



DECEMBER 2015

Solar and Wind Tax Credits, Bonus Depreciation Extended

In a last minute concession, Congress extended the 30 percent energy investment tax credit for qualified solar energy property and the production tax credit for qualified wind facilities as part of the Consolidated Appropriations Act, 2016, which President Barack Obama signed into law on December 18. The extension not only provides certainty with respect to the existence and application of these tax credits, but also will aid in encouraging the continued growth of clean energy projects, which create jobs and reduce pollution.

The solar energy ITC, which was scheduled to be reduced to 10 percent for property placed in service after December 31, 2016, will continue at 30 percent through 2019 and then will be phased down to 10 percent over four years: 26 percent in 2020, 24 percent in 2021, 22 percent in 2022 and 10 percent in 2023 and thereafter. The percentage also will be based on the year in which construction of the project begins, rather than the year in which the property is placed in service.

The production tax credit for qualified wind facilities had technically expired (unless construction of the facility began before January 1, 2015). The new law retroactively extends the credit for any qualified wind facility if construction begins before January 1, 2020. However, the credit is phased out for facilities where construction begins after December 31, 2016. The credit

is reduced by 20 percent if construction begins in 2017, by 40 percent if construction begins in 2018 and by 60 percent if construction begins in 2019.

The new law also continues a taxpayer's ability to elect to convert a wind facility production tax credit into an energy ITC, subject to the phase outs.

In addition, the new law retroactively extends and makes permanent the enhanced bonus depreciation for tangible personal property used in a taxpayer's trade or business. Under the provision, taxpayers can generally expense up to \$500,000 of tangible personal property placed in service during the tax year. This amount is reduced by the amount placed in service during the year in excess of the \$2 million investment ceiling. Both amounts are indexed for inflation. The 50 percent additional first year depreciation is also retroactively extended for property placed in service through December 31, 2017, and continues at 40 percent for 2018 and 30 percent for 2019.

If you have any questions or would like more information on these provisions, please contact [Alan J. Tarr](mailto:atarr@loeb.com) (atarr@loeb.com, 212.407.4900) or [Ralph Dudziak](mailto:rdudziak@loeb.com) (rdudziak@loeb.com, 312.464.3148).

This publication may constitute "Attorney Advertising" under the New York Rules of Professional Conduct and under the law of other jurisdictions.

This alert is a publication of Loeb & Loeb and is intended to provide information on recent legal developments. This alert does not create or continue an attorney client relationship nor should it be construed as legal advice or an opinion on specific situations.

© 2015 Loeb & Loeb LLP. All rights reserved.

Energy Practice

KENNETH A. ADLER	KADLER@LOEB.COM	212.407.4284
ROBERT S. BARRY, JR.	RBARRY@LOEB.COM	310.282.2258
NORWOOD P. BEVERIDGE, JR	NBEVERIDGE@LOEB.COM	212.407.4970
ROBERT CALDWELL	RCALDWELL@LOEB.COM	+852 3923 1115
ALBERT M. COHEN	ACOHEN@LOEB.COM	310.282.2228
ANGELA M. SANTORO DOWD	ADOWD@LOEB.COM	212.407.4097
RALPH P. DUDZIAK	RDUDZIAK@LOEB.COM	312.464.3148
THEODORE F. DUVER	TDUVER@LOEB.COM	212.407.4158

FRANK LEE	FLEE@LOEB.COM	212.407.4825
JADA SOYUN LEE	JSLEE@LOEB.COM	+852 3923 1150
JC LEE	JCLEE@LOEB.COM	+852 3923 1146
RICHARD M. LORENZO	RLORENZO@LOEB.COM	212.407.4288
RONELLE C. PORTER	RPORTER@LOEB.COM	212.407.4110
AKIBA STERN	ASTERN@LOEB.COM	212.407.4235
ALAN J. TARR	ATARR@LOEB.COM	212.407.4900
NICOLE A. TRAVERS	NTRAVERS@LOEB.COM	202.618.5030