



Summary of Final Provisions in H.R. 1, the American Recovery and Reinvestment Act (ARRA) of 2009, of Interest to Small Wind Turbine Producers and Consumers

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.

- **Repeal of subsidized energy financing limitation on the investment tax credit (ITC) (Sec. 1103)**
 - ARRA repeals the subsidized energy financing limitation on the ITC in order to allow businesses and individuals to qualify for the full amount of the ITC even if such property is financed with industrial development bonds or through any other subsidized energy financing. Previously, the ITC had to be reduced if the property qualifying for the ITC was also financed with industrial development bonds or through any other federal, state or local subsidized financing program.

- **Clean Renewable Energy Bonds (CREBs) (Sec. 1111)**
 - ARRA authorizes an additional \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, marine renewable and trash combustion facilities.
 - ARRA retains the current law rules regarding how these funds may be allocated:
 - 1/3 for qualifying projects of state/local/tribal governments
 - 1/3 for qualifying projects of public power providers
 - 1/3 for qualifying projects of electric cooperatives

- **Research and Development (Division A, Title IV)**
 - ARRA provides \$1.25 billion in undesignated funding through DOE's Energy Efficiency and Renewable Energy program for applied research, development, demonstration and deployment activities.

- **Workforce Training (Division A, Title VIII)**
 - ARRA provides \$500 million for workforce training for renewable energy and energy efficiency careers as specified in the Green Jobs Act that was included in the Energy Independence and Security Act of 2007. ARRA provides grants for research, labor exchange and job training projects that prepare workers for careers in the energy efficiency and renewable energy industries. Entities eligible for the grants must include equal participation of industry and labor.

- **Loan Guarantee Program (Sec. 406)**

- ARRA amends the Energy Policy Act of 2005 to create a new Sec. 1705 loan guarantee program at the Department of Energy (DOE) funded at \$6 billion. The program applies to both “commercial” and “innovative” technologies; generation projects, transmission and manufacturing facilities are eligible. To qualify for a loan, projects must commence construction no later than September 30, 2011.
- ARRA allows DOE to use \$25 million of this \$6 billion pool for administrative expenses, to increase DOE staff to improve processing of applications.
- Applicants are required to provide “reasonable assurance” that they will pay “Davis-Bacon” prevailing wages.
- **Manufacturing tax credit (Sec. 1302)**
 - ARRA provides a new 30% credit for investment in qualified property used in a “qualified advanced energy manufacturing project.” A qualified advanced energy manufacturing project is a project that re-equips, expands or establishes a manufacturing facility for the production of property designed to be used to produce energy from the sun, wind or geothermal deposits, among other categories.
 - ARRA limits the value of the credits that can be allocated to \$2.3 billion. Credits are available only for projects certified by the Treasury Secretary in consultation with the Energy Secretary through a competitive bidding process. An application can be submitted up front and the applicant will have three years from the date of issuance of certification to place a project in service.
- **Extension of bonus depreciation for businesses (Sec. 1201)**
 - ARRA extends bonus depreciation for capital expenditures incurred in 2009. This allows businesses to recover the costs of capital expenditures made in 2009 faster than the ordinary depreciation schedule would allow by permitting them to immediately write off 50% of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2009 for use in the United States.
- **Five-year carryback of net operating losses for small businesses (Sec. 1211)**