



Alternative & Renewable Energy Tax Newsalert

President Obama's FY2013 Budget Outlines Renewable Energy Priorities

February 14, 2012

Yesterday, the Obama Administration released its proposed budget for FY2013, including a number of proposals intended to spur innovation and deployment of clean energy technologies. Although many of these proposals have been components of the President's agenda for several years, it may be instructive to consider which proposals the Administration continues to prioritize in its Budget and the accompanying Treasury General Explanations of the Administration's Fiscal Year 2013 Revenue Proposals (the "Treasury Green Book").

Extension of the Wind Tax Credit and Conversion of the Treasury Grant Program into a Refundable Tax Credit

President Obama has proposed a one-year extension of the production tax credit for wind energy facilities and the option to elect an investment tax credit for such facilities through 2013. His budget also would replace the Treasury cash grant program with a fully refundable tax credit bearing similar qualification requirements.

PwC Observations

Extension of the wind energy credit has been a key priority for developers of wind projects and would give them time to plan longer-lived construction projects. Likewise, the Treasury grant program attracted many applicants for projects on which construction began before the December 31, 2011 deadline, and its continuation in an administratively simpler form would be welcomed by the industry.

Conversion of the Section 179D Deduction to a Tax Credit

The budget proposes to convert the current section 179D deduction for energy efficient commercial buildings into a tax credit, as part of an overall goal to make commercial buildings 20 percent more energy efficient by 2020. In the past, the White House has estimated that the President's "Better Buildings Initiative" could help American businesses save \$40 billion per year in energy costs.

Currently, taxpayers may claim an accelerated depreciation deduction of up to \$1.80 per square foot for buildings that achieve a 50 percent improvement in energy efficiency as compared to either the building before remodeling or, in the case of new construction, a comparable reference building with respect to building envelope, lighting, and HVAC systems. If energy efficient property is installed in a building that is owned by a public entity, the deduction can be allocated to the person primarily responsible for designing the energy efficient property.

PwC Observations

This proposal would replace the current segmentation of benefits based on property type with credit amounts based on attainment of efficiency against more recent building energy standards, up to a \$1.80 per square foot credit for 50 percent improvements in energy efficiency. As was the case last year, the White House suggests that this revised tax credit also would be available to real estate investment



trusts, who typically obtain little benefit from the existing section 179D deduction. However, details on how this would be implemented and whether the benefit also could be effectively used by taxpayers with net operating losses have not been provided.

Provide \$5 Billion in Additional Funding for Section 48C

The President has proposed an additional \$5 billion in funding over two years for the section 48C advanced energy manufacturing tax credit program that was created under the American Recovery and Reinvestment Act. This was expected, as the program has been touted by the Administration over the past year as one of its priorities in the clean energy sector.

PwC Observations

Section 48C was a popular program and was significantly oversubscribed in its initial round of funding. Thus, we would expect keen interest in the program if it is funded again. The Treasury Green Book description of this proposal indicates that applicants for credits may choose to seek credits for only part of their qualified investment in a project and that partial claims would be evaluated favorably due to their reduced revenue cost to the government.

Other Tax Provisions

The Treasury Green Book contains a number of other proposals that may be of interest to developers, investors, or consumers. Among them are the following:

- A one-year extension of 100% bonus depreciation;
- Permanent extension and enhancement of the research and experimentation tax credit;

- A tax credit equal to 20% of eligible expenses incurred in connection with "insourcing" a U.S. trade or business;
- A new allocated tax credit to support investments in communities that have suffered a major job loss event.
- Expanding the range of technologies eligible for tax credits for advanced technologies vehicles;
- A tax credit of up to \$40,000 for medium- and heavy-duty alternative fuel commercial vehicles.

Other Aspects of the Energy Agenda

The budget highlights a number of executive actions the Administration has taken with the intention of promoting the development and deployment of alternative energy technologies. Among these are the promulgation of revised fuel economy standards for passenger cars and light trucks, the Administration's "Better Building Initiative" to encourage retrofits of both commercial and government buildings, and the use of federal procurement policy to promote drop-in biofuels.

The budget also calls for a 29% increase in spending by the Department of Energy for renewable energy and energy efficiency programs and for the creation of a National Infrastructure Bank.

For more details on the President's proposals, see [the President's budget](#), as outlined on the White House website.



For more information

For prior alerts on alternative and renewable energy tax issues, please see our [news archive](#). In addition to the Alternative & Renewable Energy Tax News alert, PwC also publishes a cross-disciplinary news alert providing updates on cleantech, sustainable development, and the business impacts of US climate and energy policy. For further information and to sign up for these alerts, click [here](#).

For more information about using energy tax incentives to meet your renewable energy goals, please contact a member of PwC's Sustainable Business Solutions tax team:

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