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Financial Bailout Package Contains Tax Incentives for Renewable Energy

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Breaking Developments In Environmental Law

Renewable energy projects got a large boost last week when tax breaks for those developments were included in the \$700 billion federal bailout package passed by Congress and signed into law by President Bush. While solar and wind projects stand to be the largest beneficiaries, other renewables and energy efficiency measures also are likely to gain from the incentives.

Here's a summary of the measure's key features benefiting renewable energy projects:

- A 30 percent tax credit for solar investments has been extended eight years to 2016, giving large-scale solar projects some breathing room on the long time delays involved in bringing a project to fruition.
- Utilities now will be eligible for the 30 percent tax credit for large-scale solar projects that they develop.
- The 30 percent tax credit for solar investments may now be used to offset the alternative minimum tax.
- Residential solar systems will get a 30 percent tax credit on solar panels installed after December 31, 2008, an increase over the previous \$2,000 credit. The credit will be an even bigger incentive when combined with state tax breaks, such as California's rebate program and Oregon's residential energy tax credit program.
- The production tax credit for electricity generated by wind power is extended for one year, now applying to facilities placed in service before 2010.
- The production tax credit for electricity generated by biomass and geothermal facilities is extended for two years, now applying to facilities placed in service before 2011.
- A new tax credit for 30 percent of certain expenditures for residential wind turbines and geothermal heat pumps.
- Inclusion of power produced from certain marine resources, such as wave and hydrokinetic energy, in the production tax credit.

In addition, the bill included a new tax credit for the production of plug-in hybrid electric vehicles, an exclusion from the heavy truck excise tax for idling reduction devices and advanced insulation used in certain heavy trucks and trailers, extensions through 2009 and increases in income and excise tax credits for biodiesel and renewable diesel used as fuel, incentives for energy efficient commercial building expenses, and extensions for authority to issue tax-exempt

green building and sustainable design project bonds.

The bill also included incentives for advanced coal-based generation technology projects, such as carbon capture and sequestration.

All in all, the package of tax measures should provide significant encouragement to the continued development of renewable energy projects and other energy efficiency measures necessary to reach the greenhouse gas emissions reduction targets mandated by state law in Washington and Oregon.

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