Energy Tax Credits in the Taxibus – Descriptions & Costs

January 4, 2016

Credits with Respect to Facilities Producing Energy from Certain Renewable Resources

This credit applies to facilities that produce electricity from the following renewable resources: closed-loop biomass, open-loop biomass, geothermal or solar, municipal solid waste, qualified hydropower, and marine and hydrokinetic renewable energy. The Taxibus extends this production tax credit (PTC) to projects that began construction before January 2017. Like previous extenders packages, the Taxibus also extends the election to claim an investment tax credit (ITC) in lieu of the PTC for the same facilities.

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $1.4 billion over 10 years (through 2025).

Wind Energy Production Tax Credit (PTC)

The Taxibus extends the wind PTC for five years, compared to the two year extension for other energy sources listed above. The credit is only allowed in full, however, for facilities that begin construction in the first two years of the extension - 2015 and 2016. The credit is then phased-out by being reduced by: 20 percent for projects beginning in 2017, 40 percent for projects beginning in 2018, and 60 percent for projects beginning in 2019.

The Taxibus also extends the availability of the election to claim an ITC in lieu of the PTC for wind energy facilities for five years, including a contemporaneous three-year phase-out with the same schedule of credit reductions.

- The Joint Committee on Taxation (JCT) has scored the extension of the wind PTC and ITC in lieu of the PTC as costing $14.5 billion over 10 years (through 2025).

Solar Investment Tax Credit (ITC)

The ITC for solar energy energy property, which was last extended from 2009 to 2017 in the 2008 bailout, was extended in the Taxibus to 2022. The credit, which is normally 30 percent of the basis of the solar energy property, is phased in 2020 and 2021. For projects that begin construction in those years, the credit is 26 percent and 22 percent respectively. Projects that begin construction before 2022 but are not placed in service by 2024 are only allowed to claim a 10 percent ITC.

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $5 billion over 10 years (through 2025).

Alternative Fuel Vehicle Refueling Property Credit

This tax credit enables refueling properties dispensing certain alternative fuels to receive a refueling property credit. This provides a 30 percent tax break for gasoline stations or other facilities installing biodiesel or 85 percent ethanol (E85) blender pumps, or repowering sites for electric vehicles. Stations dispensing natural gas, liquefied natural gas (LNG), and liquefied petroleum gas (LPG) are also eligible. The credit was first passed in the 2005 energy bill. It expired at the end of 2014, but the Taxibus bill extends this credit through 2016.

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $105 million in 2016 and 2017.

Credit for Plug-in Electric Motorcycles

This credit applies to electric plug-in motorcycles. Unlike previous iterations of this credit, this version no longer includes non-highway low speed vehicles, like golf carts, or three-wheeled vehicles. The credit was one of only two that expired in 2013 and were not extended in the 2014 extenders package (P.L. 113-295). The provision in the Taxibus extends the credit to motorcycles acquired in 2015 and 2016, but does not retroactively extend it for those acquired in 2014.

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $4 million in 2016 and 2017.

Credit for Production of Cellulosic Biofuel (Second Generation Biofuel Producer Credit)

Since passage of the 2008 farm bill, cellulosic ethanol facilities have been able to receive a tax credit of $1.01 for each gallon of biofuel produced. Cellulosic biofuels are produced from biomass materials like agricultural residues, wood chips, perennial grasses, and municipal solid waste. The Taxibus bill extends this credit through the end of 2016.

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $45 million in 2016 and 2017.

Biodiesel and Renewable Diesel Tax Credits

The biodiesel tax credit of $1 per gallon was created in the 2004 American Jobs Creation Act while the credit for renewable diesel was created in the 2005 energy bill. Eligible biodiesel feedstocks include virgin oils, including esters derived from corn, soybeans, sunflower seeds, cottonseeds, canola, crambe, rapeseeds, safflowers, flaxseeds, rice bran, mustard seeds, and camelina, and from animal fats. As we noted in our earlier post, this credit is extended through 2016.

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $2.6 billion in 2016 and 2017.

Credit for the Production of Indian Coal

A credit is available for the production of Indian coal sold to an unrelated third party from a qualified facility for an 11-year period beginning January 1, 2006, and ending December 31, 2016. The amount of credit for Indian coal is $1.50 per ton for the first four years of the 11-year period and $2.00 per ton for the remaining years of the 11-year period. Beginning in calendar years after 2006, the credit amounts are indexed annually for inflation using 2005 as the base year. The credit amount for 2015 is $2.317 per ton. This provision is for extended 2 years, through the end of 2016.

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $56 million in 2016 and 2017.

Credit for Energy Efficient New Homes

Present law provides a credit to an eligible contractor for qualified new energy-efficient homes that use at least 30 or 50 percent less energy for heating and cooling. . The credit equals $1,000 in the case of a new home that meets the 30-percent standard and $2,000 in the case of a new home that meets the 50-percent standard. Only manufactured homes are eligible for the $1,000 credit. The proposal extends the credit to homes that are acquired after December 31, 2014 and before January 1, 2017

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $500 million in 2016 and 2017.

Depreciation Allowance for Cellulosic (Second Generation) Biofuel Plant Property

Unlike tax credits, which reduce the computed amount of tax owed to the government, this provision allows owners of eligible facilities to deduct 50 percent of a plant's cost in the year it goes into service rather than depreciating the cost over a number of years. When the provision was first created in the Tax Relief and Health Care Act of 2006, it applied to any "cellulosic ethanol" plants put in service before January 1, 2013. The allowance now applies to any "Second Generation" biofuel production facility, including those that produce fuel from plant biomass (cellulosic), algae, cyanobacteria, or lemna. The extension in the Taxibus is the provision's third and allows owners to claim the deduction for facilities put in service before January 1, 2017.

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $7 million in 2016 and 2017.

Excise Tax Credits for Alternative Fuel, and Excise Tax Credits for Alternative Fuel Mixtures

Both the alternative fuel credit and the alternative fuels mixture credit were enacted by the 2005 Highway Bill to provide a tax credit for alternative fuels, which includes high carbon fuels produced from coal, oil shale, biomass, and tar sands. It specifically provides a tax credit for "compressed natural gas (based on 121 cubic feet), liquefied natural gas, liquefied petroleum gas, P-Series fuel, liquid fuel derived from coal through the Fischer-Tropsch process, and compressed or liquefied gas derived from biomass." Companies that produce unconventional fuels receive a production tax break of 50 cents per gallon; companies that blend traditional fossil fuels with small amounts of high carbon fuels receive the same tax benefit. Like we noted in our earlier post, these provisions are extended through the end of 2016.

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $918 million in 2016 and 2017.

Alternative Motor Vehicle Credit for Qualified Fuel Cell Motor Vehicles Credit

This credit was first included in the Energy Policy Act of 2005. It provides a tax credit for vehicles running on fuel cells, which convert chemical energy into electricity. The credit rate varies with the weight of the vehicle and was extended in the Taxibus through 2016.

- The Joint Committee on Taxation (JCT) has scored the extension of the provision as costing $6 million in 2016 and 2017.

The Taxibus also retroactively extends all of the above provisions for the period beginning January 1, 2015 and ending December 31, 2015.