

Wind Energy Tax Credits for Small Wind Projects

On February 17, 2009, President Obama signed into law The American Recovery and Reinvestment Act (ARRA) of 2009. Text of the full bill and additional information from the U.S. government is available at www.recovery.gov. ARRA is a broad piece of legislation and contains a host of potential benefits for consumers and producers of small wind turbines, including:

◆ **Removal of small wind cost caps from investment tax credit (ITC) (Sec. 1103)**

⇒ ARRA includes a provision to remove both cost caps on the federal small wind turbine ITC, originally passed on October 3, 2008.

- Taxpayers can now claim a 30% tax credit for the purchase and installation of qualifying small wind electric systems with rated capacities of 100 kilowatts (kW) or less.
- The credit is available from February 17, 2009 through December 31, 2016.

◆ **Treasury grant program in lieu of the investment tax credit (ITC) (Sec. 1603)**

⇒ In order to help monetize the ITC, ARRA allows taxpayers who are eligible for an ITC to receive an equivalent financial grant from the Treasury Department, in lieu of claiming the credit, if the property is either:

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

⇒ Residential consumers are NOT eligible for this grant. The grant is applicable only to entities as defined in Sections 45 and 48 of the internal revenue code, which, generally, are businesses. For more information on these tax code sections see www.irs.gov/taxpros/article/0,,id=98137,00.html.

Guidance from the U.S. Treasury Department and the Energy Department on how the programs within their jurisdictions will be implemented is still being developed. For example, there is not yet a defined process for submitting applications for the Treasury Department grant program, the manufacturing credit, or the new Energy Department loan guarantee program. The Oregon Department of Energy has a page for submitting proposal ideas in anticipation of final guidance coming shortly. For more information on small wind projects and community owned projects visit the Oregon Department of Energy page:

<http://www.oregon.gov/ENERGY/RENEW/Wind/Small.shtml>.