

American Recovery and Reinvestment Act of 2009 Provides Energy Incentives for Businesses

The American Recovery and Reinvestment Act of 2009 (ARRA) provides a number of energy tax incentives for both small and large businesses. Businesses and individuals who take advantage of these energy-saving steps this year may result see bigger tax savings next year.

Here are some of the major provisions that apply:

1. **Extension of Renewable Energy Production Tax Credit:** This law extends the “eligibility dates” of a tax credit for business facilities that use wind, closed-loop biomass, open-loop biomass, geothermal energy, municipal solid waste, qualified hydropower and marine and hydrokinetic renewable energy. The "placed in service date" is now Dec. 31, 2012 for wind facilities and Dec. 31, 2013 for the other facilities.
2. **Election of Investment Credit in Lieu of Production Credit:** Businesses that operate facilities that produce electricity from wind and some other renewable resources after Dec. 31, 2008 can now choose either the energy investment tax credit or the production tax credit.
3. **Repeal of Certain Limits on Business Credits for Renewable Energy Property:** ARRA repeals the \$4,000 limit on the 30 percent tax credit for small wind energy property and the limitation on property financed by subsidized energy financing for property placed in service after Dec. 31, 2008.
4. **Coordination with Renewable Energy Grants:** Business taxpayers can apply for a grant in lieu of claiming either the energy investment tax credit or the renewable energy production tax credit for property placed in service in 2009 or 2010.
5. **Temporary Increase in Credit for Alternative Fuel Vehicle Refueling Property:** Qualified property placed in service in 2009 and 2010 is now eligible for a 50 percent credit, and the per-business location limit increases to \$50,000. Property relating to hydrogen remains at the 30 percent rate, but the per-business location limit rises to \$200,000.

In addition, there are several other energy credits available that small businesses should be aware of, such as:

6. **Residential Energy Property Credit:** The new law increases the energy tax credit for homeowners who make energy efficient improvements to their existing homes. The new law increases the credit rate to 30 percent of the cost of all qualifying improvements and raises the maximum credit limit to \$1,500 for improvements placed in service in 2009 and 2010. The credit applies to improvements such as adding insulation, energy efficient exterior windows and energy-efficient heating and air conditioning systems.
7. **Plug-in Electric Drive Vehicle Credit:** The new law modifies the credit for qualified plug-in electric drive vehicles purchased after Dec. 31, 2009.
8. **Plug-In Electric Vehicle Credit:** The new law also creates a special tax credit for two types of plug-in vehicles — certain low-speed electric vehicles and two- or three-wheeled vehicles.

More information on these business energy tax incentives are available on IRS.gov

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