

American Solar Manufacturing Tax Incentive

The Opportunity

The rapid growth of solar power provides a significant and unique opportunity to create the American manufacturing jobs of the future. The U.S. solar market is still in its early development, but if our nation is to fully benefit from the global shift toward renewable energy, we must maximize the domestic job opportunity and build an American solar manufacturing base. By creating incentives for domestic solar manufacturing now, while U.S. solar manufacturing capacity is still in its early stages, we can become a competitive leader in solar manufacturing at a very low cost to the Treasury, we can create hundreds of thousands of green manufacturing jobs, and we can make the technology to meet our environmental needs right here at home.

The Problem

Today, the overwhelming majority (approximately 90%) of global solar cell manufacturing occurs outside the United States. The U.S. is fifth in global solar manufacturing capacity with less than one-third of the capacity of Japan, China or Germany. Solar manufacturing continues to expand worldwide, but the U.S. is at a significant disadvantage because other countries: 1) have a head start in developing markets for solar cells, and 2) are providing significant financial incentives to locate new solar manufacturing facilities in their countries.

The Solution

We can begin to address the opportunity of domestic solar manufacturing by expanding the existing 30 percent solar investment tax credit (ITC) to include solar manufacturing equipment. This could be accomplished by including such equipment in the definitions of qualified solar electric property in sections 25D and 48 of the tax code (the residential and commercial ITC's, respectively). This proposal would provide a 30 percent tax credit for the purchase of manufacturing equipment used to produce solar material and components (e.g., silicon, solar cells, evacuated tubes, and flat-plate solar collectors), and would apply to all solar technologies

This credit would create thousands of high-paying green manufacturing jobs here in America. The Solar Energy Industries Association estimates this credit would create over 300,000 jobs. That figure is extrapolated from the Navigant Consulting study on the effect of extending the existing ITC. Solar energy creates more jobs per unit of energy produced than any other energy source – fossil or renewable.

The solar industry continues to grow rapidly, and policies that Congress will address in the coming months, such as carbon pricing and renewable energy standards, will further increase demand for solar cells. Bold leadership today can not only capture the environmental and energy benefits of solar energy, but the significant American manufacturing job opportunities of this growing industry.