

Executive Summary

Key Provisions Benefiting the Solar Energy Industry in the *American Recovery and Reinvestment Act*

To access the citations below:

Div. A http://www.seia.org/galleries/pdf/Recovery_Bill_Div_A.pdf

Div. B http://www.seia.org/galleries/pdf/Recovery_Bill_Division_B.pdf

Renewable Energy Grants

- Creates a new program through the Department of Treasury that provides grants equal to 30 percent of the cost of solar property placed in service during 2009 and 2010, in lieu of the section 48 investment tax credit. (Div. B, Sec. 1104, p. 38) Property that is not placed in service prior to December 31st, 2010 qualifies for the grant program as long as construction begins prior to December 31st, 2010 and is placed in service by January 1, 2017. Applications must be filed by October 1, 2011. (Div. B, Sec. 1603, p. 153) Key details such as what constitutes an application and “begins construction” will be defined in the near future by the Treasury Department.

Repeals Penalty for Subsidized Renewable Energy Financing

- Allows businesses and individuals to qualify for the full amount of the solar tax credit, even if projects receive subsidized energy financing (e.g. below market loans, tax preferred bonds, state grants etc.). This amendment shall apply to periods after Dec. 31, 2008. (Div. B, Sec. 1103, p.36)

Renewable Energy Loan Guarantee Program

- Establishes a temporary DOE loan guarantee program for renewable energy projects, renewable energy manufacturing facilities and electric power transmission projects. Appropriates \$6 billion to pay the credit subsidy costs, which should support \$60 billion worth of loan guarantees. Eligible renewable projects are those that generate electricity or thermal energy and facilities that manufacture related components. Projects must commence construction by September 30, 2011. Davis-Bacon wage requirements (prevailing federal wage) apply to any project receiving a loan guarantee. (Div. A, p. 63 & p. 77)

Renewable Energy Manufacturing Investment Credit

- Provides up to \$2.3 billion to fund 30 percent investment tax credit for manufacturing assets used to manufacture of advanced energy property. Projects must be certified by the Treasury, in consultation with the Secretary of Energy, through a competitive application process. Effective upon enactment. (Div., B, Sec. 48 C, p. 102)

Remove Limits on Solar Water Heating

- Section 25D provides a personal tax credit for the purchase of qualified solar water heating property that is used for a purpose other than heating swimming pools and hot tubs. The 30 percent ITC has a monetary cap of \$2,000. This provision removes the \$2,000 cap, providing a full 30 percent credit for qualified solar water heating property. The credit may be claimed against the alternative minimum tax. (Div. B, Sec. 1122(a), p. 46)

Extend Bonus Depreciation

- Last year, Congress temporarily increased the amount (50% of the cost of capital investment) that small businesses could write-off for capital expenditures incurred in 2008 to \$250,000 and increased the phase-out threshold for 2008 to \$800,000. The bill would extend these temporary increases for capital expenditures incurred in 2009. Accordingly, until the end of 2010, small business taxpayers are allowed to write-off up to \$125,000 (indexed for inflation) of capital expenditures subject to a phase-out once capital expenditures exceed \$500,000 (indexed for inflation). (Div. B, Sec 1202, p. 74)

Solar on Federal Property

- Appropriates \$5.5 billion to be deposited into the Federal Buildings Fund for expenditures to construct, repair and make alterations on federal buildings to increase energy efficiency, including installing solar energy equipment. \$4.5 billion shall be available for measures necessary to convert GSA facilities to high-performance green buildings. (Div. A, Title V, General Services Administration, p. 88)
- Appropriates \$1 billion for non-recurring maintenance on Veterans Affairs facilities, including energy projects. (Div. A, p. 213)
- GSA estimates that 75% of the anticipated projects will include a solar component.

Department of Energy Funding

- Appropriates \$16.8 billion to DOE's Office of Energy Efficiency and Renewable Energy, including \$2.5 billion for applied research, development, demonstration, and deployment projects. (Div. A, p. 59 and Joint Statement A, p. 24) The total amount includes specific appropriations for the following:
 - Conservation block grants \$3.2 billion
 - Weatherization \$5.0 billion
 - State Programs \$3.1 billion
 - Batteries \$2.0 billion

Department of Interior Funding

- Appropriates \$125 million to BLM for the management of lands and resources and suggests funds be used for renewable energy rights-of-way and related permitting projects. (Div. A, Title IVV Interior, p. 133)

New Clean Renewable Energy Bonds ("New CREBs")

- Provides an additional \$1.6 billion for new clean renewable energy bonds to finance facilities that generate electricity from renewable energy sources including solar facilities. (Div. B, Sec. 1111, p. 39)

5 Year Carryback of Net Operating Losses

- For tax years 2008 and 2009, extends the maximum carryback period for net operating losses from two years to five years. Eligible small business may elect to increase the carryback period for an applicable 2008 NOL from two years to any whole number of years elected by the taxpayer that is more than two and less than six. An eligible small business is a taxpayer meeting a \$15,000,000 gross receipts test. (see Sec. 448(c)) An applicable NOL is the taxpayer's NOL for any taxable year ending in 2008, or if elected by the taxpayer, the NOL for any taxable year beginning in 2008. However, any election under this provision may be made only with respect to one taxable year. (Div., B. Sec. 1211, p. 74)

Enhanced R&D Credit - **Cut from final bill**

Qualified Energy Conservation Bonds

- Authorizes an additional \$2.4 billion, up from \$800 million, in bonds to finance State, municipal and tribal government programs to reduce greenhouse gas emissions. These bonds can be used by government agencies to reduce energy consumption in publicly-owned buildings by at least 20 percent, implement green community programs, or develop electricity from renewable energy resources. Demonstration projects that reduce peak electrical use also qualify. Public education campaigns to promote energy efficiency can also be funded. (Div B, Sec. 1112, Page 40)

Electric Transmission Infrastructure

- Allows Western Area Power and Bonneville Power Administrations to borrow funds (up to \$3.25 billion each) to construct or finance transmission lines. (Div. A, Sec. 408, p. 65) Directs the DOE to include analysis of renewable energy sources, including solar, in its 2009 National Electric Transmission Congestion Study. (Div. A, Sec. 408, p. 80)

Solar for Schools

- Appropriates \$53.6 billion to a state fiscal stabilization fund. Specifies that states shall use 18.2% of this money for public safety and other government services, including the renovation of facilities and schools to meet green building standards. Solar energy projects qualify. (Div. A, Sec. 14001-14002, pp. 425-429)

Green Collar Jobs

- Appropriates \$500 million to fund job training programs in energy efficiency and renewable energy. (Div. A, Title VIII, p. 148) Also appropriates \$250 million for rehabilitation and construction projects on Job Corps Centers, including energy efficiency and renewable energy projects. (Div. A, Title VIII, p. 150)

Smart Grid

- The legislation provides up to 50% reimbursement to smart grid demonstration projects in urban, suburban, tribal, and rural areas, including areas where electric system assets are controlled by nonprofit entities or investor owned utilities. The Secretary of Energy is also required to maintain a smart grid information clearinghouse. As a condition of qualification, demonstration projects are required to use open protocols and standards. (Div. A, Section 405, p. 72)
- The legislation provides a 30% tax credit for property designed to produce energy conservation technologies (including energy-conserving lighting technologies and smart grid technologies) (Div. B, Section 48C, Page 10)

Solar for the Military

- Appropriates \$300 million for DOD research, development, testing and evaluation of projects to improve energy generation, transmission, and energy efficiency. (Div. A, Title X, p. 48)
- Appropriates an additional \$100 million for Navy and Marine Corps facilities, and further specifies that funds are for energy efficiency and alternative energy projects. (Div. A, Title X, p. 196)

Remedy for AMT and R&D Credits in Lieu of Bonus Depreciation

- Where a taxpayer is in a loss position, deductions in excess of income are unable to enjoy the benefit of bonus depreciation. This provision extends the allowance in the Foreclosure Prevention Act of 2008 that permits AMT and loss taxpayers to receive 20% of the value of their old AMT or R&D credits to the extent such taxpayers invest in assets that qualify for bonus depreciation. The amount is capped at the lesser of 6% of outstanding and unused AMT and R&D credits or \$30 million. The extension of the additional first-year depreciation deduction is generally effective for property placed in service after December 31, 2008. The extension of the election to accelerate AMT and research credits in lieu of bonus depreciation is effective for taxable years ending after December 31, 2008. (Div. B, Sec 1201(b), p. 71)

Solar Water Treatment Plants:

- Provides \$6 billion for the State and Tribal Assistance Grants account (\$4 billion for the Clean Water State Revolving Funds and \$2 billion for the Drinking Water State Revolving Funds). To ensure that the funds are used immediately to create jobs, the money must be committed to projects under contract or construction within 12 months of the date of enactment.
- The bill requires that not less than 20 percent of each Revolving Fund be available for projects to address green infrastructure, water and/or energy efficiency, or other environmentally innovative technologies. The bill allows States to use less than 20 percent for these types of projects only if the States lack sufficient applications. (Div A, Title VII, p. 137)