

Overview of Green Investment Tax Incentives for Businesses

The American Recovery and Reinvestment Act of 2009 has made the Internal Revenue Service (IRS) responsible for implementing several tax changes that will provide tax incentives for businesses designed to increase green energy investment and spur job growth. Please check back for updates as more information becomes available.

Information presented below provides only a summary of the opportunities made available through the passage of the American Recovery and Reinvestment Act of 2009 and individuals should seek a detailed explanation of opportunities available through the American Recovery and Reinvestment Act, U.S. Internal Revenue Service, or the U.S. Department of Treasury's websites.

Addition of Permanent Sequestration Requirement to CO2 Capture Tax Credit

Advanced Energy Investment Credit

Coordination with Renewable Energy Grants

Election of Investment Credit in Lieu of Production Credit

Extension of Renewable Energy Production Tax Credit

New Clean Renewable Energy Bonds

Qualified Energy Conservation Bonds

Repeal of Certain Limits on Business Credits for Renewable Energy Property

Temporary Increase in Credit for Alternative Fuel Vehicle Refueling Property

Addition of Permanent Sequestration Requirement to CO2 Capture Tax Credit

Last year, Congress provided a \$10 credit per ton for the first 75 million metric tons of carbon dioxide captured and transported from an industrial source for use in enhanced oil recovery, and \$20 credit per ton for carbon dioxide captured and transported from an industrial source for permanent storage in a geologic formation. Facilities were required to capture at least 500,000 metric tons of carbon dioxide per year to qualify. The bill would require that any taxpayer claiming the \$10 credit per ton for carbon dioxide captured and transported for use in enhanced oil recovery must also ensure that such carbon dioxide is permanently stored in a geologic formation.

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Advanced Energy Investment Credit

The proposal establishes a new 30% investment tax credit for facilities engaged in the manufacture of advanced energy property. Credits are available only for projects certified by the Secretary of Treasury, in consultation with the Secretary of Energy, through a competitive bidding process. The Secretary of Treasury must establish a certification program no later than 180 days after date of enactment, and may allocate up to \$2.3 billion in credits. Advanced energy property includes technology for the production of renewable energy, energy storage, energy conservation, efficient transmission and distribution of electricity, and carbon capture and sequestration.

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Coordination with Renewable Energy Grants

Business taxpayers also can apply for a grant instead of claiming either the energy investment tax credit or the renewable energy production tax credit for property placed in service in 2009 or 2010. In some cases, if construction begins in 2009 or 2010, the grant can be claimed for energy investment credit property placed in service through 2016, and for qualified renewable energy facilities, the grant is 30 percent of the investment in the facility and the property must be placed in service before 2014 (2013 for wind facilities).

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Election of Investment Credit in Lieu of Production Credit

Businesses who place in service facilities that produce electricity from wind and some other renewable resources after Dec 31, 2008 can choose either the energy investment tax credit, which generally provides a 30 percent tax credit for investments in energy projects or the production tax credit, which can provide a credit of up to 2.1 cents per

kilowatt-hour for electricity produced from renewable sources. A business may not claim both credits for the same facility.

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Extension of Renewable Energy Production Tax Credit

The new law generally extends the “eligibility dates” of a tax credit for facilities producing electricity from wind, closed-loop biomass, open-loop biomass, geothermal energy, municipal solid waste, qualified hydropower and marine and hydrokinetic renewable energy. The new law extends the “placed in service date” for wind facilities to Dec. 31, 2012. For the other facilities, the placed-in-service date was extended from December 31, 2010 (December 31, 2011 in the case of marine and hydrokinetic renewable energy facilities) to Dec. 31, 2013.

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New Clean Renewable Energy Bonds

The new law increases the amount of funds available to issue new clean renewable energy bonds from the one-time national limit of \$800 million to \$2.4 billion. These qualified tax credit bonds can be issued to finance certain types of facilities that generate electricity from renewable sources (for example, wind and solar).

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Qualified Energy Conservation Bonds

The new law increases the amount of funds available to issue qualified energy conservation bonds from the one-time national limit of \$800 million to \$3.2 billion. These qualified tax credit bonds can be issued to finance governmental programs to reduce greenhouse gas emissions and other conservation purposes.

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Repeal of Certain Limits on Business Credits for Renewable Energy Property

The new law repeals the \$4,000 limit on the 30 percent tax credit for small wind energy property and the limitation on property financed by subsidized energy financing. The repeal applies to property placed in service after Dec. 31, 2008.

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Temporary Increase in Credit for Alternative Fuel Vehicle Refueling Property

The new law modifies the credit rate and limit amounts for property placed in service in 2009 and 2010. Qualified property (other than property relating to hydrogen) is now eligible for a 50 percent credit, and the per-location limit increases to \$50,000 for business property (increases to \$2,000 for other/residential locations). Property relating to hydrogen keeps the 30 percent rate as before, but the per-business location limit rises to \$200,000.

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Helpful Links:

U.S. Department of Treasury: <http://www.treas.gov/recovery/programs.shtml>

Investment Credit: <http://www.treas.gov/recovery/1603.shtml>

Internal Revenue Service: <http://www.irs.gov/newsroom/article/0,,id=206869,00.html>