



Other Provisions of Interest of the 2009 Recovery Act

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Alternative Motor Vehicle Credits

Bill Sections 1141, 1142, 1143 and 1144.

1141. Plug-in electric drive motor vehicle credit.

For vehicles purchased after 12/31/2009 and before 1/1/2015 the maximum credit is \$7,500 and phases out by manufacturer after sales of 200,000. The credit is the sum of \$2,500 plus \$417 for each kW of battery capacity in excess of 4 kW. The credit is zero for vehicles weighing over 14,000 lb. After sales of 200,000 by manufacturer the credit in the next two quarters is 50%, then 25% for the remaining two quarters.

1142. Low speed and 2 and 3-wheeled electric powered vehicle credit.

10% of cost up to \$2,500 for vehicles purchased after 2/17/2009 and before 1/1/2012. Must have at least 2.5 kW battery for 2 and 3 wheeled vehicles and 4 kW for 4 wheel low speed vehicles. The credit is zero for vehicles weighing over 14,000 lb.

1143. Electric vehicle conversion credit. 10% tax credit for converting a vehicle into a plug-in electric drive motor vehicle capped at \$4,000 for property placed in service after 2/17/2009 and before 1/1/2012. Must be propelled by a battery with at least 4 kW of capacity. After 2009, the vehicle cannot weigh more than 14,000 lb.

Alternative Motor Vehicle Credits

Bill Sections 1141, 1142, 1143 and 1144.

- The basis of any qualified electric vehicle is reduced by the credit;
- Credits are recaptured if the electric vehicle ceases to be eligible property;
- The electric vehicle must not be used predominantly outside the U.S.;
- Any other deductions or credits must be reduced by the plug-in electric drive credit;
- The credit for electric vehicles used in business is treated as part of the general business credit;
- Sellers of plug-in electric vehicles to exempt entities, e.g., governmental agencies, can utilize the tax credit if properly disclosed.
- **1144. Nonrefundable personal credit.**
For property placed in service after 2/17/2009, the alternative motor vehicle credit offsets both regular as well as AMT liability for individuals.

Carbon Dioxide Capture

Bill Section 1131. CO² capture credit.

- \$10 per metric ton tax credit for the capture of qualified CO² after October 8, 2008. Must be transported from an industrial source and used by the taxpayer as a tertiary injectant in a qualified enhanced oil or natural gas recovery project.
 - Qualified enhanced oil or natural gas project is one which (1) involves the application of tertiary recovery methods expected to result in the recovery of more than an insignificant increase in the amount of crude oil or natural gas, (2) is located in the U.S., including continental shelf, and (3) was injected with liquid, gas, or other matter after 12/31/1990.
 - A tertiary recovery method is (1) any method described in certain June 1979 Energy Regulations or (2) any other method approved by the IRS.
 - A qualified recapture facility is any industrial facility (1) owned by the taxpayer, (2) at which carbon capture equipment is placed in service, and (3) that captures at least 500,000 metric tons of CO² during the year.
 - After 2/17/2009 the CO² must also be disposed in secure geological storage, i.e., it must be permanently sequestered. The IRS is to issue regulations for determining adequate security measures such that the CO² does not escape into the atmosphere.

Carbon Dioxide Capture

Bill Section 1131. CO² capture credit. .

- \$20 per metric ton credit for CO² that is captured after 10/3/2009 transported from an industrial source for permanent storage in a geological formation.
 - The \$20 credit is not available for CO² captured after 2/17/2009 if it is used as a tertiary injectant.

Withholding on Payments Made by Governmental Agencies

Bill Section 1511.

- Beginning 2010, federal, state and local governmental agencies and their political subdivisions were to begin withholding 3% from payments to certain persons providing goods and services.
- Delayed until 1/1/2012.
- Does not apply to any payment:
 - which is already subject to withholding,
 - of interest,
 - for real property,
 - to certain governmental entities, tax exempt entities and foreign governments,
 - under a classified or confidential contract,
 - by a political subdivision of a state if total yearly payments are less than \$100 million,
 - pursuant to a needs or income based welfare program, or
 - for services as a government employee.
- Payments are treated similar to wages for Section 3404 reporting purposes.

Clean Renewable Energy Bonds (CREBs)

Bill Section 1111.

- The Emergency Economic Stabilization Act of 2008 authorized the issuance of \$800 million of tax credit bonds called “new clean renewable energy bonds.”
- The 2009 Recovery Act increases the national limitation by an additional \$1.6 billion.
- Holders are entitled to an annual tax credit equal to the face of the bonds multiplied by the credit percent.
- The credit percent is set by the IRS at a rate that is 70% of the rate that would permit the bonds to be issued without discount or interest cost to the issuer.
- New CREBS can be issued by:
 - public power companies,
 - cooperatives,
 - governmental bodies,
 - clean renewable energy bond lenders, and
 - not-for-profit electric utilities with loans outstanding with the RUS.

Clean Renewable Energy Bonds (CREBs)

Bill Section 1111.

- Bond proceeds must be used to finance the following facilities which qualify for the section 45 renewable electric production credit:
 - wind,
 - closed-loop biomass,
 - open-loop biomass,
 - geothermal or solar,
 - small irrigation,
 - landfill gas,
 - trash combustion, or
 - qualified hydropower.
- National limitation is divided 1/3 to public power providers, 1/3 to governmental agencies, and 1/3 to electric cooperative companies.

Qualified Energy Conservation Bonds (QECCBs)

Bill Section 1112.

- The Emergency Economic Stabilization Act of 2008 authorized the issuance of \$800 million of tax credit bonds called “qualified energy conservation bonds.”
- The 2009 Recovery Act increases the national limitation by an additional \$2.4 billion and expands eligibility to include loans and grants for capital expenditures for green community programs, e.g., bonds issued to finance loans to individuals to retrofit existing housing.
- QEC Bonds provide a federal subsidy to assist state and local governments finance:
 - Capital expenditures for energy conservation projects,
 - Research expenditures,
 - Expenses for mass commuting facilities,
 - Demonstration projects that promote green building technology or energy efficiency,
 - Public education campaigns to reduce greenhouse emissions, and
 - Loans to finance capital expenditures for green community projects.

Qualified Energy Conservation Bonds (QECCBs)

Bill Section 1112.

- Grant repayment mechanisms can include periodic fees assessed on a government or utility bill approximating the energy savings of energy efficiency or conservation retrofits.
- The national limit is allocated to the states by population with sub-allocations to large cities.