resulting taxes payable to zero for many years of your 20 year contract with the OPA as follows:

1. The largest of these expenses is depreciation and a special provision of the tax act allows the homeowner to write off the cost of their system more quickly than would normally be the case. The result is that that every bit of energy revenue earned, does not result in any taxable income until the point is reached where the amount of income from energy sales equals the cost of the system. Solar PV systems are classified as " class 43.2 assets" for which, accelerated depreciation is allowed at a rate of 50% declining balance per year.
2. Loan interest for the purchase of the system (if any)
3. Additional insurance premium paid (which should be minor, being at the same cost per \$1,000 of coverage as your existing home policy)
4. Repairs and maintenance (For example an inverter repair or replacement every 10-15 years, panel cleaning or yearly O&M Services)
5. Adding a solar PV system does NOT affect property value assessments for tax purposes. In other words, MPAC is to disregard them for roof top systems. Solar PV systems are considered "Machinery for producing electric power" and here are the details directly from The Ontario Assessment Act:

Property assessable and taxable, exemptions 3. (1) All real property in Ontario is liable to assessment and taxation, subject to the following exemptions from taxation:

Machinery for producing electric power

18. All machinery and equipment including the foundations on which they rest to the extent and in the proportion used for producing electric power but not including any buildings, structures, structural facilities or fixtures used in connection therewith.

Machinery for energy conservation

18.1 Machinery and equipment used for the purposes of energy conservation or efficiency and prescribed by the Minister for the purposes of this paragraph.

Disclaimer: The information above is intended to make residential homeowners aware of residential solar electric system income tax implications as a guide only, but does not constitute an opinion and should not be relied upon as such. The advisability of any course of action mentioned above depends on your particular financial, tax and legal circumstances. Readers may wish to consult an accountant before implementing the suggestions made above.