



## **Emergency Economic Stabilization Act of 2008, H.R. 1424**

Approved 10-1-2008 by Senate, 74-25; House Approved 10-3-08 by 263-171

### **Summary of Key Energy Efficiency and Renewable Energy Provisions:**

**Extension of Energy-Efficient Buildings Deduction.** Current law allows taxpayers to deduct the cost of energy-efficient property installed in commercial buildings. The amount deductible is up to \$1.80 per square foot of building floor area for buildings achieving a 50% energy savings target. The energy savings must be accomplished through energy and power cost reductions for the building's heating, cooling, ventilation, hot water, and interior lighting systems. This bill extends the energy-efficient commercial buildings deduction for five years, through December 31, 2013.

**Accelerated Depreciation for Smart Meters and Smart Grid Systems.** The bill provides accelerated depreciation for smart electric meters and smart electric grid equipment. Under current law, taxpayers are generally able to recover the cost of this property over a 20-year period. The bill allows taxpayers to recover the cost of this property over a 10-year period, unless the property already qualifies under a shorter recovery schedule.

**Extension and Modification of Production Tax Credit for Renewable Generation.** The bill extends the placed-in-service date for the Section 45 credit through December 31, 2009 in the case of wind and refined coal, and through December 31, 2010 in the case of other sources. The bill expands the types of facilities qualifying for the credit to new biomass facilities and to those that generate electricity from marine renewables (e.g., waves and tides). The bill updates the definition of an open-loop biomass facility, the definition of a trash combustion facility, and the definition of a non-hydroelectric dam. The bill also increases emissions standards on the refined coal credit and removes its market value test.

**Long-term Extension of Energy Credit.** The bill extends the 30% investment tax credit for solar energy property and qualified fuel cell property, as well as the 10% investment tax credit for microturbines, through 2016. The bill increases the \$500 per half kilowatt of capacity cap for qualified fuel cells to \$1,500 per half kilowatt of capacity, and adds small commercial wind as a category of qualified investment. The bill also provides a new 10% investment tax credit for combined heat and power systems and geothermal heat pumps. The bill allows these credits to be used to offset the alternative minimum tax (AMT).

**Long-term Extension and Modification of the Residential Energy-Efficient Property Credit.** The bill extends the credit for residential solar property for eight through 2016, and removes the credit cap (currently \$2,000) for solar electric

investments. The bill adds residential small wind investment, capped at \$4,000, and geothermal heat pumps, capped at \$2,000, as qualifying property. The bill allows the credit to be used to offset the AMT.

**New Clean Renewable Energy Bonds (“CREBs”).** The bill authorizes \$800 million of new clean renewable energy bonds to finance facilities that generate electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, qualified hydropower, landfill gas, marine renewable and trash combustion facilities. This \$800 million authorization is subdivided into thirds: 1/3 for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives. The bill also extends the termination date for existing CREBs by one year.

**Qualified Energy Conservation Bonds.** The bill creates a new category of tax credit bonds to finance State and local government initiatives designed to reduce greenhouse emissions. There is a national limitation of \$800 million, allocated to States, municipalities and tribal governments.

**Extension and Modification of Credit for Energy-Efficiency Improvements to Existing Homes.** The bill extends the tax credit for energy-efficient existing homes for 2009, and includes energy-efficient biomass fuel stoves as a new class of energy-efficient property eligible for a consumer tax credit of \$300. The proposal also clarifies the efficiency standard for water heaters.

**Extension of Credit for Energy-Efficiency Improvements to New Homes.** Under current law, contractors receive a credit for the construction of energy-efficient new homes that achieve a 30% or 50% reduction in heating and cooling energy consumption relative to a comparable dwelling. The credit equals \$1,000 for homes meeting a 30% efficiency standard, \$2,000 for homes meeting a 50% standard. The bill extends the new energy efficient home tax credit through 2009.

**Modification and Extension of Energy-Efficient Appliance Credit.** Manufacturers receive a tax credit for the production of energy-efficient dishwashers, clothes washers and refrigerators. Credit is provided only for appliances that are U.S.-produced. The bill increases the credit’s standards and amounts, and extends the credit for appliances manufactured through 2010.

**Extension and Modification of Qualified Green Building and Sustainable Design Project Bond.** The bill extends the authority to issue qualified green building and sustainable design project bonds through the end of 2012. The bill also clarifies the application of the reserve account rules to multiple bond issuances.

**Investments in Recycling.** The bill allows taxpayers to claim accelerated depreciation for purchase of equipment used to collect, distribute or recycle a variety of commodities.

**Sales of Electric Transmission Property.** The bill extends the present-law deferral of gain on sales of transmission property by vertically integrated electric utilities to FERC-approved independent transmission companies. Rather than recognizing the full amount of gain in the year of sale, this provision allows gain on such sales to be recognized ratably over an 8-year period. The rule applies to sales before January 1, 2010.

**Research and Development Credit.** The bill would extend the research tax credit equal to 20 percent of the amount by which a taxpayer's qualified research expenses for a taxable year exceed its base amount for that year. The provision expired December 31, 2007. The proposal would extend current law to the end of 2009. In addition, the proposal would increase the alternative simplified credit from 12% to 14% for the 2009 tax year, and repeal the alternative incremental research credit for the 2009 tax year. The proposal is effective for amounts paid or incurred after December 31, 2007.