# Federal Incentives and Laws

## Volumetric Ethanol Excise Tax Credit

| | |
|---|---|
| Incentive Type: | Excise Tax Credit |
| Applicable Sectors: | fuel blenders/distributors |
| Authority 1: | 26 USC Sec. 6426 |
| Effective Date: | Dec. 31, 2004 |
| Termination Date: | Biodiesel--December 31, 2008; Alcohol--Dec. 31, 2010 Alt. Fuels--September 30, 2009 (Liquid hydrogen--September 30, 2014) |
| Amount: | Ethanol & Methanol = 51cents/gallon<br>Pure methanol, ethyl tertiary butyl ether or other ethers produced from alcohol = 60 cents/gallon;<br>50 cents times the number of gasoline gallon equivalents of a nonliquid alternative fuel |
| Maximum Amount: | No limit |
| Summary: | Alcohol fuel mixture credit, Biodiesel mixture credit & Alternative fuel credit<br>Title III: Tax Relief for Agriculture and Small Manufacturers - Subtitle A: Volumetric Ethanol Excise Tax Credit - Allows a refundable credit against the gasoline excise tax for the sum of the alcohol fuel mixture credit, the biodiesel mixture credit and alternative fuel credit.<br>Alcohol - The term "alcohol" includes methanol and ethanol but does not include alcohol produced from petroleum, natural gas, or coal (including peat), or alcohol with a proof of less than 190 (determined without regard to any added denaturants). The alcohol fuel mixture credit is the product of the applicable amount and the number of gallons of alcohol used by the taxpayer in producing any alcohol fuel mixture for sale or use in a trade or business of the taxpayer.<br>Applicable amount except as provided below, the applicable amount is 51 cents for mixtures containing ethanol. In the case of an alcohol fuel mixture in which none of the alcohol consists of ethanol, the applicable amount is 60 cents.<br>A mixture produced by any person at a refinery prior to a taxable event which includes ethyl tertiary butyl ether or other ethers produced from alcohol shall be treated as sold at the time of its removal from the refinery (and only at such time) to another person for use as a fuel.<br><br>The term "biodiesel mixture" means a mixture of biodiesel and diesel fuel which is sold by the taxpayer producing such mixture to any person for use as a fuel, or is used as a fuel by the taxpayer producing such mixture.<br>No credit shall be allowed under this subsection unless the taxpayer obtains a certification (in such form and manner as prescribed by the Secretary) from the producer of the biodiesel which identifies the product produced and the percentage of biodiesel and agri-biodiesel in the product.<br>Applicable amount for purposes of this subsection -<br>(A) In general, except as provided in subparagraph (B), the applicable amount is 50 cents.<br>(B) Amount for agri-biodiesel in the case of any biodiesel which is agri-biodiesel, the applicable amount is $1.00. |

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|---|---|
| | Alternative fuel means -<br>(A) liquefied petroleum gas,<br>(B) P Series Fuels (as defined by the Secretary of Energy under section 13211(2) of title 42, United States Code),<br>(C) compressed or liquefied natural gas,<br>(D) liquefied hydrogen,<br>(E) any liquid fuel derived from coal (including peat) through the Fischer-Tropsch process, and<br>(F) liquid hydrocarbons derived from biomass (as defined in section 45K(c)(3)).<br>Gasoline gallon equivalent means, with respect to any nonliquid alternative fuel, the amount of such fuel having a Btu content of 124,800 (higher heating value).<br><br>Requires the Secretary of the Treasury to make refunds to taxpayers whose motor fuel mixture credit exceeds their gasoline excise tax liability within 45 days or pay interest on refund amounts. Allows electronic filing for certain refund claims. |
| Eligible Renewable/ Other Technologies: | Biofuels, ethanol and biodiesel made from plant products The term "alcohol" includes methanol and ethanol but does not include -<br>(i) alcohol produced from petroleum, natural gas, or coal (including peat), or<br>(ii) alcohol with a proof of less than 190 (determined without regard to any added denaturants). Such term also includes an alcohol gallon equivalent of ethyl tertiary butyl ether or other ethers produced from such alcohol. |
| Other Critical Information | Requires the registration of taxpayers producing or importing biodiesel or alcohol. (Sec. 303) Directs the Secretary to require any individual claiming benefits under the tax credits for alcohol and biodiesel used as fuel to file informational returns.<br><br>Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, and the Tax Technical Corrections Act of 2007 have made changes that have not been incorporated at this time. |
| DOE All Alt Fuels Website | http://www.eere.energy.gov/afdc/progs/fed_summary.cgi?afdc/US/0 |
| DOE Alcohol Website | http://www.eere.energy.gov/afdc/progs/view_ind_fed.php/afdc/399/0 |
| DOE Biodiesel Website | http://www.eere.energy.gov/afdc/progs/view_ind_fed.php/afdc/395/0 |
| DOE Alt Fuel Website | http://www.eere.energy.gov/afdc/progs/view_ind_fed.php/afdc/395/0 |

# Federal Incentives and Laws

## Qualified Alternative Fuel Motor Vehicles (QAFMV) - FUEL CELL

| | |
|---|---|
| Incentive Type: | Tax Credit |
| Applicable Sectors: | Tax Paying Purchasers of these vehicles |
| Authority 1: | 26 U.S. Code 30B |
| Authority 2: | Notice 2006-54 http://www.irs.gov/irb/2006-26_IRB/ar13.html |
| Authority 3: | Notice 2006-9 http://www.irs.gov/newsroom/article/0,,id=157557,00.html |
| Effective Date: | January 1, 2006 |
| Termination Date: | December 31, 2014 |
| Amount: | Varies with Size and type; See Table Below |
| Number of Systems allowed: | No Limit |
| Carryover Provisions: | Per Tax Laws |
| Summary: | The Alternative Motor Vehicle Credit, enacted by the Energy Policy Act of 2005, provided a credit for energy efficient Fuel Cell powered vehicles. |
| Website: | |
| Other Critical Information that varies with each incentive | New qualified fuel cell motor vehicle credit<br>(1) In general--For purposes of subsection (a), the new qualified fuel cell motor vehicle credit determined under this subsection with respect to a new qualified fuel cell motor vehicle placed in service by the taxpayer during the taxable year is--<br>(A) $8,000 ($4,000 in the case of a vehicle placed in service after December 31, 2009), if such vehicle has a gross vehicle weight rating of not more than 8,500 pounds,<br>(B) $10,000, if such vehicle has a gross vehicle weight rating of more than 8,500 pounds but not more than 14,000 pounds,<br>(C) $20,000, if such vehicle has a gross vehicle weight rating of more than 14,000 pounds but not more than 26,000 pounds, and<br>(D) $40,000, if such vehicle has a gross vehicle weight rating of more than 26,000 pounds.<br><br>(2) Increase for fuel efficiency<br>(A) In general - The amount determined under paragraph (1)(A) with respect to a new qualified fuel cell motor vehicle which is a passenger automobile or light truck shall be increased by this percent of the 2002 model year city fuel economy,--<br>(i), if > 150 < 175 percent..... $1,000<br>(ii) , if > 175 < 200 percent..... $1,500<br>(iii) , if > 200 < 225 percent..... $2,000<br>(iv) , if > 225 < 250 percent..... $2,500<br>(v) , if > 250 < 275 percent..... $3,000<br>(vi), if > 275 < 300 percent..... $3,500<br>(vii), if > 300 percent ..... $4,000 |

(B) 2002 model year city fuel economy - For purposes of subparagraph (A), the 2002 model year city fuel economy with respect to a vehicle shall be determined in accordance with the following tables:

(i) In the case of a passenger automobile:

| If vehicle inertia weight class is: | The 2002 model year city fuel economy is: |
|---|---|
| 1,500 or 1,750 lbs | 45.2 mpg |
| 2,000 lbs | 39.6 mpg |
| 2,250 lbs | 35.2 mpg |
| 2,500 lbs | 31.7 mpg |
| 2,750 lbs | 28.8 mpg |
| 3,000 lbs | 26.4 mpg |
| 3,500 lbs | 22.6 mpg |
| 4,000 lbs | 19.8 mpg |
| 4,500 lbs | 17.6 mpg |
| 5,000 lbs | 15.9 mpg |
| 5,500 lbs | 14.4 mpg |
| 6,000 lbs | 13.2 mpg |
| 6,500 lbs | 12.2 mpg |
| 7,000 to 8,500 lbs | 11.3 mpg. |

(ii) In the case of a light truck:

| If vehicle inertia weight class is: | The 2002 model year city fuel economy is: |
|---|---|
| 1,500 or 1,750 lbs | 39.4 mpg |
| 2,000 lbs | 35.2 mpg |
| 2,250 lbs | 31.8 mpg |
| 2,500 lbs | 29.0 mpg |
| 2,750 lbs | 26.8 mpg |
| 3,000 lbs | 24.9 mpg |
| 3,500 lbs | 21.8 mpg |
| 4,000 lbs | 19.4 mpg |
| 4,500 lbs | 17.6 mpg |
| 5,000 lbs | 16.1 mpg |
| 5,500 lbs | 14.8 mpg |
| 6,000 lbs | 13.7 mpg |
| 6,500 lbs | 12.8 mpg |
| 7,000 to 8,500 lbs | 12.1 mpg. |

(C) Vehicle inertia weight class - For purposes of subparagraph (B), the term ``vehicle inertia weight class'' has the same meaning as when defined in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. 7521 et seq.).

(3) New qualified fuel cell motor vehicle -- For purposes of this subsection, the term "new qualified fuel cell motor vehicle'' means a motor vehicle--

(A) which is propelled by power derived from 1 or more cells which convert chemical energy directly into electricity by combining oxygen with hydrogen fuel which is stored on board the vehicle in any form and may or may not require reformation prior to use,

(B) which, in the case of a passenger automobile or light truck, has received on or after the date of the enactment of this section a certificate that such vehicle meets or exceeds the Bin 5 Tier II emission level established in regulations prescribed by the Administrator of the Environmental Protection Agency under section 202(i) of the Clean Air Act for that make and model year vehicle,

(C) the original use of which commences with the taxpayer,

(D) which is acquired for use or lease by the taxpayer and not for resale, and

(E) which is made by a manufacturer.

# Federal Incentives and Laws

## Qualified Alternative Fuel Motor Vehicles (QAFMV) - LEAN BURN TECHNOLOGY

Incentive Type: Tax Credit
Applicable Sectors: Tax Paying Purchasers of these vehicles
Authority 1: 26 U.S. Code 30B
Authority 2: Notice 2006-54 http://www.irs.gov/irb/2006-26_IRB/ar13.html
Authority 3: Notice 2006-9 http://www.irs.gov/newsroom/article/0,,id=157557,00.html
Effective Date: January 1, 2006
Termination Date: December 31, 2010
Amount: Varies with Size and type

(c) New advanced lean burn technology motor vehicle credit

(1) In general -- For purposes of subsection (a), the new advanced lean burn technology motor vehicle credit determined under this subsection for the taxable year is the credit amount determined under paragraph (2) with respect to a new advanced lean burn technology motor vehicle placed in service by the taxpayer during the taxable year.

(2) Credit amount

| In the case of a vehicle which achieves a fuel economy (expressed as a percentage of the 2002 model year city fuel economy) of-- | The credit amount is-- |
|---|---|
| > 125 percent < 150 percent..... | $400 |
| > 150 percent <175 percent..... | $800 |
| > 175 percent < 200 percent..... | $1,200 |
| > 200 percent < 225 percent..... | $1,600 |
| > 225 percent < 250 percent..... | $2,000 |
| > 250 percent..... | $2,400. |

(ii) 2002 model year city fuel economy -- For purposes of clause (i), the 2002 model year city fuel economy with respect to a vehicle shall be determined on a gasoline gallon equivalent basis as determined by the Administrator of the Environmental Protection Agency using the tables provided in subsection (b)(2)(B) with respect to such vehicle.

(B) Conservation credit -- The amount determined under subparagraph (A) with respect to a new advanced lean burn technology motor vehicle shall be increased by the conservation credit amount determined in accordance with the following table:

| In the case of a vehicle which achieves a lifetime fuel savings (expressed in gallons of gasoline) of-- | The conservation credit amount is- |
|---|---|
| At least 1,200 but less than 1,800..... | $250 |
| At least 1,800 but less than 2,400..... | $500 |
| At least 2,400 but less than 3,000..... | $750 |
| At least 3,000..... | $1,000. |

(3) New advanced lean burn technology motor vehicle -- For purposes of this subsection, the term ``new advanced lean burn technology motor vehicle'' means a passenger automobile or a light truck--

(A) with an internal combustion engine which--

(i) is designed to operate primarily using more air than is necessary for complete combustion of the fuel,

(ii) incorporates direct injection,

(iii) achieves at least 125 percent of the 2002 model year city fuel economy,

(iv) for 2004 and later model vehicles, has received a certificate that such vehicle meets or exceeds--

(I) in the case of a vehicle having a gross vehicle weight rating of 6,000 pounds or less, the Bin 5 Tier II emission standard established in regulations prescribed by the Administrator of the Environmental Protection Agency under section 202(i) of the Clean Air Act for that make and model year vehicle, and

(II) in the case of a vehicle having a gross vehicle weight rating of more than 6,000 pounds but not more than 8,500 pounds, the Bin 8 Tier II emission standard which i

Number of Systems allowed: No Limit

Carryover Provisions: Per Tax Laws

Summary: The Alternative Motor Vehicle Credit, enacted by the Energy Policy Act of 2005, provided for tax credits for 'lean burn' energy efficient vehicles. Qualified vehicles are any passenger automobile or light truck that is a new advanced lean bury technology motor vehicle or a qualified hybrid motor vehicle. A qualifying hybrid vehicle means a motor vehicle which draws propulsion energy from onboard sources of stored energy which are both an internal combustion or heat engine using consumable fuel, and a rechargeable energy storage system.

Website:

# Federal Incentives and Laws

## Qualified Light Duty Hybrid Vehicles

| | |
|---|---|
| Incentive Type: | The Alternative Motor Vehicle Credit, enacted by the Energy Policy Act of 2005, provided for tax credits for light duty hybrid vehicles. |
| Applicable Sectors: | Tax Paying Purchasers of these vehicles |
| Authority 1: | 26 U.S. Code 30B |
| Authority 2: | Notice 2006-54 http://www.irs.gov/irb/2006-26_IRB/ar13.html |
| Authority 3: | Notice 2006-9 http://www.irs.gov/newsroom/article/0,,id=157557,00.html |
| Effective Date: | January 1, 2006 |
| Termination Date: | Phased out after 60,000 vehicles sold of a particular model or December 31, 2009 |
| Amount: | Same as Lean Burn<br>In the case of a vehicle which achieves a fuel economy (expressed as a percentage of the 2002 model year city fuel economy) of-- / The credit amount is--<br>At least 125 percent but less than 150 percent..... $400<br>At least 150 percent but less than 175 percent..... $800<br>At least 175 percent but less than 200 percent..... $1,200<br>At least 200 percent but less than 225 percent..... $1,600<br>At least 225 percent but less than 250 percent..... $2,000<br>At least 250 percent..... $2,400.<br><br>Conservation credit<br>The amount determined under subparagraph (A) with respect to a new advanced lean burn technology motor vehicle shall be increased by the conservation credit amount determined in accordance with the following table:<br>In the case of a vehicle which achieves a lifetime fuel savings (expressed in gallons of gasoline) of-- / The conservation credit amount is--<br>At least 1,200 but less than 1,800..... $250 |
| Number of Systems allowed: | Not Specified |
| Carryover Provisions: | Per Tax Laws |
| Summary: | |
| Website: | |
| Eligible Renewable/ Other Technologies: | |
| Other Critical Information that varies with each incentive | |

(d) New qualified hybrid motor vehicle credit

(1) In general

For purposes of subsection (a), the new qualified hybrid motor vehicle credit determined under this subsection for the taxable year is the credit amount determined under paragraph (2) with respect to a new qualified hybrid motor vehicle placed in service by the taxpayer during the taxable year.

(2) Credit amount

(A) Credit amount for passenger automobiles and light trucks

In the case of a new qualified hybrid motor vehicle which is a passenger automobile or light truck and which has a gross vehicle weight rating of not more than 8,500 pounds, the amount determined under this paragraph is the sum of the amounts determined under clauses (i) and (ii).

(i) Fuel economy

The amount determined under this clause is the amount which would be determined under subsection (c)(2)(A) if such vehicle were a vehicle referred to in such subsection.

(ii) Conservation credit

The amount determined under this clause is the amount which would be determined under subsection (c)(2)(B) if such vehicle were a vehicle referred to in such subsection.

(B) Credit amount for other motor vehicles

(i) In general

In the case of any new qualified hybrid motor vehicle to which subparagraph (A) does not apply, the amount determined under this paragraph is the amount equal to the applicable percentage of the qualified incremental hybrid cost of the vehicle as certified under clause (v).

(ii) Applicable percentage

For purposes of clause (i), the applicable percentage is--

(I) 20 percent if the vehicle achieves an increase in city fuel economy relative to a comparable vehicle of at least 30 percent but less than 40 percent,

(II) 30 percent if the vehicle achieves such an increase of at least 40 percent but less than 50 percent, and

(III) 40 percent if the vehicle achieves such an increase of at least 50 percent.

(iii) Qualified incremental hybrid cost

For purposes of this subparagraph, the qualified incremental hybrid cost of any vehicle is equal to the amount of the excess of the manufacturer's suggested retail price for such vehicle over such price for a comparable vehicle, to the extent such amount does not exceed--

(I) $7,500, if such vehicle has a gross vehicle weight rating of not more than 14,000 pounds,

(II) $15,000, if such vehicle has a gross vehicle weight rating of more than 14,000 pounds but not more than 26,000 pounds, and

(III) $30,000, if such vehicle has a gross vehicle weight rating of more than 26,000 pounds.

(iv) Comparable vehicle

(C) Maximum available power

(i) Certain passenger automobiles and light trucks

In the case of a vehicle to which paragraph (2)(A) applies, the term "maximum available power'' means the maximum power available from the rechargeable energy storage system, during a standard 10 second pulse power or equivalent test, divided by such maximum power and the SAE net power of the heat engine.

(ii) Other motor vehicles

In the case of a vehicle to which paragraph (2)(B) applies, the term "maximum available power'' means the maximum power available from the rechargeable energy storage system, during a standard 10 second pulse power or equivalent test, divided by the vehicle's total traction power. For purposes of the preceding sentence, the term ``total traction power'' means the sum of the peak power from the rechargeable energy storage system and the heat engine peak power of the vehicle, except that if such storage system is the sole means by which the vehicle can be driven, the total traction power is the peak power of such storage system

# Federal Incentives and Laws

## Qualified Heavy Hybrid Vehicles

| | |
|---|---|
| Incentive Type: | The Alternative Motor Vehicle Credit, enacted by the Energy Policy Act of 2005, provided for a Tax Credit for energy efficient Heavy Duty Hybrid vehicles. |
| Applicable Sectors: | Tax paying purchasers of Hybrid Trucks over 8500 GVW |
| Authority 1: | 26 U.S. Code 30B |
| Authority 2: | Notice 2006-9 http://www.irs.gov/pub/irs-drop/n-06-09.pdf |
| Authority 3: | Notice 2006-54 http://www.irs.gov/irb/2006-26_IRB/ar13.html |
| Effective Date: | January 1, 2006 |
| Termination Date: | Phased out after production of 60,000 vehicles of a particular model |
| Amount: | Varies with Size and type |
| Maximum Amount: | |
| Number of Systems allowed: | |
| Carryover Provisions: | Per Tax Laws |
| Summary: | |
| Website: | |
| Eligible Renewable/ Other Technologies: | |
| Other Critical Information that varies with each incentive | Qualifying Heavy Hybrid vehicles are new vehicles with a gross vehicle weight in excess of 8500 pounds that meet the definition of a qualifying hybrid vehicle. A qualifying hybrid vehicle means a motor vehicle which draws propulsion energy from onboard sources of stored energy which are both an internal combustion or heat engine using consumable fuel, and a rechargeable energy storage system. |

(d) New qualified hybrid motor vehicle credit

(1) In general

For purposes of subsection (a), the new qualified hybrid motor vehicle credit determined under this subsection for the taxable year is the credit amount determined under paragraph (2) with respect to a new qualified hybrid motor vehicle placed in service by the taxpayer during the taxable year.

(2) Credit amount

(A) Credit amount for passenger automobiles and light trucks

In the case of a new qualified hybrid motor vehicle which is a passenger automobile or light truck and which has a gross vehicle weight rating of not more than 8,500 pounds, the amount determined under this paragraph is the sum of the amounts determined under clauses (i) and (ii).

(i) Fuel economy

The amount determined under this clause is the amount which would be determined under subsection (c)(2)(A) if such vehicle were a vehicle referred to in such subsection.

(ii) Conservation credit

The amount determined under this clause is the amount which would be determined under subsection (c)(2)(B) if such vehicle were a vehicle referred to in such subsection

(B) Credit amount for other motor vehicles

(i) In general

In the case of any new qualified hybrid motor vehicle to which subparagraph (A) does not apply, the amount determined under this paragraph is the amount equal to the applicable percentage of the qualified incremental hybrid cost of the vehicle as certified under clause (v).

(ii) Applicable percentage

For purposes of clause (i), the applicable percentage is--

(I) 20 percent if the vehicle achieves an increase in city fuel economy relative to a comparable vehicle of at least 30 percent but less than 40 percent,

(II) 30 percent if the vehicle achieves such an increase of at least 40 percent but less than 50 percent, and

(III) 40 percent if the vehicle achieves such an increase of at least 50 percent.

(iii) Qualified incremental hybrid cost

For purposes of this subparagraph, the qualified incremental hybrid cost of any vehicle is equal to the amount of the excess of the manufacturer's suggested retail price for such vehicle over such price for a comparable vehicle, to the extent such amount does not exceed--

(I) $7,500, if such vehicle has a gross vehicle weight rating of not more than 14,000 pounds,

(II) $15,000, if such vehicle has a gross vehicle weight rating of more than 14,000 pounds but not more than 26,000 pounds, and

(III) $30,000, if such vehicle has a gross vehicle weight rating of more than 26,000 pounds.

(iv) Comparable vehicle

(C) Maximum available power

(i) Certain passenger automobiles and light trucks

In the case of a vehicle to which paragraph (2)(A) applies, the term ``maximum available power'' means the maximum power available from the rechargeable energy storage system, during a standard 10 second pulse power or equivalent test, divided by such maximum power and the SAE net power of the heat engine.

(ii) Other motor vehicles

In the case of a vehicle to which paragraph (2)(B) applies, the term ``maximum available power'' means the maximum power available from the rechargeable energy storage system, during a standard 10 second pulse power or equivalent test, divided by the vehicle's total traction power. For purposes of the preceding sentence, the term ``total traction power'' means the sum of the peak power from the rechargeable energy storage system and the heat

# Federal Incentives and Laws

## Qualified Light Duty Hybrid Vehicles

| | |
|---|---|
| Incentive Type: | The Alternative Motor Vehicle Credit, enacted by the Energy Policy Act of 2005, provided for credits for light duty vehicles. |
| Applicable Sectors: | Tax Paying Purchasers of these vehicles |
| Authority 1: | 26 U.S. Code 30B |
| Authority 2: | Notice 2006-54 http://www.irs.gov/irb/2006-26_IRB/ar13.html |
| Authority 3: | Notice 2006-9 http://www.irs.gov/newsroom/article/0,,id=157557,00.html |
| Effective Date: | January 1, 2006 |
| Termination Date: | Some phase out based on production |
| Amount: | Same as Lean Burn |
| Maximum Amount: | |
| Number of Systems allowed: | |
| Carryover Provisions: | Per Tax Laws |
| Summary: | |
| Website: | |
| Eligible Renewable/ Other Technologies: | |
| Other Critical Information that varies with each incentive | |

| | |
|---|---|
| Termination Date: | Phased out after production of 60,000 vehicles of a particular model |
| Amount: | Varies with Size and type |
| Maximum Amount: | |
| Number of Systems allowed: | |
| Carryover Provisions: | |
| Summary: | |
| Website: | |
| Other Critical Information that varies with each incentive | |

# *Federal Incentives and Laws*

## *Renewable Electricity Production Tax Credit (PTC)*

| | |
|---|---|
| Incentive Type: | Corporate tax credit |
| Applicable Sectors: | Commercial |
| Authority 1: | The Working Families Tax Relief Act of 2004 (H.R. 1308) |
| Authority 2: | Energy Policy Act of 1992; 26 USC § 45<br>http://uscode.house.gov/uscode-cgi/fastweb.exe?getdoc+uscview+usclass+2049+30++() %2 |
| Authority 3: | American Jobs Creation Act of 2004 (H.R. 4520) -- Sec. 710 |
| Authority 4: | Energy Policy Act of 2005 (Section 1301) |
| Authority 5: | The Tax Relief and Health Care Act of 2006 (H.R. 6111) |
| Date Enacted: | 1992; 12/31/2005; 10/4/2004; 10/22/2004; 8/8/2005; 12/20/2006 |
| Termination Date: | wind 12/31/2012 others 12/31/2013 |
| Amount: | 2.1¢/kWh for wind, geothermal, closed-loop biomass; 1.0¢/kWh for other eligible technologies. Applies to first 10 years of operation. |
| Maximum Amount: | |
| Number of Systems allowed: | 12/31/2012 for wind 12/31/2013 for refined coal; 12/31/2013 for others |
| Carryover Provisions: | 1/1/2013 for renewables |
| Summary: | The Renewable Electricity Production Credit (PTC) is a per kilowatt-hour tax credit for electricity generated by qualified energy resources. Enacted as part of the Energy Policy Act of 1992, the credit expired at the end of 2001, and was subsequently extended in March 2002 as part of the Job Creation and Worker Assistance Act of 2002 (H.R. 3090). The tax credit then expired at the end of 2003 and was not renewed until October 2004, as part of H.R. 1308, the Working Families Tax Relief Act of 2004, which extended the credit through December 31, 2005. The Energy Policy Act of 2005 (H.R. 6) modified the credit and extended it through December 31, 2007. In December 2006, the credit was extended for yet another year (through December 31, 2008) by Section 207 of the Tax Relief and Health Care Act of 2006 (H.R. 6111). |
| Website: | Form 8835, "Renewable Electricity Production Credit," and<br>Form 3800, "General Business Credit."<br>IRS claim form: http://www.irs.gov/pub/irs-pdf/f8835.pdf |
| Eligible Renewable/ Other Technologies: | Wind, closed loop biomass, open loop biomass, geothermal, landfill gas, muncipal solid waste, small irrigation power (150 kW - 5 MW), hydro power, refined coal, Indian power |
| Other Critical Information that varies with each incentive | The REPC provides a tax credit of 1.5¢/kWh (in 1993 dollars and indexed for inflation) for wind, closed-loop biomass and geothermal. Currently, the REPC for these technologies is 2.0¢/kWh. Electricity from open-loop biomass, small irrigation hydroelectric, landfill gas, municipal solid waste resources, and hydropower receive half that rate -- currently 1.0¢/kWh. The duration of the credit is 10 years. Refined-coal facilities will receive $4.375 per ton (indexed for inflation) for a 10-year term. Indian coal production facilities will receive an increase in tax credit during the 7-year period beginning January 1, 2006, in the amount of $1.50/ton through 2009, and $2.00/ton after 2009. Note, however, that owners of geothermal projects who claim the federal business energy tax credit may not also claim the PTC. |

H.R.6111 Tax Relief and Health Care Act of 2006 AS OF: 12/20/2006--Public Law. SUMMARY:
Division A: Extension and Expansion of Certain Tax Relief Provisions, and Other Tax Provisions -
Title II: Energy Tax Provisions - (Sec. 201) Extends through 2008: Effective December 31, 2005
(1) the tax credit for electricity produced from certain renewable resources; `January 1, 2009'
(2) the tax credit for holders of clean renewable energy bonds;
(3) the tax deduction for energy efficient commercial buildings; `December 31, 2008
(4) the tax credit for new energy efficient homes; `December 31, 2008
(5) the tax credit for residential energy efficient property; (not included)
(6) the energy tax credit; `January 1, 2009
(7) special excise tax rates for qualified methanol and ethanol fuel.`January 1, 2009
(Sec. 203) Modifies provisions of the qualifying advanced coal project tax credit to provide an alternate sulfur dioxide removal measurement for advanced coal-based generation technology electric generation units.
(Sec. 209) Allows a special depreciation allowance for 50% of the adjusted basis of cellulosic biomass ethanol plant property placed in service before January 1, 2013.

Note: The American Recovery and Reinvestment Act of 2009 (H.R. 1) allows taxpayers eligible for the federal renewable electricity production tax credit (PTC) to take the federal business energy investment tax credit (ITC) or to receive a grant from the U.S. Treasury Department instead of taking the PTC for new installations. The new law also allows taxpayers eligible for the business ITC to receive a grant from the U.S. Treasury Department instead of taking the business ITC for new installations. The Treasury Department issued Notice 2009-52 in June 2009, giving limited guidance on how to take the federal business energy investment tax credit instead of the federal renewable electricity production tax credit. The Treasury Department will issue more extensive guidance at a later time.

# *Federal Incentives and Laws*

## *Modified Accelerated Cost-Recovery System (MACRS)*

| | |
|---|---|
| Incentive Type: | Corporate Depreciation |
| Applicable Sectors: | Commercial, Industrial |
| Authority 1: | 26 USC § 168 (2005)<br>http://frwebgate3.access.gpo.gov/cgi-bin/waisgate.cgi?WAISdocID=83014410423+0+0+0&WAISaction=retrieve |
| Authority 2: | EPAct 2005, 25USC § 48 |
| Effective Date: | 1986 |
| Termination Date: | NONE |
| Amount: | Unlimited |
| Maximum Amount: | NA |
| Number of Systems allowed: | Unlimited |
| Carryover Provisions: | NA |
| Summary: | Under the Modified Accelerated Cost-Recovery System (MACRS), businesses can recover investments in certain property through depreciation deductions. The MACRS establishes a set of class lives for various types of property, ranging from three to 50 years, over which the property may be depreciated. For solar, wind and geothermal property placed in service after 1986, the current MACRS property class is five years. The Energy Policy Act of 2005 added fuel cells, microturbines, and solar hybrid lighting technologies as well. |
| Website: | |
| Eligible Renewable/ Other Technologies: | Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaics, Wind, Geothermal Electric, Fuel Cells, Solar Hybrid Lighting, Direct Use Geothermal, Microturbines, Geothermal heat pumps and Anerobic Digestion |
| Other Critical Information that varies with each incentive | For more information, see IRS Publication 946 , IRS Form 4562: Depreciation and Amortization, and Instructions for Form 4562. The IRS web site provides a search mechanism for forms and publications. Contact: Public Information – IRS, Internal Revenue Service<br><br>IRS Publication 946<br>http://www.irs.gov/pub/irs-pdf/p946.pdf<br><br>The Economic Stimulus Act of 2008 included a 50% bonus depreciation 26 USC §168(K) and extended it through 2009 by ARRA 2009. |

# *Federal Incentives and Laws*

## *Business Energy Investment Tax Credit*

| | |
|---|---|
| Incentive Type: | Corporate Tax Credit |
| Applicable Sectors: | Commercial , Industrial |
| Authority 1: | 26 USC § 48 |
| Authority 2: | Energy Policy Act of 2005 (H.R. 6);<br>Tax Relief and Health Care Act of 2006 (H.R. 6111) |
| Effective Date: | January 1, 2006 |
| Termination Date: | December 31, 2016; geothermal credit remains at 10%. |
| Amount: | For equipment placed in service from January 1, 2006 until December 31, 2016, the credit is 30% for solar, solar hybrid lighting, and fuel cells, small wind and 10% for microturbines. $500 per 0.5 kW for fuel cells; $200 per kW for microturbines; no maximum specified for other technologies |
| Maximum Amount: | See above |
| Number of Systems allowed: | Unlimited |
| Carryover Provisions: | |
| Summary: | The federal Energy Policy Act of 2005 (H.R. 6) expanded the federal business energy tax credit for solar and geothermal energy property to include fuel cells and microturbines installed on or after January 1, 2006. These provisions of the tax credit were later extended through December 31, 2008, by Section 207 of the Tax Relief and Health Care Act of 2006 (H.R. 6111). |
| Website: | |
| Eligible Renewable/ Other Technologies: | Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Solar Hybrid Lighting, Photovoltaics, wind, Biomass, Geothermal Heat Pumps, CHP/Cogeneration, Geothermal Electric, Direct Use Geothermal, Microturbines less than 2 MW; Fuel Cells at least 0.5 kW are eligible for a 10% credit during this two-year period. |
| Other Critical Information that varies with each incentive | For equipment installed on or after January 1, 2009, the tax credit for solar energy property and solar hybrid lighting reverts to 10% and expires for fuel cells and microturbines. The geothermal credit remains unchanged at 10%. |

Solar energy property includes equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat.

Hybrid solar lighting systems are those that use solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight.

Geothermal energy property includes equipment used to produce, distribute, or use energy derived from a geothermal deposit. It does not include geothermal heat pumps. For electricity produced by geothermal power, equipment qualifies only up to, but not including, the electrical transmission stage.

Energy property does not include public utility property, passive solar systems, or pool heating equipment. To qualify, the original use of the equipment must begin with the taxpayer or it must be constructed by the taxpayer.

The equipment must also meet any performance and quality standards in effect at the time the equipment is acquired.

If the project is financed in whole or in part by subsidized energy financing or by tax-exempt private activity bonds, the basis on which the credit is calculated must be reduced. (The formula is described in the tax credit instructions.) Subsidized energy financing means "financing provided under a federal, state, or local program, a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy." Therefore, a business must reduce the basis for calculating the credit by the amount of any such incentives received.

Contact: Public Information - IRS
IRS Form 3468 (Tax Year 2006)

Note: The American Recovery and Reinvestment Act of 2009 (H.R. 1) allows taxpayers eligible for the federal renewable electricity production tax credit (PTC) to take the federal business energy investment tax credit (ITC) or to receive a grant from the U.S. Treasury Department instead of taking the PTC for new installations. The new law also allows taxpayers eligible for the business ITC to receive a grant from the U.S. Treasury Department instead of taking the business ITC for new installations. The Treasury Department issued Notice 2009-52 in June 2009, giving limited guidance on how to take the federal business energy investment tax credit instead of the federal renewable electricity production tax credit. The Treasury Department will issue more extensive guidance at a later time.

# Federal Incentives and Laws

## Renewable Fuel Standards

Incentive Type: Mandate
Applicable Sectors: National
Authority 1: Energy Independence and Security Act of 2007
http://thomas.loc.gov/cgi-bin/bdquery/z?d110:h6:
Authority 2: The Tax Relief and Health Care Act of 2006 (H.R. 6111) Public Law No: 110-140
http://thomas.loc.gov/cgi-bin/query/z?c109:H.R.6111:
Effective Date: December 19, 2007
Termination Date: None stated
Amount: See Table below
Maximum Amount: No Limit
Summary: Title II: Requires 9 billion gallons (up from 5.4) of renewable fuels in 2008, increasing to 36 billion gallons in 2022. The act requires "advanced biofuels"—defined as fuels that cut greenhouse gas emissions by at least 50% such as ethanol derived from cellulosic biomass (wood waste, grasses, and agricultural wastes) as well as biodiesel, butanol, and other fuels to contribute 0.6 billion gallons in 2009 and steadily accelerates their contribution into the future, reaching 21 billion gallons in 2022 (about 60% of the total requirement.) Of that total, cellulosic biofuels must contribute at least 0.1 billion gallons in 2010 rising to 16 billion gallons in 2022. In addition, biodiesel must contribute 0.5 billion gallons in 2009, increasing to 1 billion gallons in 2012. The new act gives the U.S. Environmental Protection Agency one year to revise the RFS regulations to include the new standards.

Title II of the energy act also prohibits petroleum companies from restricting the sale of alternative fuels under new franchise agreements, a provision that could allow gas station owners to install more pumps for E85, a blend of 85% ethanol and 15% gasoline. It also requires labeling diesel fuel pumps with their biodiesel content. For federal fleets, the act requires at least one renewable fuel pump at each fueling center, with few exceptions. The act also calls for a host of studies on biofuel infrastructure and delivery issues, and creates grant programs and research programs for biofuels that will depend on future appropriations.

Website:
Eligible Renewable/ Other Technologies: Grain based and cell ethanol production

ROUGH guide to Renewable Fuels Production

| YEAR | biodiesel | Cellulosic Ethanol minimum | biodiesel, biobutanol or other | advanced biofuels | Starch based Ethanol | TOTAL BIOFUELS |
|---|---|---|---|---|---|---|
| 2008 | 0.50 | 0.00 | 0.00 | 0.13 | 8.50 | 9.00 |
| 2009 | 0.63 | 0.05 | 0.00 | 0.60 | 9.88 | 10.55 |
| 2010 | 0.75 | 0.10 | 0.22 | 1.07 | 11.03 | 12.10 |
| 2011 | 0.88 | 0.15 | 0.51 | 1.53 | 12.12 | 13.65 |
| 2012 | 1.00 | 1.20 | -0.20 | 2.00 | 13.20 | 15.20 |
| 2013 | Included in | 2.30 | 0.87 | 3.17 | 14.11 | 17.28 |
| 2014 | advanced | 3.40 | 0.93 | 4.33 | 15.03 | 19.36 |
| 2015 | biofuels | 4.50 | 1.00 | 5.50 | 15.94 | 21.44 |
| 2016 | after 2012 | 5.60 | 1.73 | 7.33 | 16.19 | 23.52 |
| 2017 | | 6.70 | 2.47 | 9.17 | 16.43 | 25.60 |
| 2018 | | 7.80 | 3.20 | 11.00 | 16.68 | 27.68 |
| 2019 | | 8.90 | 4.10 | 13.00 | 16.76 | 29.76 |
| 2020 | | 10.00 | 5.00 | 15.00 | 16.84 | 31.84 |
| 2021 | | 13.00 | 5.00 | 18.00 | 15.92 | 33.92 |
| 2022 | | 16.00 | 5.00 | 21.00 | 15.00 | 36.00 |

Other Critical Information that varies with each incentive:
Section of EISA - TITLE
Section 109 - Extension of FFV Credit Program DOT, NHTSA
Extends the current fuel economy credits for flexible fuel vehicles (FFVs) and dual-fuel alternative fuel vehicles (AFVs) through 2019. Provides B20-capable vehicles with the same level of fuel economy credit as other dual-fuel vehicles. The maximum increase that may result from such vehicles is capped at 1.2 mpg through 2014, after which it declines and expires in 2020.
Effective immediately. Rulemaking from NHTSA expected in 2009.

# Federal Incentives and Laws

## Energy-Efficient New Homes Tax Credit for Home Builders

| | |
|---|---|
| Incentive Type: | Corporate Tax Credit |
| Applicable Sectors: | Construction/contractors/manufacturered homes |
| Authority 1: | 26 USC § 45L (Energy Policy Act of 2005) |
| Authority 2: | Tax Relief and Health Care Act of 2006 (H.R.6111 Enrolled) |
| Effective Date: | January 1, 2006 |
| Termination Date: | December 31, 2008 |
| Amount: | $1,000-$2,000, depending on energy savings and home type |
| Maximum Amount: | $2,000 |
| Number allowed: | Unlimited |
| Carryover Provisions: | As provided by law |
| Summary: | The federal Energy Policy Act of 2005 established tax credits of up to $2,000 for builders of all new energy-efficient homes, including manufactured homes constructed in accordance with the Federal Manufactured Homes Construction and Safety Standards. Initially scheduled to expire at the end of 2007, the tax credit was extended through 2008 by Section 205 of the Tax Relief and Health Care Act of 2006 (H.R. 6111). Site-built homes qualify for a $2,000 credit if they are certified to reduce energy consumption by 50% relative to the International Energy Conservation Code standard and meet minimum efficiency standards established by the Department of Energy.<br>Manufactured homes qualify for a $2,000 credit if they conform to Federal Manufactured Home Construction and Safety Standards and meet the energy savings requirements of site-built homes described above.<br>Manufactured homes qualify for a $1,000 credit if they conform to Federal Manufactured Home Construction and Safety Standards and reduce energy consumption by 30% relative to the International Energy Conservation Code standard. In this case, building envelope component improvements must account for at least one-t<br>Alternatively, manufactured homes qualify if they meet Energy Star Labeled Homes requ |
| Website: | http://www.irs.gov/businesses/small/industries/article/0,,id=155445,00.html |
| Eligible Efficiency Technologies: | Comprehensive Measures/Whole Building - Statute does not identify the specific efficiency measures. |
| Eligible Renewable Technologies: | PV, wind, geothermal and others |
| Other Critical Information that varies with each incentive | The home qualifies for the credit if: located in the United States; substantially completed after August 8, 2005; meets the energy saving requirements outlined; and is acquired from the eligible contractor after December 31, 2005, and before January 1, 2009, for use as a residence. |
| Certification | The IRS has issued guidance to provide information about the certification process that a builder must complete to qualify and also provides for a public list of software programs that may be used in calculating energy consumption for purposes of obtaining a certification.<br>IRS Notice 2006-27 provides guidance for the credit for building energy-efficient homes other than manufactured homes. IRS Notice 2006-28 provides guidance for the credit for building energy-efficient manufactured homes. Click here to access IRS Form 8908: Energy Efficient Home Credit. |
| Contact: | Public Information - IRS<br>Internal Revenue Service<br>1111 Constitution Avenue, N.W.<br>Washington, DC 20224 |

Phone: (800) 829-1040
http://www.irs.gov