

## **American Recovery and Reinvestment Act Program Plan Cash Assistance for Specified Energy Property in Lieu of Tax Credits**

Under current law, taxpayers are allowed to claim a production tax credit for electricity produced by certain renewable energy facilities and an investment tax credit for certain renewable energy property. These tax credits help attract private capital to invest in renewable energy projects. Economic conditions have severely undermined the usability of these tax credits. As a result, the Recovery Act allows taxpayers to receive cash assistance from the Treasury Department in lieu of tax credits. This funding will operate like the current-law investment tax credit. The Treasury Department assistance may equal up to 30 percent of the qualifying cost of the renewable energy facility (the percentage depends on the type of facility) and is provided to eligible applicants within the latter of sixty days of the facility being placed in service or receipt of a complete application. The Department of Energy and Treasury are working in partnership to implement the program.

### **Objectives**

The overall purpose of this program is to promote renewable energy production investments. Current law allows taxpayers to claim a production tax credit for electricity produced by certain renewable energy facilities and an investment tax credit for certain renewable energy property. Because of the impact of economic conditions on taxable income, the value of these tax credits to investors who finance renewable energy projects has decreased. This program's objective is to provide an alternative means to attract financing for renewable energy projects.

Assistance will be given to entities who place in service qualified energy property expanding the use of clean and renewable energy and decreasing dependency on non-renewable energy sources and reducing carbon emissions. Projects that are eligible for funding under this program include fuel cell power plants which convert fuel into electricity; projects that use solar power to generate electricity, small and large wind projects, geothermal property that generates electricity and thermal energy, micro-turbines that convert fuel into electricity, and combined heat and power system property that generates electricity. Projects vary in size and amount of production.

Specific projects that receive awards are reported on [Treasury.gov](http://Treasury.gov).

### **Activities**

Projects to be funded under this program include fuel cell power plants which convert fuel into electricity; projects that use solar power to generate electricity, small and large wind projects, geothermal property that generates electricity and thermal energy, micro-turbines that convert fuel into electricity, and combined heat and power system property that generates electricity. Projects vary in size and amount of production.

Applications can be received through September 30, 2011. This program and the Cash Assistance for Housing in Lieu of Tax Credits program were allocated \$3 million for administrative expenses from a \$131 million appropriation to the Department to carry out various Recovery Act tax provisions. A portion of the funding was used to develop the documentation requirements and the application forms, processing for the applications that are received, and for reimbursable expenses associated with an agreement with the Department of Energy to leverage their expertise in renewable energy and provide compliance support.

### **Characteristics**

The initiative utilizes cash assistance and makes award dollars available to the owners (or in some circumstances, lessees) of qualified energy-producing projects, as determined and made eligible by Sections 45 and 48 of the Internal Revenue Code.

The beneficiaries of the program are: 1) the project owners/lessees that receive funds; 2) individuals and companies that are employed in the construction, operation and maintenance of projects; and 3) users of renewable energy

### **Delivery Schedule**

The application package for assistance, which included a general notice, application form, instructions, and terms and conditions were made available in July 2009. Applications are reviewed no later than 60 days from receipt of a complete application.

### **Measures**

This initiative supports Treasury goals by focusing on timely evaluations and timely release of funds. Performance measures are as follows:

<b>Measure</b>	<b>Target</b>	<b>Actual</b>
Cycle time in business days between receipt of completed application and date of award	60	54
Cycle time in business days between notification date and funding	5	3

### **Monitoring and Evaluation to Achieve Transparency and Accountability**

Treasury will monitor and review several items including: percent on-time performance for project activities; obligations and outlays; acquisition competition and contract types; performance measure actual values versus targets; and accountability metrics monthly. Corrective and/or preventive actions that are established as a result of the reviews will be tracked for implementation. Risk factors will be reviewed and mitigation strategies will be implemented to minimize the probability of fraud and abuse. The program will be assessed for the level of risk associated with its activities, and the impact of those factors should they occur. The public will be kept informed through Recovery.gov and Treasury.gov.

Additionally, the program will monitor and/or estimate recipient benefit information to determine the extent to which Recovery Act benefits are reaching the American people. Recipient information will be treated as outcome indicators as opposed to performance measures with set targets since many of these benefits are voluntary. Additional compliance information will be developed as the program matures.

The following recipient information will be monitored and reported:

1. Name of recipient entity
2. Name of project
3. Brief description of project
4. Location of project: city/county, state, zip code
5. Number of total projects
6. Amount of energy produced

All awardees are required to submit annual reports and certification which the program will review for compliance with the terms and conditions of the agreement.

### **Barriers to Implementation**

Treasury has little experience in administering energy-related programs. The Department stood up the program, but is relying on the expertise of the Energy Department to assist in administering the program.

### **National Environmental Policy Act Compliance and Federal Infrastructure Investments**

The funding provided to Treasury to implement the provisions of the Recovery Act has no identifiable issues with the *National Environmental Policy Act*, the *National Historic Preservation Act*, or any Federal Infrastructure investments.