

# The Clean Energy Tax Stimulus Act of 2008

**Purpose:** To provide for the limited continuation of clean energy production incentives and incentives to improve energy efficiency in order to prevent a downturn in these sectors that would result from a lapse in the tax law.

## Title I – Extension of Clean Energy Production Incentives

Section 101. Extension and modification of the renewable energy production tax credit (IRC Section 45). Under current law, an income tax credit is allowed for the production of electricity using renewable energy resources, like wind, biomass, geothermal, small irrigation power, landfill gas, trash combustion, and hydropower facilities. A taxpayer may generally claim a credit for 10 years, beginning on the date the qualified facility is placed in service. In order to qualify, however, facilities must be placed in service by December 31, 2008.

*The bill extends the placed in service date for one year (through December 31, 2009). It also redefines small irrigation power to include marine and hydrokinetic energy, and enables the credit to help reduce the cost of renewable electricity that is ultimately sold to utility customers when the utility itself is also a part owner of the renewable facility.*

Section 102. Extension and modification of the solar energy and fuel cell investment tax credit (“ITC”) (IRC Section 48). Under current law, taxpayers can claim a 30 percent business energy credit for purchases of qualified solar energy property and qualified fuel cell power plants. In addition, a 10 percent credit for purchase of qualifying stationary microturbine power plants is available. The credit for qualified fuel cell power plant property is capped at \$500 per 0.5 kilowatt of capacity. Credits apply to periods after December 31, 2005 and before January 1, 2008.

*The bill enables taxpayers to claim the 30 percent business credit for the purchase of fuel cell power plants and solar energy property and the 10 percent credit for stationary microturbines, through December 31, 2016. In addition, the bill repeals the \$500 per .5 kilowatt of capacity cap for qualified fuel cell power plant property, and allows electric utilities to claim the ITC.*

Section 103. Extension and modification of the residential energy-efficient property credit (IRC Section 25D). Under current law, taxpayers can claim a personal tax credit for the purchase of property that uses solar energy to generate electricity for use in a dwelling unit and qualified solar water heating property that is used exclusively for purposes other than heating swimming pools and hot tubs. The credit is equal to 30 percent of qualifying expenditures, with a maximum \$2,000 credit for each of these systems of property. Section 25D also provides a 30 percent credit for the purchase of qualified fuel cell power plants. The credit for any fuel cell may not exceed \$500 for each 0.5 kilowatt of capacity. The credit applies to property placed in service prior to January 1, 2009.

*The bill extends the credit for residential solar property for one year (through December 31, 2009) and repeals the \$2,000 credit cap for qualified solar electric property. The bill also allows the tax credit to offset Alternative Minimum Tax (“AMT”) liability.*

Section 104. **Clean Renewable Energy Bonds (“CREBs”)** (IRC Section 54). Under current law, public power and consumer-owned utilities that cannot benefit from tax credits can issue Clean Renewable Energy Bonds (CREBs) to help them reduce the cost of renewable energy investments.

Under current law, there is a national CREB limitation of \$1.2 billion in bonding authority and CREBs must be issued before December 31, 2008.

*This bill authorizes an additional \$400 million of CREBs that may be issued and extends the authority to issue such bonds through December 31, 2009. In addition, the bill allocates 1/3 of the additional bonds for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives.*

Section 105. Extension of the special rule to implement FERC restructuring policy (IRC section 451(i)). *The bill extends through December 31, 2009, the present-law deferral provision that enables qualified electric utilities to recognize gain from certain transmission transactions over an 8-year period.*

## Title II – Extension of Incentives to Improve Energy Efficiency

Section 201. Extension and modification of the credit for energy-efficiency improvements to existing homes (IRC section 25C). Current law provides a 10 percent investment tax credit for purchases of advanced main air circulating fans, natural gas, propane, or oil furnaces or hot water boilers, windows and other qualified energy-efficient property. The credit applies to property placed in service prior to January 1, 2008.

*The bill extends the credit for one year (through December 31, 2009), and specifies that certain pellet stoves are included as qualified energy-efficient building property.*

Section 202. Extension of the tax credit for energy-efficient new homes (IRC section 45L). Current law provides a tax credit to an eligible contractor equal to the aggregate adjusted bases of all energy-efficiency property installed in a qualified new energy-efficient home during construction.

*The bill extends the energy-efficient new homes credit for two years (through December 31, 2010), and permits the eligible contractor to claim the credit on a home built for personal use as a residence.*

Section 203. Extension of the energy-efficient commercial buildings deduction (IRC section 179D). Current law allows taxpayers to deduct the cost of installing energy-efficient improvements in a commercial building. The deduction equals the cost of energy-efficient property installed during construction, with a maximum deduction of \$1.80 per square foot of the building. In addition, a partial deduction of 60 cents per square foot applies to certain subsystems. The deduction applies to property placed in service prior to January 1, 2009.

*The bill extends the deduction to property placed in service through December 31, 2009, increases the maximum deduction to \$2.25 per square foot, and allows a partial deduction of 75 cents per square foot for building subsystems.*

Section 204. Modification and extension of the energy-efficient appliance credit (IRC section 45M). Current law provides a credit for the eligible production of certain energy-efficient dishwashers, clothes washers, and refrigerators. The credit for dishwashers applies to dishwashers produced in 2006 and 2007 that meet the Energy Star standards for 2007.

*The bill extends the credit to appliances produced in 2008, 2009, and 2010 and updates the qualifying efficiency standards in accordance with the Energy Independence and Security Act of 2007.*