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The American Recovery and Reinvestment Act, which was passed on February 17, 2009, included a nearly \$79 billion investment in renewable energy and energy efficiency initiatives.

For more information on how your business may take advantage of these tax credits, contact a Baker Tilly advisor at 800 362 7301.

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American Recovery and Reinvestment Act of 2009 - Tax Credits

The American Recovery and Reinvestment Act of 2009 (ARRA) encourages the development and operation of renewable energy in the United States. Listed below are the key elements:

- > Extension of Production Tax Credits (PTC) through 2012 for wind and 2013 for biomass, geothermal, landfill gas, hydroelectric, and marine and hydrokinetic power.
- > Allowance for PTCs to be converted to Investment Tax Credits (ITC) which are not reliant on the amount of power produced. ITCs are also not reduced by use of other federal or state subsidies.
- > Established a temporary grant in lieu of tax credits, making all ITCs convertible into an equivalent (nontaxable) cash payment from the Department of Treasury. This provision is expected to have the largest near-term impact on the industry.
- > An ITC was also added for manufacturers of renewable energy equipment and property designed to reduce greenhouse gas emissions.
- > Expanding the Department of Energy loan guarantee program with an additional \$16.8 billion of funding. The first award was made March 20, 2009 (\$535 million).

	WIND	SOLAR	ANAEROBIC BIOMASS DIGESTION	LANDFILL-TO-GAS	HYDROPOWER	GEOHERMAL	MANUFACTURING	MICROTURBINES	GEOHERMAL HEAT PUMP	CHP
Production Tax Credit (Sec. 45)	●		●	●	●	●	●			
30% Investment Tax Credit (Sec. 48)	●	●	●	●	●	●	●	●		
10% Investment Tax Credit (Sec. 48)									●	●
Grant in Lieu of ITC (Sec. 48)	●	●	●	●	●	●	●		●	●

Definitions and explanations on the reverse side of this sheet. →

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Wind

A wind farm is an installation that produces electricity generated from wind for sale at “wholesale” (i.e., to a utility or other electricity supplier which then sells the electricity to customers at “retail”). It applies to electricity produced during the first ten years of a wind plant’s operation. Small wind turbines are electric generators that utilize wind energy to produce electricity for individual homes, farms, and small businesses. The U.S. leads the world in the production of small wind turbines, which are defined as having rated capacities of 100 kilowatts and less.

Solar

Solar energy property includes equipment that uses solar energy to generate electricity, to cool or heat a structure, to illuminate the inside of a structure using distributed sunlight, to provide solar process heat, or to provide hot water, excluding property used to heat swimming pools.

Biomass

Open-Loop

Open-loop biomass facility is a facility that uses any agricultural livestock waste nutrients or any solid, nonhazardous, cellulosic waste or any lignin material at a qualifying facility to produce electricity.

Closed-Loop

Closed-loop biomass facility is a facility that uses any organic material from a plant which is planted exclusively for the purpose of being used at a qualifying facility to produce electricity.

Biomass Combined Heat & Power (CHP)

- > Captures the heat that would otherwise be wasted in the traditional generation of power

- > System uses the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both, in combination with the generation of steam or other forms of useful thermal energy which produces at least 20 percent of its total useful energy in the form of thermal energy which is not used to produce electrical or mechanical power

Anaerobic Digestion

Series of processes in which microorganisms break down biodegradable material in the absence of oxygen, process produces a methane and carbon dioxide rich biogas suitable for energy production helping reduce the use of fossil fuels. Also, the nutrient-rich solids left after digestion can be used as fertilizer.

Qualified Hydropower Facility

A qualified hydropower facility is:

1. A facility that produced hydroelectric power (a hydroelectric dam) prior to August 8, 2005, at which efficiency improvements or additions to capacity have been made after such date and before January 1, 2011, that enable the taxpayer to produce incremental hydropower, or
2. A facility placed in service before August 8, 2005, that did not produce hydroelectric power (a nonhydroelectric dam) on such date, and to which turbines or other electricity generating equipment have been added after such date and before January 1, 2011.

Geothermal

A geothermal facility is a facility that uses geothermal energy to produce electricity. Geothermal energy is energy derived from a geothermal deposit that is a geothermal reservoir consisting of natural heat that is stored in rocks or in an aqueous liquid or vapor (whether or not under pressure). A taxpayer’s activity with respect to each geothermal property is treated as a separate activity.



Landfill-to-Gas

A landfill gas facility is a facility that uses landfill gas to produce electricity. Landfill gas is defined as methane gas derived from the biodegradation of municipal solid waste.

Geothermal Heat Pumps

Geothermal heat pumps use the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure.

Microturbines

A qualified microturbine power plant is an integrated system comprised of a gas turbine engine, a combustor, a recuperator or regenerator, a generator or alternator, and associated balance of plant components that (1) converts a fuel into electricity and thermal energy, (2) has an electricity-only generation efficiency of not less than 26%, and (3) has a nameplate capacity of less than 2,000 kw.

Renewable Equipment Manufacturing

“Advanced Energy Projects” are defined as a project which re-equips, expands, or establishes a manufacturing facility for the production of (1) property designed to produce energy from renewable resources, (2) fuel cells, microturbines, or energy storage systems for use by hybrid-electric motor vehicles, (3) electric grids to support the transmission of intermittent sources of renewable energy including storage of such energy, (4) property designed to capture and sequester carbon dioxide, (5) property designed to refine or blend renewable fuels or to produce energy conservation technologies, (6) new electric motor vehicles or new components specifically designed for use in such vehicles, or (7) other advanced energy property designed to reduce greenhouse gas emissions.

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Explanations

Renewable Energy Production Credit - Sect. 45 (PTC)

- > To be eligible for the credit, electricity produced from these energy resources at qualified facilities must be sold by the taxpayer to an unrelated person
- > Credit is reduced for grants, tax-exempt bonds, subsidized energy financing, and other credits (Code Sec. 45(b)(3))
- > Credit is claimed during the 10-year period commencing with the date the qualified facility is placed in service (Code Sec. 45(a)(2)(A)(ii))

Investment Tax Credit - Sect. 48 (ITC) 30%

- > Section 48 provides an investment tax credit consisting of the “energy percentage” times the basis of energy property placed in service during the taxable year
- > Qualified property means property which is tangible personal property, or other tangible property (not including building or its structural components), but only if such property is used as an integral part of the qualified investment credit facility, and with respect to which depreciation (or amortization) is allowable (Code Sec. 48(a)(5)(D))

Grant for Investment in Specified Energy Property - Grant 30% or 10%

As a result of the American Recovery and Reinvestment Act of 2009, owners of renewable energy projects that qualify for the ITC can forgo the ITC in favor of receiving a nontaxable direct cash payment from the Department of Treasury in an amount equal to the ITC. This payment is available for projects that are placed in service during 2009 or 2010, or placed in service after 2010 if construction for such projects begins during 2009 or 2010 and the project is placed in service prior to expiry of the corresponding ITC.



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Baker Tilly offers a full portfolio of accounting and advisory services made stronger by an informed business perspective.

Our specialization and focus on industry trends keeps us in touch with critical issues and helps us relate to your challenges and your opportunities. As a national firm, Baker Tilly is uniquely positioned to provide renewable energy and sustainable solutions across the street and across the globe in more than 100 countries through our connection with Baker Tilly International.

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Let us help your business take advantage of these tax credits.

Providing renewable energy services nationally, Baker Tilly Renewable Energy Specialists are at the hub of this evolving industry. When it comes to incorporating renewable or sustainable efforts into your business, bright ideas bring real results.

Contact us at 800 362 7301, via e-mail, or via our Web site, bakertilly.com

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