

Solar Panel ROI

Excerpted from <https://www.energysage.com/solar/why-go-solar/earn-great-returns/>

In many ways, your solar power system is a financial product—one that is capable of generating annual returns ranging anywhere from 10 percent to more than 30 percent. The average EnergySage shopper pays off their solar purchase in just seven to eight years and earns a strong solar ROI, receiving free electricity for the remainder of their solar panel system's 25+ year lifespan.

While the ROI earned through investing in solar panels is different than the returns from investing in stocks and bonds, solar panels offer many superior characteristics that make them strong contenders for inclusion in your overall investment strategy, including:

Consistent, Long-Term Returns

Your solar panels can produce free electricity for 25+ years with minimal maintenance and upgrade expenses. Over that time, you will generate returns in the form of savings, equal to what you would have otherwise paid your utility.

It's safe to say that the cost of electricity will continue to rise, which makes the savings and returns from your solar PV system low risk and consistent over its useful life. **There aren't many other investment options capable of producing consistent, relatively safe returns of ten percent or more over such a long time period.**

Increasing Returns Every Year

Historical trends suggest **electricity prices will increase by an average of three percent each year.** When you invest in a solar PV system, that's good news for you. The higher the cost of electricity in your state, the higher your avoided costs are when you use solar energy. That means your solar return on investment is higher, too.

Tax-Free Returns

The majority of the returns you receive from your solar PV system come in the form of savings, not income. This is an important difference because, unlike income, savings are not subjected to federal or state income taxes. **Depending on your tax bracket, your solar power system can deliver 20 to 35 percent more cash in your pocket than a taxable mutual fund investment earning a comparable rate of return.**

Additional Tax Benefits

You can also take advantage of local, state and federal tax benefits designed to encourage solar adoption. The federal investment tax credit (ITC) allows you to apply 26 percent (in 2020; 22% in 2021) of the cost of your solar PV system as a tax credit to your income tax bill. This means that if your system cost \$20,000 you can reduce the amount you owe the IRS by \$5,200.

Solar panel systems can be financed with a solar loan, and the interest on these loans may also be tax deductible. Business owners have the added benefit of accelerated depreciation schedules that allow them to deduct the depreciation they take on their investment over a shorter period of time.

Increased Property Resale Values

Multiple studies show investing in solar panels can increase the value of your property, particularly if you buy your system in cash or with a solar loan. Properties equipped with solar panels sell for significantly more than similar properties without solar. **Buyers are interested in properties with low or non-existent utility bills and in reducing their impact on the environment—and they are willing to pay a premium to accomplish these goals.**