

Show Me the *(Federal)* Money!

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SERVICE QUALITY INNOVATION FUN

Significant Federal Legislation

- Emergency Economic Stabilization Act of 2008 (EESA)
- American Recovery and Reinvestment Act of 2009 (ARRA)



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Where are we now?



Federal Incentives for Businesses

- Production Tax Credit expanded and extended (Internal Revenue Code 45)
- Investment Tax Credit expanded and extended (IRC 48)
- Grants! (IRC 45 & IRC 48)
- Bonus depreciation (IRC 168)

Where are we now?



Federal Incentives for Individuals

- Homeowners Energy Credit expanded and reinstated (IRC 25C)
- Residential Energy Efficient Property Credit expanded and extended (IRC 25D)

Federal Incentives for Businesses



Production Tax Credit (PTC)



- Production Tax Credit (IRC Section 45)
 - Available to a taxpayer that installs the following:
 - Wind (2.1 cents/kWh)
 - Closed-loop biomass (2.1 cents/kWh)
 - Open-loop biomass (1.0 cent/kWh)
 - Geothermal energy (2.1 cents/kWh)
 - Municipal solid waste (1.0 cent/kWh)
 - Qualified hydropower production (1.0 cent/kWh)
 - Marine & hydrokinetic renewables (1.0 cent/kWh)
 - Landfill gas (1.0 cent/kWh)
 - Solar energy (1.0 cent/kWh)

Production Tax Credit (PTC)



- Production Tax Credit (IRC Section 45)
 - Credit is based on amount of kWh sold multiplied by the credit rate
 - Taxpayer must sell electricity to an unrelated party
 - Credit available for ten years following installation date.
 - Facility must be installed prior to January 1, 2014 (January 1, 2013 for wind facilities)
 - NEW: Taxpayer can elect to claim ITC (some wind property may not eligible)
 - NEW: Property eligible for grant in lieu of credit

Investment Tax Credit (ITC)



- Investment Tax Credit (IRC Section 48)
 - Available to taxpayers that install the following property:
 - Solar (30%, no maximum credit)
 - Fuel Cells (30%, capped at \$1,500 per 0.5 kW of capacity)
 - Small wind turbines (30%, no maximum credit)
 - Geothermal systems (10%, no maximum credit)
 - Microturbines (10%, capped at \$200 per kW of capacity)
 - Combined heat and power (10%, no maximum credit)

Investment Tax Credit (ITC)



- Investment Tax Credit (IRC Section 48)
 - Original use must commence with taxpayer
 - Must be installed prior to January 1, 2017
 - Eligible for grant in lieu of credit

Grants



- ARRA Section 1603
- Grants qualify for property that would otherwise qualify for the PTC or ITC
- Great opportunity

Grants



- Grant is available for 10% or 30% of basis of property (depending on property installed)
- Must begin construction in 2009 or 2010
- If meeting qualifications of PTC (IRC 45), must complete construction prior to January 1, 2014 (wind property deadline is prior to January 1, 2013)
- If meeting qualifications of ITC (IRC 48), must complete construction prior to January 1, 2017

Grants



- Must apply for grant prior to October 1, 2011
- Grant will be paid within the 60 day period following the later of:
 1. Date of application for the grant
 2. Date the property is placed into service
- Applicant must be a tax-paying entity or a flow-thru entity not owned by tax-exempt entities

Grants



- Administered by Department of Treasury
- Very little current guidance
- Application should be available on June 30, 2009

Bonus Depreciation



- Requirements:
 - Property with a class life of 20 years or less
 - Original use commences with the taxpayer
 - Installed in 2009 (few exceptions)
- 50% of basis can be expensed in the first year
- Adjusted basis (cost less bonus depreciation) is expensed over the remaining life of asset

Bonus Depreciation

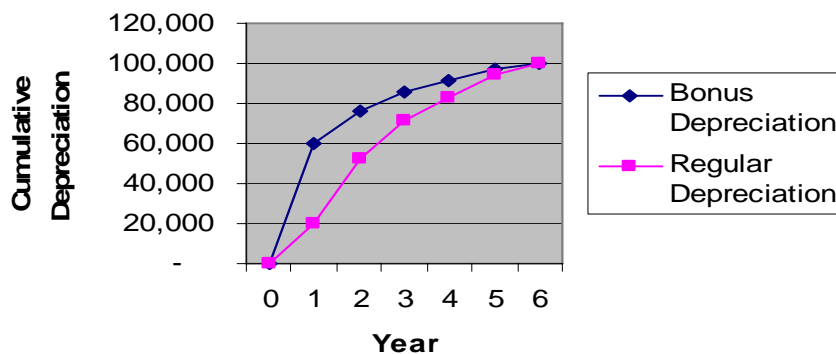


<u>With</u> Bonus Depreciation		<u>Without</u> Bonus Depreciation	
Cost	\$100,000	Cost	\$100,000
Expense		Expense	
Year 1 bonus	\$50,000	Year 1 depr.	\$20,000
Year 1 depr.	\$10,000	Year 2	\$32,000
Year 2	\$16,000	Year 3	\$19,200
Year 3	\$9,600	Year 4	\$11,520
Year 4	\$5,760	Year 5	\$11,520
Year 5	\$5,760	Year 6	\$5,760
Year 6	\$2,880		

Bonus Depreciation



Effect of Bonus Depreciation



Federal Incentives for Individuals



Homeowner's Energy Credit



- Credit available for 2009 & 2010 improvements to principal residence of taxpayer
- Credit is 30% of the installed cost of qualifying property
- Aggregate credit limit is \$1,500 over two years (previous limit was \$500 lifetime maximum)

Homeowner's Energy Credit



- Original use must commence with taxpayer
- Must expect any improvements to last for at least five years
- Two components of credit:
 - Credit for improvements to building envelope
 - Credit for residential energy expenditures

Homeowner's Energy Credit



- Credit for improvements to building envelope (30% of cost, max of \$1,500)
 - Insulation
 - Certain windows
 - Certain doors
 - Certain types of metal and asphalt roofs

Homeowner's Energy Credit



- Credit for residential energy expenditures (30% of cost, max of \$1,500)
 - Air circulating fans
 - Natural gas/propane furnace rated at 95 or better
 - Oil furnace rated at 90 or better
 - Natural gas/propane/oil boiler rated at 90 or better
 - Certain electric heat pump water heaters
 - Certain central air conditioners
 - Certain water heaters
 - Certain biomass fuel stoves used to heat a dwelling or as a water heater

Residential Energy Efficient Property Credit



- Property must be placed into service prior to January 1, 2017
- Must be installed on a non-business dwelling
- Credit is 30% of installed cost of property (including labor, wiring)
- No maximum credit

Residential Energy Efficient Property Credit



- 30% credit available for following improvements:
 - Solar electric
 - Solar water heating
 - Fuel cells (capped at \$500 per 0.5 kW of capacity)
 - Small wind property
 - Geothermal heat pumps

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Questions?



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