



Summary of Final Provisions in H.R. 1, the American Recovery and Reinvestment Act of 2009, of Interest to Wind Energy Industry

TAX PORTION

(1) Three year extension of the PTC (Sec. 1101)

The bill extends the PTC for wind for three years through December 31, 2012.

(2) Temporary ability to claim 30% investment tax credit (ITC) instead of production tax credit (PTC) (Sec. 1102)

An entity otherwise eligible to claim the PTC (section 45 of the tax code) may instead elect to claim a 30% ITC (section 48 of the tax code, the same incentive currently available to solar) in lieu of the production tax credit for facilities placed in service in 2009, 2010, 2011, or 2012. This is an option, not a requirement.

Providing the election to convert the production tax credit into a investment tax credit will allow wind facilities to be leased, or subject to a sale and leaseback, without a loss of the credit, in the same way solar facilities may be leased or subject to a sale and leaseback.

(3) Treasury grant program in lieu of ITC (Sec. 1603)

Importantly, in order to help monetize the ITC, the bill allows taxpayers that are eligible for an investment tax credit (including investment tax credits claimed in lieu of production tax credits) to receive an equivalent financial grant from the Department of Treasury in lieu of claiming the credit if the property is either

- 1) placed in service in 2009 and 2010, or
- 2) placed in service before the credit termination date (January 1, 2013 for wind projects), provided the construction of such property began during 2009 or 2010.

The Treasury Department must pay the grant within 60 days of its application. The grant is subject to the recapture rules applicable to investment tax credits. The grant does not constitute taxable income and 50% of the grant reduces the basis of the property. The bill appropriates “such sums as may be necessary,” ensuring that every eligible project electing to forgo the ITC will receive a grant in exchange for giving up the ITC.

(4) Extension of bonus depreciation (Sec. 1201)

Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write off fifty percent of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States. The bill would extend this temporary benefit for capital expenditures incurred in 2009.

(5) Removal of small wind caps (Sec. 1103)

Under current law, businesses are allowed to claim a thirty percent (30%) tax credit for qualified small wind energy property (capped at \$4,000). Individuals are allowed to claim a thirty percent (30%) tax credit for qualified solar water heating property (capped at \$2,000), qualified small wind energy property (capped at \$500 per kilowatt of capacity, up to \$4,000), and qualified geothermal heat pumps (capped at \$2,000). The bill would repeal the individual dollar caps. As a result, each of these properties would be eligible for an uncapped 30% credit.

(6) Clean Renewable Energy Bonds (CREBs) (Sec. 1111)

The bills authorize an additional \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities.

The provision retains the present-law rules regarding how these funds may be allocated: 1/3 will be available for qualifying projects of state/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives.

(7) Repeal of subsidized energy financing limitation on the ITC (Sec. 1103)

Under current law, the investment tax credit must be reduced if the property qualifying for the investment tax credit is also financed with industrial development bonds or through any other Federal, state, or local subsidized financing program. The bill would repeal this subsidized energy financing limitation on the investment tax credit in order to allow businesses and individuals to qualify for the full amount of the investment tax credit even if such property is financed with industrial development bonds, or through any other subsidized energy financing.

(8) Manufacturing tax credit (Sec. 1302)

The bill provides a new 30% credit for investment in qualified property used in a “qualified advanced energy manufacturing project.” A qualified advanced energy

manufacturing project is a project that re-equips, expands, or establishes a manufacturing facility for the production of property designed to be used to produce energy from the sun, wind, or geothermal deposits, among other categories. The bill limits the amount of credits that can be allocated to \$2.3 billion. Credits are available only for projects certified by the Treasury Secretary in consultation with the Secretary of Energy through a competitive bidding process. An applicant can do so up front and will have three years from the date of issuance of certification to place a project in service.

APPROPRIATION PORTION

Loan Guarantee Program

- The bill amends the Energy Policy Act of 2005 to create a new Sec. 1705 loan guarantee program at the Department of Energy (DOE). Generation projects, transmission and manufacturers are eligible. Applies to both “commercial” and “innovative” technologies. To be eligible, projects must commence construction not later than September 30, 2011.
- The bill allows DOE to use \$25 million of this for administrative expenses, which is the higher amount proposed by the House and supported by AWEA to increase DOE staff to improve processing of applications. Applicants are required to provide “reasonable assurance” that they will pay “Davis-Bacon” prevailing wages.

Transmission

- \$3.25 billion in additional bonding authority for the Bonneville Power Administration for transmission and \$3.25 billion in bonding authority for the Western Area Power Administration for transmission that facilitates or delivers power by renewable energy resources “constructed or reasonably expected to be constructed” after the date of enactment of the bill.
- \$4.5 billion for DOE’s Electricity Delivery and Energy Reliability program (ED). \$100 million of this funding would be used for worker training. The report language also authorizes DOE to use this funding for subsequent legislation for transmission improvements. Language to accelerate the hiring of personnel for the program is included. \$80 million of the \$4.5 billion is provided for a resource assessment of future demand and transmission requirements. ED, in coordination with FERC, is also directed to provide technical assistance for the development of interconnection-wide transmission plans for the Eastern and Western Interconnections and ERCOT. \$10 million out of the \$4.5 billion is to implement the establishment of a smart grid “interoperability framework.” The entire \$4.5 billion includes funding for implementing Title XIII of the Energy Independence and Security Act of 2007 (EISA) that authorized appropriations for smart grid

development. Title XIII includes the authorized interoperability framework program.

Research and Development

- \$1.25 billion in undesignated funding through DOE's Energy Efficiency and Renewable Energy program for applied research, development, demonstration and deployment activities.

Workforce Training

- \$500 million for workforce training for renewable energy and energy efficiency careers as specified in the Green Jobs Act that was included in EISA. This program would provide grants for research, labor exchange and job training projects that prepare workers for careers in the energy efficiency and renewable energy industries. Entities eligible for the grants must include equal participation of industry and labor.