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Congress' year-end funding bill included extensions of tax credits for renewable energy, including wind, biofuels, and others

7 January 2020

In a rare display of bipartisanship, both houses of Congress and President Trump were able to come to agreement in the waning hours of the 2019 congressional session to extend government funding for fiscal year 2020. Included in this package were some significant gifts to the renewable energy industry, in the form of tax credit extensions.

Among the energy tax items in the package were extensions for a host of tax credits that had expired in 2017 or 2019. These included (extensions to the end of 2020 unless otherwise noted):

- Biodiesel and renewable diesel credits (extended to 2022)
- Alternative vehicle fuels – excise tax credits
- Refueling/Recharging property credit
- Wind production tax credit and investment tax credit in lieu of PTC – One additional year (to end of 2020) to begin construction and qualify for 10 years of the production tax credit, or a one-time ITC, at 60 percent of full credit value (under construction in 2019 is at 40 percent of full credit value)
- Production Tax Credits for electricity produced from:
    - Biomass
    - Geothermal
    - Landfill gas
    - Municipal waste
    - Hydropower
    - Marine and hydrokinetic

Among notable energy tax items that did not make it into the final bill:

- No expansions for solar electricity credits
- No expansions for electric vehicle credits
- No new investment tax credit for energy storage

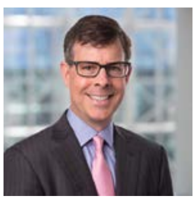
For alternative energy technologies, in particular the biodiesel and renewable diesel industry and wind and other renewable electricity providers benefitting from the production tax credit (other than solar), this bill represents a positive holiday surprise, as many in Washington doubted the ability of Congress to compromise and pass the extensions of these incentives (notably, in many cases reinstated retroactive to the beginning of 2018).

With respect to the extension of the wind PTC and ITC, one interesting question is whether the IRS/Department of the Treasury provides additional guidance with regard to whether construction on projects has begun in 2019 (at 40 percent credit value) or 2020 (at 60 percent credit value), and whether it would be possible to effectively cancel a 2019 project and restart it in 2020 in order to qualify for the higher credit value.

The enactment of this bill also makes clear that even in the midst of what could be called the most polarized U.S. Government since the Civil War, compromise is still possible, and tax extenders can still find their way to enactment, year after year.

As many tax items were left on the cutting room floor, however, we expect a strong push by many in Washington to move yet another tax bill in 2020. Stay tuned.

Contact



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