

## MHK Tax Incentives

<b>Federal Income Tax Programs</b>		
Program	Funding	Additional Info
Production Tax Credit	§ 45 of Internal Revenue Code of 1986, as amended by H.R. 1 (Recovery Act) Tax Credits in Lieu of PTC provisions.	To qualify, facility must have a nameplate capacity rating of at least 150 kilowatts, and was originally placed in service on or after October 3, 2008 and before January 1, 2014. As of 2010, the PTC is 2.2 cents/kwh for most renewables, adjusted for inflation, multiplied by the number of qualified kW hours of electricity produced and sold by the taxpayer during the year. Currently, the PTC for MHK is 1.1 cents, half the amount of other renewables. The PTC runs for ten years after a project is placed in service, but will be reduced by 50% if a project has already received tax exempt financing, a grant or another federal tax credit. IRC sec. 45(b)(3). It is possible that the sunset date could be extended beyond January 1, 2014.
Investment Tax Credit	§ 46 and § 48 of the Code	ITC may be claimed in lieu of the PTC by owners of a qualified ocean power facility that is placed in service on or after January 1, 2009 and before January 1, 2014, and is taken entirely in the year the project is placed in service. The ITC is a one-time credit against income tax that is based on the amount invested in a facility rather than on the amount of electricity produced and sold. The amount of the ITC for a qualified MHK facility is 30% of the tax basis of the qualifying property that is placed in service during the taxable year. No PTC allowed with ITC. To qualify for the ITC, a facility must be placed in service before January 1, 2014.
US Treasury Department Grants	See § 1603 of ARRA	No ITC or PTC may be claimed with respect to property for which a grant has been claimed.
Bonus Depreciation and MARCS Depreciation		An owner of a qualifying property placed in service in 2009 is entitled to deduct 50% of the adjusted basis of the property in 2009. The remaining 50% of the adjusted basis of the property is a bonus depreciation of the regular tax depreciation schedule. For an ocean power facility, qualifying property generally includes the turbines and their structural components. Modified accelerated cost recovery system (MACRS) depreciation is an accelerated five year depreciation schedule for property dedicated to production of renewable energy. Currently, the MACRS five year depreciation schedule does not apply to MHK.

<b>Additional Financial Incentives</b>		
Program	Funding	Additional Info
Clean Renewable Energy Bonds (CREBs)	Varies	The IRS is not currently accepting applications for CREB allocations. CREBs are issued -- theoretically -- with a 0% interest rate. The borrower pays back only the principal of the bond, and the bondholder receives federal tax credits in lieu of the traditional bond interest.
Qualified Energy Conservation Bonds (QECBs)	Varies	QECBs may be used by state, local and tribal governments to finance certain types of energy projects. QECBs are qualified tax credit bonds, and in this respect are similar to new CREBs. The tax credit may be taken quarterly to offset the tax liability of the bondholder. The tax credit rate is set daily by the U.S. Treasury Department; however, energy conservation bondholders will receive only 70% of the full rate set by the Treasury Department under 26 USC § 54A. In contrast to CREBs, QECBs are not subject to a U.S. Department of Treasury application and approval process.
Renewable Energy Production Incentive (REPI)	2.1¢/kWh (subject to availability of annual appropriations in each federal fiscal year of operation)	REPI provides incentive payments for electricity generated and sold by new qualifying renewable energy facilities that are publically owned. Qualifying systems are eligible for annual incentive payments of 1.5¢ per kilowatt-hour in 1993 dollars (indexed for inflation) for the first 10-year period of their operation, subject to the availability of annual appropriations in each federal fiscal year of operation. REPI was designed to complement the federal renewable energy production tax credit (PTC), which is available only to businesses that pay federal corporate taxes.

<b>American Recovery and Reinvestment Act Tax Programs</b>		
Program	Funding	Additional Info
Advanced Energy Manufacturing Tax Credits	\$2.3 billion in ARRA (§ 48C)	Worth up to 30% of each planned project; oversubscribed; Administration has requested additional \$5B.
Tax Grants in Lieu of Credits for Energy Projects	>\$1 billion in ARRA (§ 1603)	Under this program, the federal government provides a cash payment in lieu of a tax credit totaling 30% of the qualifying cost of the project; for each federal dollar spent in payments, more than two dollars are spent in private sector investments.