

# Solar Energy Tax Grant Extended

JANUARY 2011

On December 17, 2010, as part of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the "Tax Relief Act"), signed by President Obama, the 1603 Treasury Grant Program (TGP) related to renewable energy was extended for a one-year period.

The Tax Relief Act extends the deadline for commencing construction of specified renewable energy projects, such as solar PV, to be eligible to receive a grant of 30% of the cost of the project from the U.S. Treasury under Section 1603 of the American Recovery and Reinvestment Act of 2009 (ARRA). Projects will be eligible for the grant if placed in service during 2011, or if placed in service after 2011 and before the energy credit termination date (January 1, 2017, for solar PV projects) if construction began before January 1, 2012.

The initial program, created by ARRA, provided developers of large renewable energy projects with a cash grant of up to 30 percent of the project's investment cost in lieu of an Investment Tax Credit (ITC). The eight-year ITC was signed into law in 2008, but economic conditions created by the global recession resulted in the underutilization of this tax credit.

The extension of the TGP in lieu of the ITC will allow solar PV developers to continue to take advantage of the grant for another full year. Projects currently under way that are expected to be placed in service in 2011 no longer have to meet the Treasury's safe harbor for commencement of construction (demonstrating 5% of construction costs) by December 31, 2010. The safe harbor and its requirements, however, will be relevant in 2011 for projects expected to be placed in service after 2011. In order to maintain eligibility for any solar PV projects expected to be placed in service between 2012 and 2017, proper documentation is required to meet the safe harbor provision.

While federal, state, and local governments, along with 501(c) non-profit organizations are not eligible to receive funding under the TGP, the market of private solar PV developers will continue to flourish and offer contracting opportunities through Power Purchase Agreements (PPA). With New Jersey's current Renewable Portfolio Standards, and Solar Alternate Compliance Payment, which continues to drive the robust Solar Renewable Energy Certificate (SREC) market, in place, along with the extended TGP, public and private entities continue to have the opportunity to reduce their energy costs by developing and installing affordable solar PV projects.

The Tax Relief Act also amended and extended the provision for bonus depreciation. Under these amendments, new property acquired and placed in service between September 8, 2010 and December 31, 2011 qualifies for 100% first-year bonus depreciation. For 2012, bonus depreciation is still available, but the allowable deduction reverts from 100% to 50%. Equipment that uses solar or wind energy to generate electricity would normally have a depreciable recovery period of five years. As a result of this incentive, project developers placing new solar or wind energy equipment in service during this period may immediately expense the cost of such equipment. This means the entire capitalized cost of a solar generation facility in 2011 may be written off in one year instead of over a 5-year period.

As the leading sustainable engineering and energy consulting firm in the tri-state area, Birdsall Services Group (BSG) currently manages over 50 MW of solar PV projects and has evaluated well over 100 MW of potential PV projects. As our clients' trusted advisor, BSG has provided comprehensive engineering and consulting services to public and private entities, which have resulted in multiple successful solar PV projects.



**For Additional Information regarding our engineering and energy consulting services, please contact:**

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