

President Bush signed the Emergency Economic Stabilization Act of 2008, commonly known as the “Bailout Bill,” into law on October 3, 2008. The Act included incentives for production of advanced energy, which are outlined below.

I. Production & Investment Tax Credits and Bonds

- A. Investment Tax Credit (“ITC”) - The bill also extends the 30% ITC for solar energy property by eight years, through December 31, 2016, and expands the credit to include installation expenses for geothermal heat pumps and residential wind turbines. The cap on qualified residential solar electric property expenditures (currently \$2,000) was also removed.
- B. Production Tax Credits (“PTCs”) - The bill extends the expiration date for PTCs until January 1, 2010. PTCs credit 1.5 cents/kWh of electricity produced from a “qualified energy resource”, which include wind, biomass, geothermal, solar, small irrigation power, municipal solid waste, qualified hydropower production, and marine and hydrokinetic renewable energy. A new tax credit was created for combined heat and power system property.
- C. R&D Tax Credit - The bill extends the research and development tax credit of 20% through December 31, 2009.
- D. New Clean Renewable Energy Bonds (“NCREBs”) - The bill authorizes \$800 million of NCREBs to finance facilities that generate electricity from renewable resources. Proceeds will be allocated one-third to projects of state/local/tribal governments, one-third to projects of public power providers, and one-third to projects for electric cooperatives.
- E. Qualified Energy Conservation Bonds (“QECBs”) - \$800 million in new tax credit bonds, named QECBs, were created by the bill and may be used to finance state and local government initiatives including reduction of energy consumption, implementing green community programs, rural renewable electricity development, or research of technologies to reduce peak electricity usage.

II. SmartMeters & Smart Grid Systems

The bill provides accelerated depreciation over a 10-year period, instead of the current 20-year period, for smart electric meters and smart electric grid equipment.

III. Commercial Building Provisions

The bill extends the expiration date on the tax deduction for energy efficient commercial buildings to December 31, 2013. This tax deduction of up to \$1.80/sq ft is available for commercial buildings that save at least 50% of the heating and cooling energy of the building. Partial deductions of up to \$0.60/sq ft can be taken for measures affecting any one of three building systems: building envelope, lighting, or heating and cooling systems.

IV. Residential Property Provisions

- A. Residential Energy Efficiency - A 30% tax credit is available for qualified solar water heating and photovoltaic systems. These credits were extended to December 31, 2016 and the monetary cap (currently \$2,000) has been removed for photovoltaic systems. The 30% tax credit is also available for small wind energy property, up to \$500 for each half kilowatt of capacity with an overall maximum of \$4,000. Fuel cell and microturbine systems are also allowed a credit of up to 30% of the cost (up to \$1500 per 0.5 kw of capacity maximum). Geothermal is allowed 30% of the cost of the system up to \$2,000.
- B. Residential Energy Efficiency Improvements - Residential energy efficiency improvement credits were also extended through 2009. These provide credits for individual appliances ranging from \$45-\$250 (with a combined maximum of \$500) and are available for insulation, replacement windows, non-solar water heaters, and certain high efficiency heating and cooling equipment.

V. Coal and Carbon Capture/Sequestration

The bill allows a 30% tax credit for advanced coal-based generation technology projects which capture or sequester carbon, and increases the credit cap to \$2.55 billion. The investment tax credit rate for coal gasification projects was increased to 30%. Also, a new tax credit was created for carbon dioxide sequestration.

VI. Transportation, Fuel Security, and Alternative Fuel Refueling Equipment

- A. Cellulosic biofuel - Cellulosic biofuel is now included within the definition of biomass ethanol plant property so that taxpayers may immediately write off 50% of the cost of facilities that produce it.
- B. Biodiesel and Renewable Diesell - The \$1.00/gallon production tax credit for biodiesel and \$0.10/gallon credit for small biodiesel producers will continue through 2009. Now the \$1.00/gallon credit will be extended to diesel fuel created from biomass. Diesel fuel created by co-processing biomass with other feedstocks (e.g. petroleum) will be eligible for \$0.50/gallon tax credit.
- C. Alternative Fuel - The tax credits for alternative fuel and fuel mixtures has been extended to December 31, 2009. This includes compressed or liquefied biomass gas but requires the meeting of certain carbon capture requirements.
- D. Electric Vehicles - A new tax credit between \$2,500 and \$7,500 was created for purchasers of plug-in electric vehicles.
- E. Vehicle Refueling Equipment - The tax credit of up to 30% (up to \$30,000 per business location or \$1,000 per individual principal residence) is available for the installation of alternative fuel vehicle refueling equipment has been extended through 2010. Significantly, installing equipment to recharge the batteries of an electric-powered car now qualifies for the credit.