



ALERTS

Renewable Energy Production Tax Credits: IRS Releases 2020 Inflation Factor, Reference Prices

June 8, 2020

Highlights

The production tax credit for wind, closed-loop biomass and geothermal energy remains 2.5¢/kwh for 2020

The production tax credit for open-loop biomass, landfill gas, trash, qualified hydropower, and marine and hydrokinetic increased to 1.3¢/kwh for 2020

The production tax credit for refined coal increased to 7.301 per ton for 2020

In Notice 2020-38, the IRS recently released the inflation adjustment factor and reference prices for the 2020 calendar year, which are necessary for calculating the Section 45 renewable electricity production tax credits.

Based on the 2020 inflation factor of 1.6687, the 2020 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	2020 Credit Amount
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Renewable Energy

Wind	Dec. 31, 2016	2.5¢/kwh
	Dec. 31, 2017	Reduced by 20 percent
	Dec. 31, 2018	Reduced by 40 percent
	Dec. 31, 2019	Reduced by 60 percent
	Dec. 31, 2020	Reduced by 40 percent
Closed-loop biomass	Dec. 31, 2020	2.5¢/kwh
Open-loop biomass	Dec. 31, 2020	1.3¢/kwh
Geothermal energy	Dec. 31, 2020	2.5¢/kwh
Municipal solid waste (includes landfill gas and trash combustion facilities)	Dec. 31, 2020	1.3¢/kwh
Qualified hydropower	Dec. 31, 2020	1.3¢/kwh
Marine & Hydrokinetic	Dec. 31, 2020	1.3¢/kwh
Refined Coal	Dec. 31, 2011; which is a placed in service deadline	\$7.301/ton

2020 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 2020 reference prices, there will be no phase-out for any of the renewable energy sources or refined coal production activities for the 2020 calendar year.

By way of example, the 2020 reference price for wind is 4.16 cents/kilowatt hour. Since this reference price does not exceed 13.35 cents/kilowatt hour (i.e., 8 cents multiplied by the 1.6687 inflation factor for 2020), there will be no phase-out during 2020 of tax credits realized from the sale of electricity produced from wind energy.

Similarly, the 2020 reference price for refined coal is \$48.58/ton. Since this reference price does not exceed \$90.49/ton (i.e., \$31.90 multiplied by 1.6687 inflation factor and 1.7), there will be no phase-out during 2020 for tax credits realized from the sale of refined coal.

Though 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, there will also be no phase-out during 2020 for tax credits realized from these renewable sources.

For more information, please contact the Barnes & Thornburg attorney with whom you work, or Bill Ewing at 404-264-4050 or william.ewing@btlaw.com, Ralph Dudziak at 312-214-5618 or rdudziak@btlaw.com, or Sean Honeywill at 404-264-4061 or shoneywill@btlaw.com.

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