

US Treasury Grant Program for Small Wind

The American Recovery and Reinvestment Act of 2009 (ARRA), passed on February 17, 2009, includes a number of provisions potentially benefitting consumers of small wind systems with capacities at or below 100 kilowatts (kW). One of these provisions is a new cash grant program through the U.S. Treasury that certain taxpayers may elect to use in lieu of claiming the 30% federal Investment Tax Credit (ITC). However, **this grant is NOT applicable to residential consumers** (as defined in Internal Revenue Code Section 25D), but rather only to entities as defined in Sections 45 and 48, which, generally, are businesses. For more information on these tax code sections see www.irs.gov/taxpros/article/0,,id=98137,00.html.

The U.S. Treasury also has not yet issued specific guidance on the use of this grant and other new tax provisions in AARA, but is expected to within approximately 90 days. Upon issuance, AWEA will provide its members with more detailed information on the use of these tax provisions.

Who is eligible for the grant?

In general, taxpayers that are eligible to claim the business tax credit for qualified properties may apply for the grant. Tax-exempt entities (e.g., government entities, charities, co-operatives) or partnerships with a tax exempt partner are not eligible for the grant.

Which small wind properties qualify for the grant?

The property must otherwise qualify for the business credit described above and generally must be placed in service in 2009 or 2010. If the property is placed in service after 2010, and before 2017, construction of the property must have begun in 2009 or 2010. The grant program is not available for property eligible for the residential tax credit.

How does one apply for the grant?

The Treasury has not yet issued guidance for grant application. ARRA provides that grants will be paid during the 60-day period beginning on the later of (1) the date of the application for the grant, or (2) the date the property is placed in service. No grant will be made unless the application for the grant is received before October 1, 2011.

How is the grant treated for tax purposes?

The receipt of the grant is not taxable. In general, the rules otherwise applicable to the investment tax credit (recapture rules, no reduction for government subsidies, partial reduction in depreciable basis, etc.) apply to the grant.