

Project Financing:

Taking Advantage of Tax Incentives



Administrative Announcements



Tax Incentives for Federal Facilities



EPAAct 05 and recent legislation has provided several tax incentives that could significantly help (Federal) energy projects:

- **Commercial Buildings Deduction**
- **Fuel Cell Micro-turbine Credit**
- **Renewable Energy Credit**
- **Alternative Fuel Vehicle Credit**
- **Alt Fuel Refueling Credit**

Section 1331 Commercial Buildings Tax Deduction



- **Equal to the cost of** *energy efficient commercial building property placed in service or \$1.80/square foot – which ever is less*
- *Cost includes labor, material, overhead, and financing*
- **Property placed in service after December 31, 2005 and before December 31, 2007 - now 2013**
- **Property** includes *interior lighting systems, heating, cooling, ventilation, and hot water systems, or building envelope*
- **Must reduce total annual energy and power costs with respect to the interior lighting systems, heating, cooling, ventilation, and hot water systems by 50 percent or more in comparison to a reference building which meets the minimum requirements of Standard 90.1–2001**
- **Standard 90.1–2001 as in effect on April 2, 2003 (includes addenda adopted through that date—specifically excludes the lighting power changes)**
- **Essentially requires energy simulation to justify the deduction.**

Available to the initiator of project that accomplishes the criteria in Public buildings!

Fuel Cells and Micro-turbines



\$500 per $\frac{1}{2}$ kW for fuel cells greater than $\frac{1}{2}$ kW
with an electricity production efficiency of at least
30%

\$200 per kW for micro-turbines under 2,000 kW,
with an electricity production efficiency of at least
26%

For private sector – but may apply to Federal
facilities if private sector owns the equipment
and sells electricity to the Federal facility

Renewable Energy Equipment



Business Credit vs. Residential Renewable Energy Tax Credit

Business Credit:

<u>Old Incentive</u>	<u>New Incentive</u>	<u>Credit window</u>	<u>Cap</u>	<u>Eligible technologies</u>
10%	30%	1/1/06 -12/31/13 At 30%; reverts to permanent 10% thereafter	no cap	PV, CSP, solar hybrid lighting, solar domestic water heating (excluding pool heating)

Residential Credit:

<u>Old Incentive</u>	<u>New Incentive</u>	<u>Credit window</u>	<u>Cap</u>	<u>Eligible technologies</u>
None	30%	1/1/06 -12/31/13	\$2,000 per system for each solar technology	PV, Solar domestic water heating (excluding pool heating)

Transportation Tax Incentives



- **Alternative Fuel Vehicles**

Different credits per vehicle type and model – with expiration amounts per each

Can be retained by the dealer if they disclose the credit to Public entities – reduced price to Federal agencies as a result

Transportation Tax Incentives



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There I Fixed It

Transportation Tax Incentives



Alt Fuel Refueling Equipment

Natural Gas, LPG, H2, Electricity, or Diesel with at least 20% biodiesel –

30% Tax Credit up to \$30,000 before 1/1/09

50% Tax Credit up to \$50,000 on or after 1/1/09

Expires 12/31/2010

Hydrogen Fueling Equipment 12/31/08 – 1/1/2015

\$200,000 Per site

could reduce the cost of stations on Federal property if privately owned

Source of Detailed Information



Federal Tax Credits for Energy Efficiency : ENERGY STAR - Mozilla Firefox

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http://www.energystar.gov/index.cfm?c=tax_credits.tx_index

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Federal Tax Credits for Energy Efficiency

UPDATED July 14, 2009

Quick link to this page: energystar.gov/taxcredits

Federal Tax Credits for Energy Efficiency includes:

- [Tax Credits for Consumers](#)
 - Tax credits are available at 30% of the cost, up to \$1,500, in 2009 & 2010 (for existing homes only) for:
 - [Windows and Doors](#)
 - [Insulation](#)
 - [Roofs \(Metal and Asphalt\)](#)
 - [HVAC](#)

Frequently Asked Questions:

[Is there a tax credit for central air conditioners?](#)

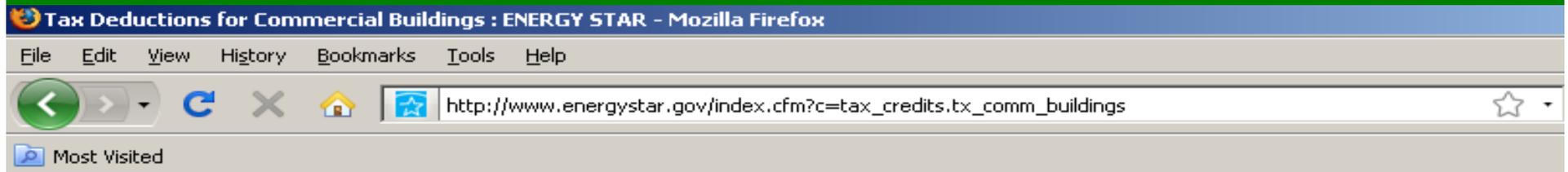
[Is there a tax credit for water heaters?](#)

[How do I apply for the energy efficiency tax credits?](#)

[Are installation costs covered by the tax credits?](#)

[Is there an income limit on the tax credit?](#)

Source of Detailed Information



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Tax Deductions for Commercial Buildings

UPDATED June 11, 2009

A tax deduction of up to \$1.80 per square foot is available to owners or designers of new or existing commercial buildings that save at least 50% of the heating and cooling energy of a building that meets ASHRAE Standard 90.1-2001. Partial deductions of up to \$.60 per square foot can be taken for measures affecting any one of three building systems: the building envelope, lighting, or heating and cooling systems. These tax deductions are available for systems "[placed in service](#)" from January 1, 2006 through December 31, 2013.

Take the [ENERGY STAR Challenge](#) to find the best opportunities for energy savings, set goals for improvement, and achieve superior energy efficiency.

- [IRS Notice 2006-52 \(6/2/2006\)](#) [EXIT](#) ⇄ provides guidance on deduction for energy efficient commercial buildings.
- [IRS Notice 2008-40 \(4/7/2008\) - Amplification of Notice 2006-52](#) [EXIT](#) ⇄
- [Qualified Software for Calculating Energy Savings](#) [EXIT](#) ⇄
- [Commercial Building Tax Deduction Coalition](#) [EXIT](#) ⇄
- [Brochure: Residential Energy Efficiency Incentives \(TIAP — May 2009, 2 pages\)](#) [EXIT](#) ⇄

Source of Detailed Information



Incentives/Policies by State: Federal: Incentives/Policies for Renewables & Efficiency - Mozilla Firefox

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What's New?

Financial Incentives

Corporate Deduction

- [Energy Efficient Commercial Buildings Tax Deduction](#)

Corporate Depreciation

- [Modified Accelerated Cost-Recovery System \(MACRS\) + Bonus Depreciation \(2008-2009\)](#)

Corporate Exemption

- [Residential Energy Conservation Subsidy Exclusion \(Corporate\)](#)

Corporate Tax Credit

- [Business Energy Investment Tax Credit \(ITC\)](#)
- [Energy Efficient Appliance Tax Credit for Manufacturers](#)
- [Energy-Efficient New Homes Tax Credit for Home Builders](#)
- [Renewable Electricity Production Tax Credit \(PTC\)](#)

Federal Grant Program

- [Tribal Energy Program Grant](#)
- [U.S. Department of Treasury - Renewable Energy Grants](#)
- [USDA - Rural Energy for America Program \(REAP\) Grants](#)

Federal Loan Program

- [Clean Renewable Energy Bonds \(CREBs\)](#)

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Renewable Electricity Production Tax Credit (PTC)

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Last DSIRE Review: 07/20/2009

Incentive Type: Corporate Tax Credit

Eligible Renewable/Other Technologies: Landfill Gas, Wind, Biomass, Hydroelectric, Geothermal Electric, Municipal Solid Waste, Hydrokinetic Power (i.e., Flowing Water), Anaerobic Digestion, Small Hydroelectric, Tidal Energy, Wave Energy, Ocean Thermal

Applicable Sectors: Commercial, Industrial

Amount: 2.1 ¢/kWh for wind, geothermal, closed-loop biomass; 1.1 ¢/kWh for other eligible technologies. Generally applies to first 10 years of operation.

Eligible System Size: Marine and Hydrokinetic: Minimum capacity of 150 kW
Agricultural Livestock Waste: Minimum capacity of 150 kW

Web Site: <http://www.irs.gov/pub/irs-pdf/f8835.pdf>

Authority 1: 26 USC § 45

Date Enacted: 1992

Summary:

Note: The American Recovery and Reinvestment Act of 2009 (H.R. 1) allows taxpayers eligible for the federal renewable electricity production tax credit (PTC) to take the federal business energy investment tax credit (ITC) or to receive a grant from the U.S. Treasury Department instead of taking the PTC for new installations. The new law also allows

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What's New?

Recent Legislation



The American Recovery and Reinvestment Act (PL 111-5)

Extended deadlines – e.g. 2016 for credits

Recognizing the weak economy and lack of incentive of tax credits for large companies, the Act:

- **Allowed investment credit of 30% of the system cost for wind (2012) and other qualified renewable energy systems (2013) rather than production tax credit**
- **Alternatively allowed a facility owner to choose to receive a **grant** of 30% of the systems' investment**

\$3 Billion of ARRA funds have been set aside for these grants

These incentives could enhance the cost effectiveness of privately owned systems serving Federal facilities

Recent Legislation



Treasury Department Announces Direct Payments For Qualified Energy Property

Sensing a slow-down in the effectiveness of tax credits intended to lure investors into the renewable energy and clean energy markets, Congress included a new program in the American Recovery and Reinvestment Act (Recovery Act) to allow for direct payments of up to 30 percent for specified energy property in lieu of tax credits. To qualify for the direct payment, properties must forego tax credits under sections 48 and 45 of the Internal Revenue Code (IRC).

Guidance for the program (Section 1603), to be administered by the Department of Treasury with assistance from the Department of Energy, was released on July 9.

Energy Efficiency and Renewable Energy are Critical to Improve Mission Support, Economy and the Environment



Positive proof of global warming.



Questions?



See a Tax Attorney!