

ALERTS

Renewable Energy Law Alert - IRS Releases 2017 Annual Inflation Factor And Reference Prices For Section 45 Production Tax Credits

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The IRS recently released the inflation adjustment factor and reference prices for the 2017 calendar year, which are necessary for calculating the Section 45 production tax credits. Based on the 2017 inflation factor of 1.5792, there is an increase for 2017 in the tax credit amounts for electricity generated from wind, closed loop biomass and geothermal. The 2017 tax credit amounts for renewable energy production and refined coal production are set forth below.

Renewable Energy Source or Coal Production Activity	Begin Construction Deadline	2017 Credit Amount
Wind	12/31/2016	2.4¢/kwh
	12/31/2017	Reduced by 20%
	12/31/2018	Reduced by 40%
	12/31/2019	Reduced by 60%
Closed-loop biomass	12/31/2016	2.4¢/kwh
Open-loop biomass	12/31/2016	1.2¢/kwh
Geothermal energy	12/31/2016	2.4¢/kwh
Municipal solid waste (includes landfill gas and trash combustion facilities)	12/31/2016	1.2¢/kwh
Qualified hydropower	12/31/2016	1.2¢/kwh
Marine & Hydrokinetic	12/31/2016	1.2¢/kwh
Refined Coal	12/31/2011*	\$6.909/ton

*Placed in service deadline

2017 Reference Prices; No Tax Credit Phase-out

If the reference price 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 2017 reference prices, there will be no phase-out for any of the renewable energy sources or refined coal production activities for the 2017 calendar

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year.

The 2017 reference price for wind is 4.55 cents/kilowatt hour. Since this reference price does not exceed 12.63 cents/kilowatt hour (i.e., 8 cents multiplied by the 1.5792 inflation factor for 2017), there will be no phase-out during 2017 of tax credits realized from the sale of electricity produced from wind energy. Similarly, the 2017 reference price for refined coal is \$51.09/ton. Since this reference price does not exceed \$85.64/ton (i.e., \$31.90 multiplied by 1.5792 inflation factor and 1.7), there will be no phase-out during 2017 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, municipal solid waste, qualified hydropower and marine and hydrokinetic energy. Accordingly, there will be no phase-out during 2017 for tax credits realized from these renewable sources.

For more information regarding Section 45 production tax credits, please contact the following Barnes & Thornburg LLP attorneys: Bill Ewing at william.ewing@btlaw.com or 404-264-4050; Jim Browne at jim.browne@btlaw.com or 241-258-4133; or Ralph Dudziak at ralph.dudziak@btlaw.com or 312-214-5618.

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