

VIRTUAL COFFEE TALK

Energy Incentives: An 'Energizing' Discussion About Current and Potential Credits and Deductions

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Kevin Deyoung, Wolters Kluwer

April 29, 2021 | 1:00 to 2:00 p.m. ET



Wolters Kluwer



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Session Objectives

1	Background	Understanding the Intent
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2	Energy Incentives	Review various energy incentives, including Sections 179D, 45L, 45Q, 45, 48, 41
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3	Potential Legislative Changes	A look into what the future may hold
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Introduction to Energy Tax Incentives

- The Basics
 - Federal and state governments use tax incentives to encourage investments they believe are beneficial for society as a whole
 - Federal and State Benefits Available
 - Incentive Types
 - Deductions
 - Credits
 - Grants
 - Loans



179D Energy Efficient Commercial Building Deduction



179D Deduction



PERMANENT



**COMMERCIAL
PROPERTY**

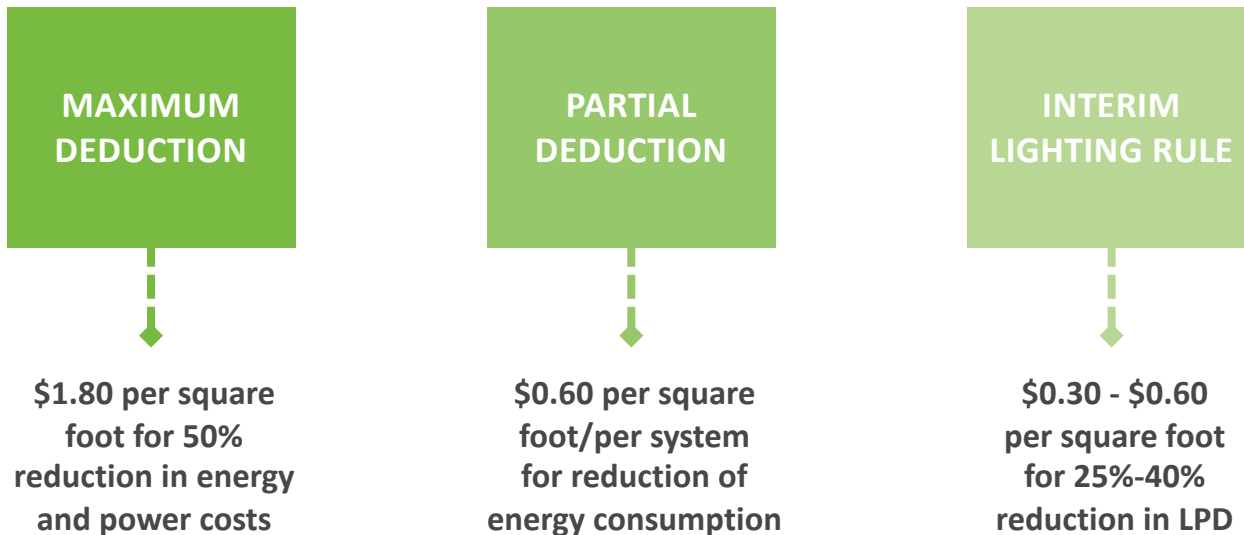


**OWNER/
ARCHITECT**



**ENERGY
REDUCTIONS**

179D Deduction *(cont'd)*



Note: starting in 2021, the deduction amount indexes to inflation

179D Deduction *(cont'd)*

Building Envelope \$0.60/ft² (≥10%)

HVAC/Hot Water \$0.60/ft² (≥15%)

Interior Lighting \$0.60/ft² (≥25%)



179D: Who Benefits?



COMMERCIAL BUILDING OWNER

- Commercial buildings of any size or high-rise multi-family
- File 3115/reduce basis



PUBLIC BUILDING DESIGNER

- City, state, local, municipal, federal
- Allocated to the primary designer

POLLING QUESTION

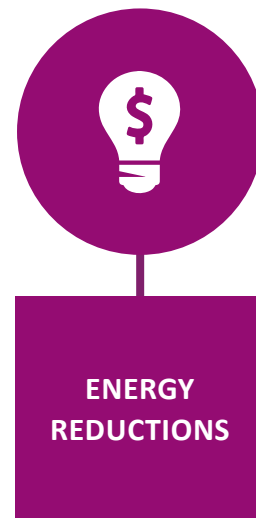
Polling Question #01 — To qualify for the maximum 179D deduction, the energy cost savings compared to the ASHRAE standard must be at least:

- ☐ 35%
- ☐ 40%
- ☐ 45%
- ☐ 50%

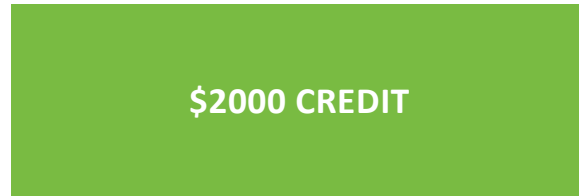
45L Energy Efficient Residential Credit



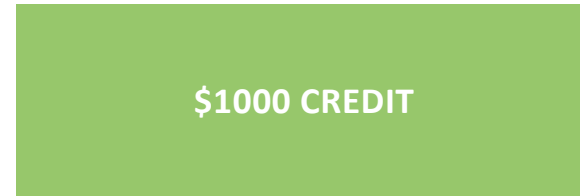
45L Energy Efficient Residential Tax Credit



45L: Credit Amounts



Per Dwelling Unit
≥50% annual consumption savings



Per Dwelling Unit
≥30% annual consumption savings

45L: Information



**OWNER/
DEVELOPER**

20 YEAR CARRYFORWARD

FORM 8908

REDUCE EXPENSES BY AMOUNT OF CREDIT

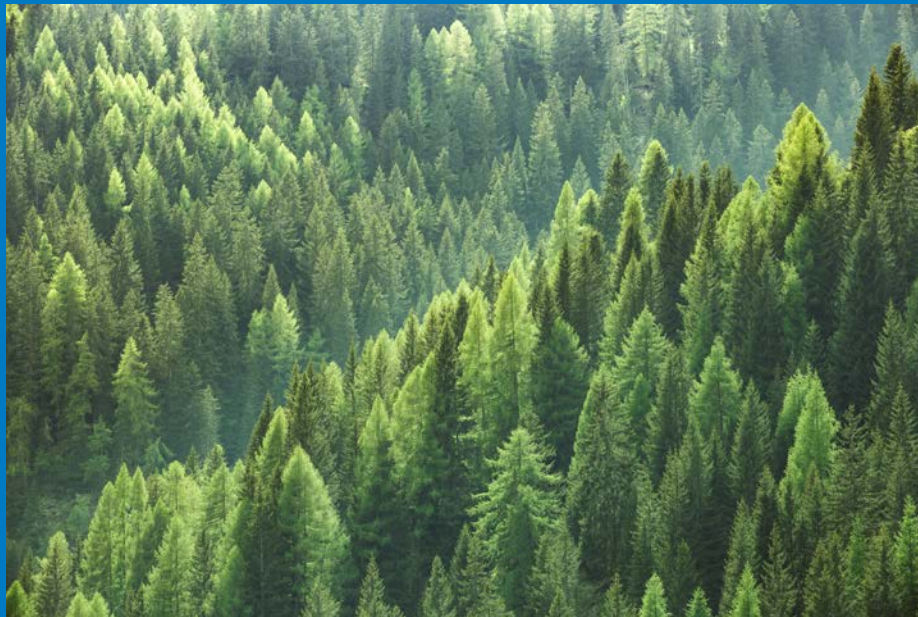
**NOT TO BE USED WITH SEC 47 REHAB CREDIT
OR 48(A) ENERGY CREDIT**

POLLING QUESTION

Polling Question #02 — To qualify for the maximum 45L credit, the residential unit must have an annual energy consumption of ____ below the annual level.

- ☐ 35%
- ☐ 40%
- ☐ 45%
- ☐ 50%

45Q Credit for Carbon Oxide Sequestration



45Q Credit for Carbon Oxide Sequestration



45Q: Credit Amounts

Equipment originally placed in service before 2/9/2018 (pre-BBA)

\$20 PER METRIC TON

- The person that captures
- Disposed of in secure geological storage

\$10 PER METRIC TON

- The person that captures
- Used as a tertiary injectant in oil/ng recovery

45Q: Credit Amounts *(cont'd)*

Equipment originally placed in service before 2/9/2018 (pre-BBA)
During the 12-year period beginning on the date equipment was originally placed in service

\$22.66 — \$50 PER METRIC TON

- The person that owns the equipment
- Disposed of in secure geological storage

\$12.83 — \$35 PER METRIC TON

- The person that owns the equipment
- Used as a tertiary injectant in oil/ng recovery

45Q: Notes



NUANCES

CONTRACTUAL OBLIGATIONS

**CREDITS MAY BE TRANSFERRED
ON AN ANNUAL BASIS**

AGGREGATION FOR SMALLER FACILITIES

**CREDIT REPAID IF LEAKAGE IN THREE-YEAR PERIOD
AFTER INITIAL STORAGE OR INJECTION**

45 Production Tax Credit



Production Tax Credits

1 SECTION 45

2 PRODUCTION TAX CREDIT PROVIDES A TAX REBATE BASED ON THE AMOUNT OF PRODUCTION

3 ENERGY PERCENTAGE

4 ENERGY PROPERTY

The original use of the equipment must begin with the taxpayer, or the system must be constructed by the taxpayer



Production Tax Credits *(cont'd)*

DETAILS	
Expiration Date:	Wind facilities: 12/31/2021; Other technologies: 12/31/2017
Eligible Renewable Technologies:	Geothermal Electric, Solar Thermal Electric, Solar Photovoltaics, Wind (All), Biomass, Hydroelectric, Municipal Solid Waste, Landfill Gas, Tidal, Wave, Ocean Thermal, Wind (Small), Hydroelectric (Small)
Incentive Amount:	Systems Commencing construction prior to January 1, 2021: Wind: \$0.015/kWh Geothermal, Closed-loop Biomass: \$0.025/kWh Other eligible technologies: \$0.013/kWh Applies to first 10 years of operation

48 Investment Tax Credit



Investment Tax Credits

1

SECTION 48

2

INVESTMENT TAX CREDIT PROVIDES A TAX REBATE
BASED ON THE AMOUNT OF PRODUCTION BY
A CERTAIN BUSINESS



Investment Tax Credits

The dates are based on when construction begins

Technology	12/31/21	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	Future Years
Solar	26%	26%	26%	22%	22%	22%	10%
Hybrid Solar/ Small Wind	26%	26%	26%	26%	22%	N/A	N/A
Geothermal Heat	10%	10%	10%	10%	10%	N/A	N/A
Geothermal Electric	10%	10%	10%	10%	10%	10%	10%
Large Wind	18%	18%	N/A	N/A	N/A	N/A	N/A

41 Research Credit



Energy Incentives: R&E in the Energy Sector

RESEARCH CREDITS



**ADDITIONAL 20% CREDIT
FOR PAYMENTS TO ENERGY
RESEARCH CONSORTIUM**



**CONTRACT RESEARCH
PAYMENTS FOR ENERGY
RESEARCH IS ALLOWED
AT 100%**

POLLING QUESTION

Polling Question #03 — Amounts paid to eligible small businesses, universities and fed labs for energy research is allowed at what %?

- ☐ 50%
- ☐ 65%
- ☐ 75%
- ☐ 100%

The Future of Energy Incentives



Energy Incentives: Looking to the Future

BIDEN PLAN



1

ITC/PTC

- 10-year extension proposed for clean energy generation
 - Wind
 - Solar
 - Geothermal

2

INNOVATION

- Expanded Research Credits
- Tax incentives for carbon capture, use, and storage (“CCUS”)
- ARPA-E
- Energy Efficient Cars
 - ARPA-C
- Energy Storage
 - Sustainable Fuels

3

INFRASTRUCTURE

- Broad mobilization of public investment in clean energy
- Provide incentives for retrofits that combine appliance electrification, efficiency, and on-site clean power generation

Clean Energy for America Act

1

Sec 45 (PTC) & 48 (ITC)

- PTC: credit equaling 2.5 cents per KW hour of electricity produced and sold
- ITC: credit equaling 30% of investment in year placed in service

2

Sec 45L

- \$2500 for homes meeting Energy Star Program
- \$5000 for homes meeting Zero Energy Ready requirements

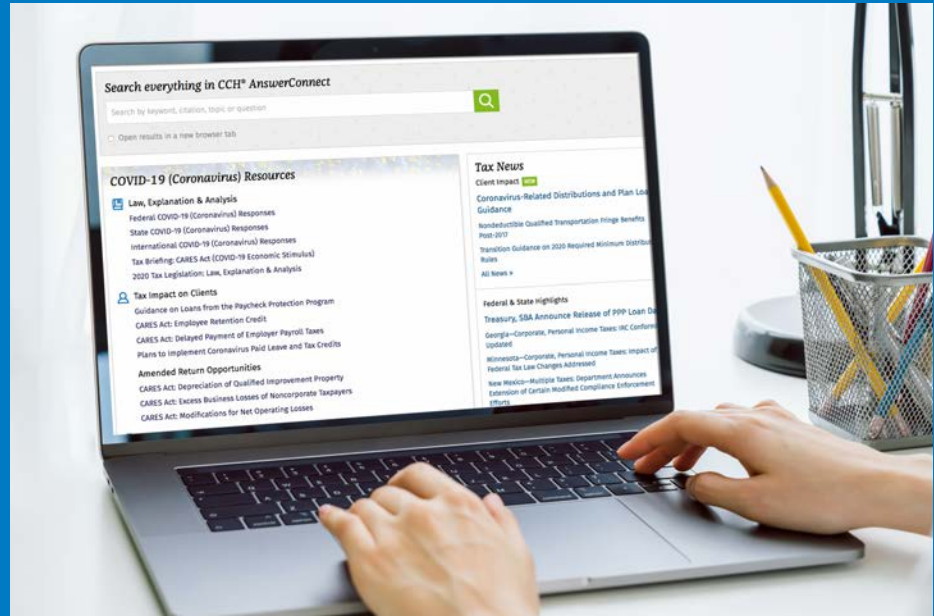
3

Sec 179D

- 25% - 50% energy savings
- \$2.50/sq.ft. - \$5.00/sq.ft. deduction



CCH® AnswerConnect®





POLLING QUESTION

Would you like a more in-depth demo of CCH® AnswerConnect and the resources available to help with energy tax incentives?

☐ Yes

☐ No

Q&A



CCH[®] AnswerConnect

[Register here](#) to try it for free or visit CCHAnswerConnect.com to learn more

Thank you for attending

Virtual Coffee Talk — Energy Incentives: An ‘Energizing’ Discussion
About Current and Potential Credits and Deductions

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Kevin M. Jacobs

Kevin M. Jacobs is a Managing Director with Alvarez & Marsal Taxand in Washington D.C. and the National Tax Office Practice Leader. He brings more than 15 years of experience in tax matters in both the public and the private sector.

Prior to joining A&M, Mr. Jacobs was a Senior Technician Reviewer (TCJA) with the IRS Office of Associate Chief Counsel (Corporate) for more than six years, where he advised on tax issues such as corporate re-organizations and corporation-shareholder issues, earning and profits, recovery and allocation of stock basis, liquidations, redemptions, bankruptcies, spin-offs and consolidated returns.

Mr. Jacobs was the principal Associate Chief Counsel (Corporate) attorney on several regulatory projects including the proposed section 382(h) regulations on built-in gains and losses, the global intangible low-taxed income regulations, and debt-equity regulations. He provided substantial contributions to numerous other guidance projects, such as the limitation on interest deductions regulations, and assisted in overseeing the Corporate Division's response to TCJA, including the coordination with Treasury's Offices of Tax Legislative Counsel and International Tax Counsel. Previously, Mr. Jacobs spent more than nine years at law and certified public accounting firms (Ropes & Gray LLP, Latham & Watkins LLP, Dewey Ballantine LLP and Arthur Andersen LLP).

Mr. Jacobs earned a bachelor's degree in accounting, a master's degree in accounting (with a concentration in taxation), a J.D. (magna cum laude) from the University of Florida and an LL.M. in taxation from New York University. He is admitted to practice before multiple courts, including the Supreme Court of the United States, the U.S. Tax Court and the U.S. Court of Federal Claims. He is admitted to the District of Columbia and Florida Bars and is a licensed Certified Public Accountant (CPA) in Florida and Colorado. Mr. Jacobs is a member of several organizations including the American Bar Association and the New York State Bar Association. He is also a frequent speaker on numerous corporate transaction tax matters.

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Kathleen King

Kathleen King is a Managing Director and National R&D Practice Leader with Alvarez & Marsal Taxand in Washington, D.C. She specializes in assisting clients in the process of claiming, domestic production deductions, documenting and sustaining tax incentives, including research tax credits, domestic production deductions, meals and entertainment deduction, and fixed asset treatment.

With more than 25 years of experience, Ms. King's projects have ranged from targeted consulting engagements designed to address specific issues to large-scale projects utilizing engagement teams working concurrently in multiple locations. She has extensive experience in leading research credit analyses and representing her clients in audits performed by the Internal Revenue Service and state tax authorities at the field and appeals levels.

Ms. King has worked with clients across various industries, including aerospace and defense, food products, manufacturing, pharmaceutical products, retail and software.

Prior to joining A&M, Ms. King was a Senior Manager at KPMG, where she served as a national resource for the Research Credit Services team. Previously, she was a member of Arthur Andersen's national Research Tax Incentives team.

Ms. King earned a bachelor's degree in mineral land management from the University of Colorado and a master's degree in accounting from American University in Washington, D.C. She is a Certified Public Accountant (CPA).



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Stephanie Doughty

Stephanie Doughty is a Senior Director with A&M Taxand, LLC in Washington, DC. She brings more than 16 years of experience in tax consulting, specializing in research credits and incentives.

Ms. Doughty has extensive experience assisting large and small companies in a multitude of industries in capturing, claiming and defending R&D tax credits. She is an authority on government contractors and the complexities of substantiating R&D credit claims and has a thorough knowledge of a multitude of other tax incentives, including cost segregation, qualified small business stock, energy efficiency incentives, domestic production deductions and various state and local incentives.

Prior to joining A&M, Ms. Doughty was a Senior Director with TRCG Advisors. Prior to that, she held a senior position with a national R&D services provider.

Ms. Doughty earned a bachelor's degree in marketing with an emphasis on finance from the University of New Orleans. She provides continuing education to CPAs and dedicates a substantial portion of her time to speaking at technology, government contracting and tax events throughout the country.



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