



The Professional Tax Solution

## Energy Incentives

Both individuals and businesses are the targets of new energy incentives under the new law.

### Residential Energy Property Credit

Under the Recovery Act, the Residential Energy Property Credit allows a credit for eligible property placed in service after December 31, 2008, and before January 1, 2011, with the following modifications to the credit that was allowed in years prior to 2008:

- Increase of residential energy property tax credit to 30% (from 10%)
- Increase of maximum cap to \$1,500 aggregate amount for 2009 and 2010 installations
- Elimination of the \$500 lifetime cap

Eligible Section 25C property includes insulation materials, exterior windows and doors, central air conditioners, natural gas, propane or oil water heaters and furnaces, hot water boilers, electric heat-pump water heaters, certain metal roofs and stoves, and advanced main air-circulating fans.

### Residential Energy-Efficient Property Credit

Modifications to the Residential Energy-Efficient Property Credit include removal of individual dollar caps under credit regulations for solar hot water property, geothermal heat pumps, and wind energy property. In addition, a \$500 credit cap is placed on all qualified fuel cell property expenditures.

### Renewable Electricity Production Credit

Code Sec. 45 provides a credit for electricity produced from wind and other renewable sources. Under the new law, the placed-in-service dates for qualified facilities under Code Sec. 45 are extended (through 2012 for wind facilities; through 2013 for most other facilities).

### Investment Credit Election

Instead of producers taking the Code Sec. 45 production tax credit, taxpayers can now treat certain alternative energy facilities as energy property eligible for a 30% investment credit under Code Sec. 48. In addition, Code Sec. 48 will be coordinated with renewable energy grants.

### Alternative Fuel Pump Tax Credit

For commercial and retail stations, credit for alternative fuel vehicle refueling property is increased to 50% (\$50,000 cap) of the cost of property that was placed in service by the taxpayer at each location during the 2009 and 2010 tax

years. (Prior to the new law, the credit equaled 30%, with a \$30,000 cap.) For individuals, credit is increased to 50% (\$2,000 cap).

### **Energy Investment Credit**

The Recovery Act removes the credit cap for small wind energy property under Code Sec. 48 energy investment property. A taxpayer may be able to take a 30% credit for certain small wind energy property expenses made during the tax year.

### **Plug-in Electric Vehicles**

An existing credit for plug-in electric vehicles is modified by the new law, with separate treatment for low-speed vehicles. The base amount of the credit is \$2,500, and the full amount will be reduced once the manufacturer records its 200,000th sale of these vehicles, which are not yet on the market.