



ENERGY SUPPORT IN THE STIMULUS BILL – CERTAIN TAX PROVISIONS

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PRESENTED BY

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BONUS DEPRECIATION

- Background
 - Bonus depreciation refers to an allowance of a 50% deduction in the year qualified property is placed in service
 - The remainder of the cost of the qualified property is recovered through traditional (including accelerated) depreciation

BONUS DEPRECIATION

- Background (continued)
 - Economic Stimulus Act of 2008 extended bonus depreciation for property placed in service in 2008
 - Exception for long-lived property placed in service through December 2009 (limited to pre-2009 expenditures)

BONUS DEPRECIATION

- New Law
 - Extends bonus depreciation to include qualified property placed in service during 2009
 - For long-lived self-constructed property, bonus depreciation is extended to include property placed in service during 2010 (limited to pre-2010 expenditures)

BONUS DEPRECIATION

- Binding Contract Rule
 - Prior Law - December 31, 2007
 - New Law - December 31, 2007
- Why is this important?
- Critical tracking dates

BONUS DEPRECIATION

- Election Out
 - General election not to use bonus depreciation
 - Election made for each class of property
 - Year by year election
 - Why would you make this election?

BONUS DEPRECIATION

- Election Out (continued)
 - Election to forego bonus depreciation and increase the research or minimum tax credit limitation
 - Election extended to 2009 for extension property
 - Election for 2009 independent of 2008
 - Permits the recovery of a portion of pre-2006 AMT or research credits otherwise blocked by limitation rules
 - Recovery is a refundable credit

BONUS DEPRECIATION

- Election Out (continued)
 - Applies to all eligible property placed in service during election year
 - Eligible property must be depreciated using straight-line method
 - Why would you make this election?

ALTERNATIVE REFUELING PROPERTY

- Credit is for Qualified Alternative Fuel Vehicle Refueling Property
- Credit increases from 30% to 50% for property used in a trade or business
- Maximum credit per location increases from \$30,000 to \$50,000
- Credit expires after 2010

ALTERNATIVE REFUELING PROPERTY

- Special rules for property relating to hydrogen
 - Maximum credit is increased from \$30,000 to \$200,000 per location
 - Credit remains at 30%
 - Credit expires December 31, 2014
- Non Business Property
 - Limit is increased from \$1,000 to \$2,000 and credit rate is increased from 30% to 50%

ADVANCED ENERGY FACILITIES

- Purpose is to encourage the development of a domestic manufacturing base to support the renewable energy industry
- 30% investment credit for investment in advanced energy projects

ADVANCED ENERGY FACILITIES

- Qualifying projects include those that re-equip, expand or establish manufacturing facilities for the production of:
 - Property used for the production of wind and solar energy
 - Fuel cells, microturbines or an energy storage system to be used with hybrid or electric cars

ADVANCED ENERGY FACILITIES

- Continued
 - Property designed to capture and sequester CO2 emissions
 - Certain electric grid property
- Treasury in consultation with DOE to certify qualified investments
- Maximum amount of credits to be certified - \$2.3 billion