

Tax Act Enhances Returns for Renewable Energy

On December 17, 2010, President Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the Tax Act). Among other provisions, the Tax Act extends the Bush income tax reductions, as well as lower capital gain and dividend rates through 2012. For the renewable energy industry, the Tax Act contains a number of important and helpful provisions, including the following:

Extended Cash Grants in lieu of Tax Credits

The initial Investment Tax Credit for renewable energy projects was signed into law by President George W. Bush in 2008 and is in place through 2016 for solar specifically. Section 1603 of the American Recovery and Reinvestment Act provided a cash grant in lieu of the tax credit (*Treasury Grant Program* or *TPG*). This provision was set to expire December 31, 2010, but was extended by the Tax Act through December 31, 2011 for solar, wind, biomass, geothermal, landfill gas, waste energy, and other renewable energy projects.

To be eligible for TPG, applicants must place projects in service by the end of 2011 or begin construction of the project before the end of 2011 so long as the project is ultimately placed in service before the termination date of the applicable tax credit, (e.g. 2016 for solar projects). The current safe harbor guidelines apply to determine what constitutes beginning construction.

Bonus Depreciation

The Tax Act extends bonus depreciation which had been set to expire at the end of 2010 to the end of 2012. The first-year bonus depreciation allowance for assets placed in service by December 31, 2011 is increased to 100% from the previous first-year allowance of 50%. For assets placed in service in 2012, the first-year allowance reverts to 50%. Solar photovoltaic, solar hot water, wind and many other renewable projects qualify for this bonus depreciation provision.

What the Tax Act means for those considering renewable energy projects

The Solar Energies Industries Association esti-

mates that the TPG has resulted in 1,100 solar projects moving forward representing \$18 Billion in investment capital. The extension of the program allows those without taxable income to benefit from solar installations as well as providing for a faster realization of benefits for those with taxable income rather than waiting until tax returns are filed (the Treasury is required to pay with grants within 60 days of completion of the application).

Bonus depreciation enhances the economics of solar installations by reducing the taxable income of businesses who have taxable income. It also allows for flexibility in structuring sale-leasebacks or partnerships in joint ownership with developers and tax-equity investors. In combination with the TPG, 100% bonus depreciation produces very compelling after-tax returns on renewable energy projects.

About First Century Energy

First Century Energy Holdings, Inc. (FCE) is a holding company focused on development and integration of commercial and utility-scale renewable energy projects. FCE operates through wholly-owned subsidiaries SolAmerica™ LLC, First Century Energy Services LLC and First Century Energy LLC in key vertical segments of the renewable energy sector such as solar PV, solar hot water, wind and biomass. Within each of these sectors, FCE provides turnkey solutions for manufacturing firms, owners of industrial real estate, distribution and data centers, government, education and medical and hospitality sectors to deliver efficient, cost-effective clean energy solutions.

More information can be found at our website:
www.firstcenturyenergy.com