

Grant Program in Lieu of Tax Credits - ITC

U.S. Department of Treasury - Renewable Energy Grants

Last DSIRE Review: 02/19/2009

Incentive Type: Federal Grant Program

Eligible Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Renewable/Other Process Heat, Photovoltaics, Landfill Gas, Wind, Biomass, Hydroelectric, Technologies: Geothermal Electric, Fuel Cells, Geothermal Heat Pumps, Municipal Solid Waste, CHP/Cogeneration, Solar Hybrid Lighting, Hydrokinetic, Tidal Energy, Wave Energy, Ocean Thermal, Microturbines

Applicable Sectors: Commercial, Industrial, Agricultural

Amount: 30% of property that is part of a qualified facility, qualified fuel cell property, solar property, or qualified small wind property
10% of all other property

Max. Limit: \$1,500 per 0.5 kW for qualified fuel cell property
\$200 per kW for qualified microturbine property
50 MW for CHP property, with limitations for large systems

Terms: Grant applications must be submitted by 10/1/2011. Payment of grant will be made within 60 days of the grant application date or the date property is placed in service, whichever is later.

Authority 1: [H.R. 1: Div. B, Sec. 1104 & 1603 \(The American Recovery and Reinvestment Act of 2009\)](#)

Date Enacted: 2/17/2009

Effective Date: 1/1/2009

Summary:

Note: The American Recovery and Reinvestment Act of 2009 (H.R. 1) allows taxpayers eligible for the federal [business energy investment tax credit \(ITC\)](#) to take this credit or to receive a grant from the U.S. Treasury Department instead of taking the business ITC for new installations. The new law also allows taxpayers eligible for the [renewable electricity production tax credit \(PTC\)](#) to receive a grant from the U.S. Treasury Department instead of taking the PTC for new installations. (It does not

allow taxpayers eligible for the [residential renewable energy tax credit](#) to receive a grant instead of taking this credit.) Taxpayers may not use more than one of these incentives. If an entity receives a grant and has previously received the business ITC or the PTC, the credit will be recaptured through an increase in taxes during the year in which the grant is awarded by the amount of the credit taken in previous years. Receiving a credit in the past does not reduce the amount of the grant. The grant is not included in the gross income of the taxpayer.

The *American Recovery and Reinvestment Act of 2009* (H.R. 1), enacted in February 2009, created a renewable energy grant program that will be administered by the U.S. Department of Treasury. This cash grant may be taken in lieu of the federal business energy investment tax credit (ITC).

Grants are available to eligible property* placed in service in 2009 or 2010, or placed in service by the specified credit termination date,** if construction began in 2009 or 2010:

- **Solar.** The grant is equal to 30% of the basis of the property for solar energy. Eligible solar-energy property includes equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat. Passive solar systems and solar pool-heating systems are *not* eligible. Hybrid solar-lighting systems, which use solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight, are eligible.
- **Fuel Cells.** The grant is equal to 30% of the basis of the property for fuel cells. The grant for fuel cells is capped at \$1,500 per 0.5 kilowatt (kW) in capacity. Eligible property includes fuel cells with a minimum capacity of 0.5 kW that have an electricity-only generation efficiency of 30% or higher.
- **Small Wind Turbines.** The grant is equal to 30% of the basis of the property for small wind turbines. Eligible small wind property includes wind turbines up to 100 kW in capacity.
- **Qualified Facilities.** The grant is equal to 30% of the basis of the property for qualified facilities. Qualified facilities include wind energy facilities, closed-loop biomass facilities, open-loop biomass facilities, geothermal energy facilities, landfill gas facilities, trash facilities, qualified hydropower facilities, and marine and hydrokinetic renewable energy facilities.
- **Geothermal Heat Pumps.** The grant is equal to 10% of the basis of the property for geothermal heat pumps.
- **Microturbines.** The grant is equal to 10% of the basis of the property for microturbines. The grant for microturbines is capped at \$200 per kW of capacity. Eligible property includes microturbines up to two megawatts (MW)

in capacity that have an electricity-only generation efficiency of 26% or higher.

- **Combined Heat and Power (CHP).** The grant is equal to 10% of the basis of the property for CHP. Eligible CHP property generally includes systems up to 50 MW in capacity that exceed 60% energy efficiency, subject to certain limitations and reductions for large systems. The efficiency requirement does not apply to CHP systems that use biomass for at least 90% of the system's energy source, but the grant may be reduced for less-efficient systems.

It is important to note that only tax-paying entities are eligible for this grant. Federal, state and local government bodies, non-profits, qualified energy tax credit bond lenders, and cooperative electric companies are not eligible to receive this grant. Partners or pass-thru entities for the organizations described above are also not eligible to receive this grant. Grant applications must be submitted by October 1, 2011. The U.S. Treasury Department will make payment of the grant within 60 days of the grant application date or the date the property is placed in service, whichever is later.

**Definitions of eligible property types and renewable technologies can be found in the U.S. Code, Title 26, § 45 and § 48.*

***Credit termination date of January 1, 2013 for wind; January 1, 2014 for closed-loop biomass, open-loop biomass, landfill gas, trash, qualified hydropower, marine and hydrokinetic; January 1, 2017 for fuel cells, small wind, solar, geothermal, microturbines, CHP and geothermal heat pumps.*