



## Financial Incentives Terminology

A **Grant** is an amount of money given to fund certain projects.

**Tax credit** is a tax incentive which allows certain taxpayers to subtract the amount of the credit from the total they owe the state. A credit *directly* reduces tax bills, unlike tax deductions and tax exemptions, which *indirectly* reduce tax bills by reducing the size of the base (for example, a taxpayer's income or property value) from which the tax bill is calculated.

**Tax deduction** is a reduction of income that is able to be taxed, and is commonly a result of expenses, particularly those incurred to produce additional income. The difference between deductions, exemptions and credit is that deductions and exemptions both reduce taxable income, while credits reduce tax

**Rebate** is an amount paid by way of reduction, return, or refund on what has already been paid or contributed. It is a type of sales promotion that marketers use primarily as incentives or supplements to product sales.

**Performance based incentives** (PBIs), also known as production incentives, provide cash payments based on the number of kilowatt-hours (kWh) or BTUs generated by a renewable energy system. A "feed-in tariff" is an example of a PBI.