



November 12, 2008

The Bailout Bill: Tax Changes Affecting Businesses

Changes to energy conservation incentives

The placed in service date for the renewable electricity production credit is extended through December 31, 2009, in the case of wind and refined coal, and through December 31, 2010, in the case of other sources. The credit is also extended to facilities that generate electricity from marine renewables. Some definitions have been updated, and the rules for the refined coal credit have been modified.

The 30% investment tax credit for solar energy property and qualified fuel cell property, and the 10% investment tax credit for microturbines are extended through 2016. A new 10% tax credit applies to combined heat and power systems and geothermal heat pumps. A new 30% tax credit applies to small wind energy property. Public utility property also becomes eligible for the credit. The \$500 per half kilowatt of capacity cap for qualified fuel cells is increased to \$1,500 per half kilowatt of capacity. These credits can be used to offset the alternative minimum tax (AMT) as well as the regular tax.

The credit available to contractors for the construction or manufacture of new energy-efficient homes is extended through December 31, 2009.

The credit allowed for the manufacture of energy-efficient dishwashers, clothes washers, and refrigerators is extended through 2010. Additionally, the standards that the manufactured appliances must meet for application of the credit have been modified.

The advanced coal project investment credit is increased to 30%, and the IRS is authorized to allocate an additional \$1.25 billion in credits to qualified projects that separate and sequester at least 65% of total carbon dioxide emissions.

The coal gasification project credit is increased to 30%, and the IRS is authorized to allocate an additional \$250 million in credits to qualified projects that separate and sequester at least 75% of total carbon dioxide emissions.

A tax credit of \$10 per metric ton is provided for carbon dioxide that is captured and transported from an industrial source for use in enhanced oil recovery. The credit is \$20 per metric ton in the case of carbon dioxide captured and transported from an industrial source for permanent storage in a geologic formation.

The deduction for costs associated with energy-efficient commercial building property is extended for five years.

A 50% additional depreciation allowance can be claimed on the adjusted basis of qualified reuse and recycling property acquired and placed in service after August 31, 2008.

A 10-year recovery period and 150% declining balance method is provided for any qualified smart electric meter and any qualified smart electric grid system.