

ALERTS

Renewable Energy Alert - IRS Releases 2013 Annual Inflation Factor And Reference Prices For Section 45 Production Tax Credits

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2013 Tax Credit Amounts: The IRS recently released the inflation adjustment factor and reference prices for the 2013 calendar year, which are necessary for calculating the Section 45 production tax credits. Based on the 2013 inflation factor of 1.5063, there is an increase in the production tax credit amount for wind, geothermal and closed loop biomass from 2.2 cents/kwh to 2.3 cents/kwh. This is the first increase in three years. The 2013 tax credit amounts for renewable energy production, refined coal production, and Indian coal production are set forth below.

Renewable Energy Source Or Coal Production Activity	2013 Credit Amount (Cents Per Kilowatt-hour; Dollars Per Ton	Deadline For Beginning Construction Or Facility Being Placed In Service
Wind	2.3	12/31/13
Closed-loop biomass	2.3	12/31/13
Open-loop biomass	1.1	12/31/13
Geothermal energy	2.3	12/31/13
Solar energy (pre-2006 facilities only)	2.3	12/31/05
Small irrigation power	1.1	10/02/08
Municipal solid waste (includes landfill gas and trash combustion facilities)	1.1	12/31/13
Qualified hydropower	1.1	12/31/13
Marine & Hyrdokinetic	1.1	12/31/13
Refined Coal	\$6.590/ton	12/31/11
Indian coal production	\$2.308/ton	12/31/08

2013 Reference Prices; No Tax Credit Phase-out: If the reference price

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for a particular energy source (as published by the IRS) exceeds a certain designated level, then the Section 45 production tax credit will be reduced or completely phased out. Based on the 2013 reference prices, there will be no phase-out for any of the renewable energy sources or coal production activities for the 2013 calendar year.

The 2013 reference price for wind is 4.53 cents/kilowatt hour. Since this reference price does not exceed 12.05 cents/kilowatt (i.e., 8 cents multiplied by the 1.5063 inflation factor for 2013), there will be no phase-out during 2013 of tax credits realized from the sale of electricity produced from wind energy. Similarly, the 2013 reference price for refined coal is \$58.23/ton. Since this reference price does not exceed \$81.68/ton (i.e., \$31.90 multiplied by 1.5063 inflation factor and 1.7), there will be no phase-out during 2013 for tax credits realized from the sale of refined coal.

The IRS still has not determined reference prices for electricity produced from closed-loop biomass, open-loop biomass, geothermal, solar, small irrigation power, municipal solid waste, hydropower and marine & hydrokinetic energy. Accordingly, there will be no phase-out during 2013 for tax credits realized from these renewable sources.

For more information regarding Section 45 production tax credits, please contact the Barnes & Thornburg attorney with whom you work, or attorney William P. Ewing, 404-264-4050.

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