ENERGY Tax Provisions

Extended & Modified Thru 2016: Nonbusiness Energy Property Credit

For qualified energy property placed in service before Jan. 1, 2015, a taxpayer could claim a credit up to a $500 lifetime limit (with no more than $200 from windows and skylights) over the aggregate of the credits allowed to the taxpayer for all earlier tax years ending after Dec. 31, 2005. The credit equalled the sum of: (1) 10% of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during the tax year, and (2) the amount of the residential energy property expenditures paid or incurred by the taxpayer during the tax year. The credit for residential energy property expenditures couldn't exceed: (i) $50 for an advanced main circulating fan; (ii) $150 for any qualified natural gas, propane, or hot water boiler; and (iii) $300 for any item of energy-efficient building property.

Qualified energy efficiency improvements were energy efficient building envelope components, such as (a) insulation materials or systems specifically and primarily designed to reduce heat loss/gain, that met criteria set by the International Energy Conservation Code (IECC); or (b) exterior windows, skylights or doors, or any metal roof with pigmented coating or asphalt roof with cooling granules specifically designed to reduce heat gain, installed on a dwelling unit that met certain Energy Star program requirements.

Under pre-Act law, the credit wasn't available for property placed in service after Dec. 31, 2014.

New law. The Act retroactively extends the nonbusiness energy property credit for two years, to apply to property placed in service after Dec. 31, 2014, and before Jan. 1, 2017. (Code Sec. 25C(g)(2) , as amended by Act Sec. 181(a)) The Act allows a credit of 10% of the amount paid or incurred by the taxpayer for qualified energy improvements, subject to new requirements described in Act Sec. 181(b), up to $500.

Extended Thru 2016: New Energy Efficient Home Credit

An eligible contractor could, for homes acquired before Jan. 1, 2015, claim a credit of $2,000 or $1,000 (depending on the projected level of fuel consumption) for each qualified new energy efficient home constructed by the contractor and acquired by a person from the contractor for use as a residence during the tax year.

Under pre-Act law, the new energy efficient home credit didn't apply to homes acquired after Dec. 31, 2014.

New law. The Act retroactively extends the credit for energy-efficient new homes for two years, i.e., to homes acquired before Jan. 1, 2017. (Code Sec. 45L(g) , as amended by Act Sec. 188)

Extended Thru 2016: Renewable Electricity Production Credit

An income tax credit was allowed for the production of electricity from qualified energy resources at qualified facilities (the "renewable electricity production credit"). Qualified energy resources comprise wind, closed-loop biomass, open-loop biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, qualified hydropower production, and marine and hydrokinetic renewable energy. Qualified facilities are, generally, facilities that generate electricity using qualified energy resources.

Under pre-Act law, the construction of a qualifying facility had to begin before Jan. 1, 2015, to claim the credit.

New Law. The Act retroactively extends by two years the date by which construction of a qualifying facility must begin, i.e., to before Jan. 1, 2017. (Code Sec. 45(d) , as amended by Act Sec. 187(a))

Extended & Modified Thru 2016: Energy Efficient Commercial Building Property Deduction

A deduction was allowed in an amount equal to the cost of "energy efficient commercial building property" (described in the bill summary as "energy efficient improvements to lighting, heating, cooling, ventilation, and hot water systems of commercial buildings") placed in service during the tax year. The maximum deduction for any building for any tax year was the excess (if any) of the product of $1.80, and the square footage of the building, over the aggregate amount of the deduction under Code Sec. 179D(a) for the building for all earlier tax years.

Under pre-Act law, this deduction didn't apply to property placed in service after Dec. 31, 2014.

New law. The Act retroactively extends the deduction for two years, for property placed in service before Jan. 1, 2017. (Code Sec. 179D(h) , as amended by Act Sec. 190)

The Act also modifies the deduction by updating the energy efficiency standards to reflect new standards of the American Society of Heating, Refrigerating, and Air Conditioning Engineers beginning in 2016. (Code Sec. 179D(c)(2) , as amended by Act Sec. 341)

Extended Thru 2016: Facility's Construction Date Election to Take Energy Credit Instead of Production Tax Credit

A 30% business energy credit is allowed under Code Sec. 48 for certain energy property placed in service (fuel cell property, solar property, and small wind energy property). A renewable electricity production credit is allowed (as extended; see above) under Code Sec. 45 for the production of electricity from qualified energy resources at qualified facilities. For qualified property that is part of qualified investment credit facilities, taxpayers can make an irrevocable election to take a 30% energy credit instead of the electricity production credit.

Under pre-Act law, the election was available for a qualified Code Sec. 45 facility placed in service after 2008 and the construction of which began before Jan. 1, 2015.

New Law. The Act retroactively extends the beginning construction requirement so that the election is available for a qualified Code Sec. 45 facility which is placed in service after 2008 and the construction of which begins before Jan. 1, 2017. (Code Sec. 48(a)(5)(C) , as amended by Act Sec. 187(b))

Extended Thru 2016: Credit for 2-Wheeled Electric Plug-in Vehicles

A taxpayer could, for vehicles purchased before Jan. 1, 2015, claim a 10% credit on the purchase of certain electric powered 2- or 3-wheeled vehicles manufactured primarily for use on public streets, roads and highways and capable of at least 45 miles per hour. To qualify, a vehicle had to be a 2-wheeled (e.g., motor scooter) or 3-wheeled vehicle propelled to a significant extent by a rechargeable battery with a capacity of at least 2.5 kilowatt hours. The maximum credit was $2,500.

Under pre-Act law, this credit didn't apply to vehicles purchased after Dec. 31, 2013.

New law. The Act extends the **credit for vehicles that have two wheels** (i.e., electric motorcycles) acquired after Dec. 31, 2014, and **before Jan. 1, 2017** (i.e., the credit lapsed for purchases in 2014). The credit for electric three-wheeled vehicles is not extended. (Code Sec. 30D(g) , as amended by Act Sec. 183)

Extended Thru 2016: Alternative Fuel Vehicle Refueling Property Credit

A taxpayer could, for property placed in service before Jan. 1, 2015, claim a 30% credit for the cost of installing *non-hydrogen* alternative vehicle refueling property for use in the taxpayer's trade or business (up to $30,000 maximum per year per location) or installed at the taxpayer's principal residence (up to $1,000 per year per location).

Under pre-Act law, this provision didn't apply to property placed in service after Dec. 31, 2014.

RIA observation: Under current law, *hydrogen-related* property remains eligible for the credit through 2016.

New law. The Act retroactively extends the alternative fuel vehicle refueling property credit under Code Sec. 30C for two years, to apply to property placed in service after Dec. 31, 2014 and before Jan. 1, 2017. (Code Sec. 30C(g) , as amended by Act Sec. 182)

Extended & Modified Thru 2016: Alternative Fuels & Mixtures Excise Tax Credit

A 50¢-per-gallon (or gasoline gallon equivalent for non-liquid fuel) excise tax credit was allowed against the Code Sec. 4041 retail fuel excise tax liability for alternative fuel sold for use or used by a taxpayer. A credit was also allowed against the Code Sec. 4081 removal at terminal excise tax liability for alternative fuel used to produce an alternative fuel mixture for sale or use in the taxpayer's trade or business. A taxpayer could claim an excise tax refund (or, in some cases, a credit against income tax) to the extent the taxpayer's alternative fuel or mixture excise tax credit exceeded the taxpayer's Code Sec. 4041 or Code Sec. 4081 liability.

Under pre-Act law, the alternative fuel and alternative fuel mixture excise tax credit, and the refund rules, generally didn't apply for any sale or use after Dec. 31, 2014 (after Sept. 30, 2015, for all fuels involving liquefied hydrogen).

New law. The Act retroactively extends the alternative fuel and alternative fuel mixture tax incentives through Dec. 31, 2016. (Code Sec. 6426(d)(5) , as amended by Act Sec. 193(a)(1); Code Sec. 6427(e)(6) , as amended by Act Sec. 193(a)(2))

The Act also provides excise tax equivalency for liquefied petroleum gas and liquefied natural gas by converting the measurement of the alternative fuel excise tax credit for liquefied natural gas and liquefied petroleum gas from 50¢ per gallon to 50¢ cents per energy equivalent of a gallon of diesel fuel, which is approximately 29¢ per gallon for liquefied natural gas and approximately 36¢ per gallon for liquefied petroleum gas, effective for fuel sold or used after Dec. 31, 2015. (Code Sec. 6426(j), as added by Act Sec. 342)

Extended Thru 2016: Credit for Fuel Cell Vehicles

A taxpayer could claim a credit is for vehicles propelled by chemically combining oxygen with hydrogen and creating electricity. The base credit was $4,000 for vehicles weighing 8,500 pounds or less. Heavier vehicles could get up to a $40,000 credit, depending on their weight. An additional $1,000 to $4,000 credit was available to cars and light trucks to the extent their fuel economy exceeded the 2002 base fuel economy set forth in the Code.

Under pre-Act law, this provision didn't apply to property placed in service after Dec. 31, 2014.

New law. The Act extends the fuel cell vehicle credit for two years, through Dec. 31, 2016. (Code Sec. 30B , as amended by Act Sec. 193)