



# POTENTIAL FUTURE DEVELOPMENTS

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## PRESENTED BY

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# President's Fiscal-Year 2010 Budget Creating a Clean Energy Economy

- Begin a comprehensive approach to transform our energy supply and slow global warming.
  - Develop an economy-wide emissions reduction program to reduce greenhouse gas emissions approximately 14 percent below 2005 levels by 2020 and approximately 83 percent below 2005 levels by 2050. This program will be implemented through a cap-and-trade system commencing in 2012 using a 100 percent auction. The funds from the auction will fund \$120 billion over 8 years in investments in clean energy with the balance of the auction revenues being returned to the people, especially vulnerable families, communities and businesses to help the transition to a clean energy economy.
- Provide the capital to double renewable energy generating capacity.
- Develop low-carbon emission technologies. Provide funding to meet the President's campaign commitment to build five commercial scale coal-fired plants with carbon capture and storage technology through public-private partnerships.
- Modernize the electric grid. The budget will build on efforts in the American Recovery and Reinvestment Act of 2009 to create a new, smarter electric grid for the integration and use of greater amounts of renewable energy, increase utilization of innovative efficiency technologies and reduce electric congestion.

# Tax Proposals of General Interest to Business

- Impose a 20-percent rate on dividends and capital gains for those taxpayers earning over \$250,000 (married) and \$200,000 (single). The tax rates on dividends and capital gains for persons earning less than these amounts would remain as is currently in effect.
- Make the research and experimentation tax credit permanent.
- Reinstate superfund taxes.
- Codify the economic substance doctrine.
- Repeal LIFO.
- Expand net operating loss carryback.
- Tax carried interest as ordinary income.
- Eliminate certain oil and gas company preferences including the section 199 deduction.

# Legislative Areas of Interest

- Maintain favorable tax rates for dividends and capital gains.
- Reduce corporate income tax rate.
- Expand net operating loss carryback.
- 5-year amortization under Code section 169 for 100% of the basis in pollution control facilities (both air and water) no matter when facility was originally placed in service.
- Tax credit for shutting down old coal-fired plants (a type of carbon reduction credit).
- Additional incentives for nuclear generating facilities. Examples:
  - 5-year MACRS.
  - Expand PTC for nuclear plants (current law limits to 6,000 MWs).
  - Provide ITC for new nuclear generation facilities. Include QPE credits and allow credit to be used against AMT.

# Legislative Areas of Interest (continued)

- Incentives for transmission (ITC, bonus depreciation, shorter depreciation life, etc.).
  - Better prospects for “green transmission.”
- Smart meters and smart grid – reduce the life to 5-year MACRS (200% declining balance).
- 15-year MACRS for distribution facilities.
- Allow construction period interest to be deducted when CWIP is included in rates.
- Long-term extension of the section 45 credit.
- Long-term extension of R&E credit.
- Fix the IRS casualty loss issue.
- Define the facility for purposes of section 48 credit and the grant in the stimulus bill for renewable energy facilities.
- Further extension of bonus depreciation.
- Specific provision allowing landowners to exclude from gross income payments for transmission line easements.