



Renewable Energy and Energy Efficiency Incentives

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Deliver valued, comprehensive solutions through a "OneRehmann" experience.
- **Our Vision**
Be THE Firm of Choice for clients and associates.
- **Our Culture**
Our brand promise, *Business Wisdom Delivered*, doesn't mean we think we know it all. What it means is that we know how to listen, research, collaborate, learn from experience and innovate to come up with comprehensive solutions to complex problems. That means we work together with each other and with our clients to come up with great new ways to help people achieve their unique goals. Each of us lives the promise of "delivering business wisdom."

Agenda

- Energy Incentives
 - Credits – Deductions – Grants – Rebates
- Section 179D – Energy Efficient Building Deduction
 - Lighting, HVAC and Building Envelope
- Section 48 – Energy Credit
 - Renewable Energy
 - Grant in Lieu of Credit
- Section 48C – Qualifying Advanced Energy Project
 - What is it?
 - Application Procedures
- Other Energy Credits

Types of Energy Incentives

- Deductions
 - Reduce taxable income
- Credits
 - Reduce tax liability
- Grants
 - Lump sum payment
- Rebates
 - Reduce utility costs

Tax Deduction vs. Tax Credit

Difference between \$100,000 tax deduction and \$100,000 tax credit

Deduction

Operating Income	\$ 1,000,000
Operating Deductions	\$ 500,000
Additional Deduction	<u>\$ 100,000</u>
Taxable Income	<u>\$ 400,000</u>
Tax Rate	x 35%
Tax Liability	<u>\$ 140,000</u>

Credit

Operating Income	\$ 1,000,000
Operating Deductions	<u>\$ 500,000</u>
Taxable Income	\$ 500,000
Tax Rate	x 35%
Tax Liability before Credit	\$ 175,000
Tax Credit	<u>\$ 100,000</u>
Tax Liability	<u>\$ 75,000</u>

IRC Section 179D

- Deduction
 - Cost of energy efficient commercial energy property
 - \$1.80 per square foot maximum
 - Lifetime deduction limitation
 - Interior Lighting (60¢ per square foot max)
 - HVAC & Hot Water (60¢ per square foot max)
 - Building Envelope (60¢ per square foot max)

Energy Efficient Property

- Depreciation is allowable
- Located within the U.S. and within the scope of ASHRAE 90.1-2001
 - American Society of Heating, Refrigeration, and Air Conditioning Engineers
- Installed as part of the interior lighting system, heating, cooling ventilation and hot water systems, or building envelope
- Certified and Installed as part of a plan designed to reduce the total annual energy and power costs by 50% or more compared to Standard 90.1-2001

Requirements

- Must use approved qualified computer software
 - www.eere.energy.gov/buildings/info/qualified_software
- Certification
 - Must be certified by qualified individual to ensure compliance
- Basis Reduction
- Partial Allowance
 - Deduct up to \$0.60 per system (Lighting, HVAC, Envelope) if all systems do not qualify

Example –

- In 2009, T expends \$100,000 for energy efficient lighting property. The square footage of the building is 200,000.
- Deduction = \$100,000 ($200,000 \times \$0.60 = \$180,000$)
- Limited to \$100,000

- In 2010, T expends an additional \$300,000 on qualified HVAC and building envelope property.
- Deduction = \$240,000 ($200,000 \times \$1.20 = \$240,000$)
- T has deducted \$340,000 of the \$360,000 allowable

Qualified Individual

- Is not related (within the meaning of § 45(e)(4)) to the taxpayer claiming the deduction under § 179D;
- Is an engineer or contractor that is properly licensed as a professional engineer or contractor in the jurisdiction in which the building is located; and
- Has represented in writing to the taxpayer that he or she has the requisite qualifications to provide the certification required under section 4 of this notice (in the case of an individual providing the certification) or to perform the inspection and testing described in section 4.05 of this notice (in the case of an individual performing the inspection).

Interim Lighting Rules

- If lighting power density (“LPD”) is decreased by 40% (50% for warehouses) or more compared to ASHRAE 90.1-2001- Full \$0.60 Deduction
- Phased-out if between 25% and 40%
- Must have Bi-level switching – except for Hotel/Motel rooms, store rooms, restrooms, and public lobbies

Government Buildings

- Governmental units can allocate the 179D deduction to the designer of the building.
- Deduction allowed in year property placed in service.
- If more than one designer, the governmental unit can allocate between each.
- The designer does not have to recognize income

“Designer” Defined

- A designer is a person that creates the technical specifications for installation of energy efficient commercial building property (or partially qualifying commercial building property for which a deduction is allowed under § 179D). A designer may include, for example, an architect, engineer, contractor, environmental consultant or energy services provider who creates the technical specifications for a new building or an addition to an existing building that incorporates energy efficient commercial building property (or partially qualifying commercial building property for which a deduction is allowed under § 179D). A person that merely installs, repairs, or maintains the property is not a designer

Energy Credit

- 30% Credit
 - Qualified fuel cell property
 - Qualified small wind energy property
 - Property that uses solar energy to heat or cool a structure, or to provide solar process heat.
 - Property that uses solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight

Energy Credit

- 10% Credit
 - Equipment used to produce, distribute, or use energy derived from a geothermal deposit.
 - Qualified fuel cell property or qualified microturbine property
 - Combined heat and power systems
 - Qualified small wind energy property
 - Equipment which uses the ground or ground water as a thermal energy to heat or cool a structure

Energy Grant

- Taxpayers can elect to receive a grant in lieu of the Section 48 (Sec. 45 also) credit
- Equipment must be placed in service or construction started before 12/31/2010 (The grant option potentially could be extended)
- Applications must be submitted to the Department of Energy by 10/1/2011
- Income is not recognized, however, basis in the property is reduced

Qualifying Advanced Energy Project

- Project which re-equips, expands, or establishes a manufacturing facility for the production of:
 - property designed to be used to produce energy from the sun, wind, geothermal deposits, or other renewable resources,
 - fuel cells, microturbines, or an energy storage system for use with electric or hybrid-electric motor vehicles,
 - electric grids to support the transmission of intermittent sources of renewable energy, including storage of such energy,
 - property designed to capture and sequester carbon dioxide emissions

Qualifying Advanced Energy Project

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 - property designed to capture and sequester carbon dioxide emissions
 - property designed to refine or blend renewable fuels or to produce energy conservation technologies (including energy-conserving lighting technologies and smart grid technologies),
 - new qualified plug-in electric drive motor vehicles (as defined by [section 30D](#)), qualified plug-in electric vehicles (as defined by [section 30\(d\)](#)), or components which are designed specifically for use with such vehicles, including electric motors, generators, and power control units, or
 - other advanced energy property designed to reduce greenhouse gas emissions as may be determined by the Secretary

Qualifying Advanced Energy Project

- Effective after February 17, 2009
 - \$2.3 billion allocated to distribute as a Federal tax credit for the 2009 – 2010 allocation round
 - 30% credit for investment in qualified property used in a qualified advanced energy project
 - Procedures:
 - Preliminary Application
 - Final Application
 - Agreement between taxpayer and IRS

Qualifying Advanced Energy Project

- 2010 – 2011 Allocation Round
 - Funds not used during 2009 – 2010 allocation round will be distributed during the 2nd allocation round
 - Potential increase in credit available
 - Same procedures as 2009 – 2010 allocation round:
 - Preliminary application due September 2010
 - Final application due October 2010

Qualifying Advanced Energy Project

- Evaluation Criteria
 - Greatest job creation
 - Greatest net impact in avoiding or reducing air pollutants or anthropogenic emissions of greenhouse gasses
 - Greatest potential for technological innovation and commercial deployment
 - Shortest project timeframe from certification to completion

Other Energy Credits

- Non-Business Energy Property
 - Windows, Doors, HVAC, Insulation, etc.
 - 30% - Maximum \$1,500 lifetime
- Residential Energy Efficient Property
 - 30% - Renewable energy
- Qualified Plug-in Electric Drive Motor Vehicle
 - \$417 per kw hour of traction battery capacity in excess of 5kw.
 - GVWR less than 14,000 lbs

Circular 230

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