

**Title: The Lane Report, April 2012**

**By: Marc J. Lane**

**Copyright: The Law Offices of Marc J. Lane, PC/Crain's Chicago Business**

**Date: April 2, 2012**



### **Illinois' Tax Credit Windfall at Risk**

Last Friday Illinois, joining Michigan, Minnesota, New York and Pennsylvania, inked a deal with the Obama administration to speed up regulatory review of plans for offshore wind farms in the Great Lakes, which had been dogged by cost concerns. Illinois Governor Pat Quinn applauded the agreement, noting that developing offshore wind energy would “promote economic development and create jobs while reducing our dependence on foreign energy sources.” And he’s exactly right.

Yet Chicago's and Illinois' fragile economies stand to lose thousands of jobs along with the environmental benefits of a clean, local source of electricity if Congress continues to nix the extension of tax credits for advanced energy manufacturing, scheduled to expire at yearend.

Some pundits claim that Congress is closed for business until its post-election lame duck session. Even if leadership decides to tackle the issue, delivering what amounts to a \$1.4 billion annual tax subsidy may be especially tough while the president's wounds are still raw for helping fund fledgling alternative-energy initiatives that polarized Congress, Solyndra notoriously among them.

But the energy tax credits are different, even though, one must admit, wind power can be criticized legitimately on two fundamental grounds. For one thing, the wind doesn't always blow and, when it doesn't, backup plants, typically fueled by natural gas, need to swing into action. For another, the wind can be counted on more consistently in the remotest of areas, distant from urban needs.

Still, wind is among the fastest-growing energy sources, and for good reason. Thanks to government support and technological advances, wind power's cost has plummeted, approaching competitiveness with fossil fuels, a political and fiscal imperative. Americans, seeing this favorable trend, produce more wind power than anyone else. According to the Department of Energy, wind may be able to drive 20 percent of the nation's electrical supply by 2030.

In 2011 Illinois was second only to California in the amount of electricity powered by wind energy, and more turbines were operating here than in any other state, according to the American Wind Energy Association.

Chicago has been a special beneficiary of wind power's progress. The city is home to 13 turbine makers and wind farm developers, each the employer of white-collar workers whose jobs are now at risk.

The power tax credits, 2.2 cents per kilowatt hour for 10 years, are only available to businesses already in operation, so the credits won't subsidize a startup more likely to fail. Only with the credits can wind compete effectively against other electrical sources, its large capital investment notwithstanding. But without the credits, as many as 4,000 jobs are likely to be lost in Illinois, and up to 37,000 nationally.

Alternative energy advocates had hoped that the credits would be added to February's extension of the payroll tax holiday. When they weren't, their hopes for the quick action we need dimmed, but the credits can still be renewed well before the November elections. Let's urge our congressional delegation to help make that happen.

*Marc J. Lane is a Chicago attorney and chairman of the Illinois Task Force on Social Innovation, Entrepreneurship and Enterprise.*

*Adapted from Marc Lane's March 26, 2012 article, which appeared in Crain's Chicago Business. Crain Communication Inc.'s permission is gratefully acknowledged. Copyright © 2012 by Crain's Communications Inc. Read more: <http://www.chicagobusiness.com/article/20120324/ISSUE07/303249990/oped-illinois-tax-credit-windfall-at-risk#ixzz1qEb2I99n>*