

Extending the Solar Investment Tax Credit

politics and prospects

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What is the Solar Investment Tax Credit (ITC)?

- The Investment Tax Credit (ITC) is an overall tax liability reduction individuals or businesses can claim after they install solar energy systems.
 - Residential → 30% credit (\$2000 cap) for solar-electric and solar water heating residential property expenditures. ([26 USC 25D](#)).
 - Commercial → 30% credit for commercial entities that invest in solar PV or solar water heating ([26 USC 48](#)).

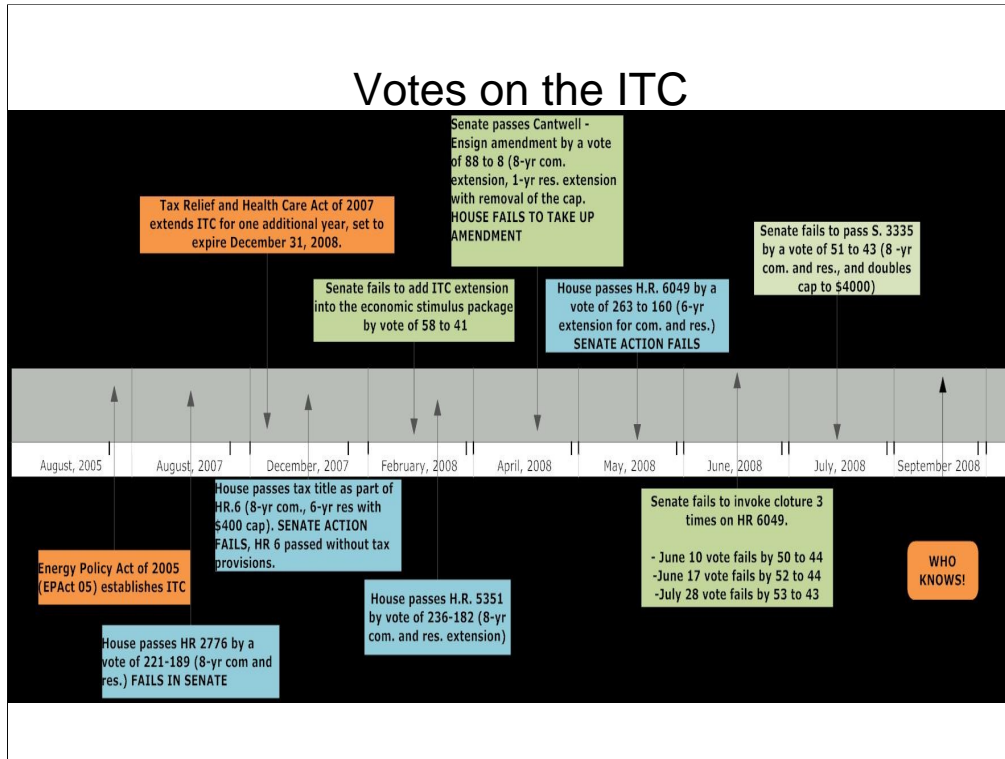
The Energy Tax Act of 1978 established a 15 percent tax credit for solar energy.

President Carter, who signed the legislation into law then shortly installed a solar thermal hot water system in the west wing in 1979...

This credit continued uninterrupted for 8 years until the Tax Reform Act of 1986 provided for a phased reduction.

On January 1, 1987 the credit fell to 12 percent.

On January 1, 1988 the credit further reduced to 10 percent. The credit remained at this level until 2005.



Since January we have seen a dozen votes to extend the expiring renewable energy tax incentives, and thought both the senate and house have passed legislation, no proposal has been able to move through both chambers to the presidents desk.



Who Loves RE Tax Incentives??

Everyone!

“I believe that Congress needs to provide a long-term extension of the renewable energy production and investment tax credits to help ensure long-term growth in our burgeoning renewable energy sector.”

-Senator Reid

You might be thinking to yourself, how can that be, renewable energy is so popular, and it is, just look at these great quotes from our national leaders.

“I believe that Congress needs to provide a long-term extension of the renewable energy production and investment tax credits to help ensure long-term growth in our burgeoning renewable energy sector.”

-Senator Reid

“I think that we should do absolutely everything that we can at this time with high energy prices on gasoline, on home heating oil, on natural gas going up in the United States, we should do everything that we can to get ... renewable tax credits into legislation that is moving].”

-Senator Ensign

“ My Administration recognizes that tax incentives for renewable energy can promote energy security and reduce impacts on the environment.”

-President Bush



Then What's the Hold Up?

- First, it was the **payment mechanism**.
Democrats → “pay as you go” strategy.
Republicans → tax incentives are stimulating in nature and pay for themselves.

Revenue Raising Proposals:

- Denial of section 199 benefits for certain major integrated oil companies.
- Postpone the implementation of the worldwide interest expense election, curb offshore deferred compensation for hedge fund managers.

Denial of section 199 benefits for certain major integrated oil companies (freeze current law section 199 benefits at 6% f

Postpone the implementation of the **worldwide interest expense election**, **curb offshore deferred compensation fo**

Before recess senate democrats brought forth a bill to lower gas prices by curbing speculation in oil futures — not just those who actually intended to use that oil. As a result, the number of future percent of the market.

Republicans wanted to add 27 amendments to that bill, including amendments to **lift a longstan**



Then What's the Hold Up?

- Now, Republican Senators want the Senate to focus on an **energy speculation bill** instead of turning to tax extenders.
 - McConnell's Recent Press Releases:
 - 08/01/08 [Americans Have Waited Long Enough for a Solution to \\$4 Gas](#)
 - 07/30/08 [McConnell: '\\$4 a Gallon Gas is a Crisis That Must Be Dealt With Now'](#)
 - 07/26/08 [McConnell: 'A vote against cloture is a vote for fixing the high price of gas'](#)
 - 07/25/08 [McConnell: 'I'm With the Guy at the Pump](#)
 - 07/24/08 [We Can Work Together to Drive Down Gas Prices; Democrats Said 'No'](#)
 - 07/23/08 ['We Cannot Solve This Problem with Timid, Half-hearted Measures'](#)
 - 07/22/08 [Big Problems Require Big Solutions](#)
 - 07/21/08 [McConnell: 'The Time for Timidity has Passed'](#)

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If the ITC is not extended?

- the tax credit will revert to the permanent level of 10 percent.
 - accelerating lost employment opportunity to 39,400 jobs through 2009.
 - accelerating lost investment opportunity to ~\$8.1B through 2009.

» Source: Navigant Consulting, Inc.,
www.navigantconsulting.com



Prospects for Extension post August-Recess

- Compromise package?
 - energy speculation provisions in exchange for tax extenders
- Lame Duck Session?
 - one year extension

Before recess senate democrats brought forth a bill to lower gas prices by curbing speculation in oil futures markets. Speculation in the oil futures markets has exploded over the past few years, ever since a Republican-led Congress changed the rules so anyone could buy oil futures — not just those who actually intended to use that oil. As a result, the number of futures contracts has increased nearly 12-fold since 2001. In 2000, 37 percent of the people in the oil futures market were speculators, Dorgan said. Now, speculators make up 71 percent of the market.

Republicans wanted to add 27 amendments to that bill, including amendments to lift a longstanding moratorium on oil and gas exploration in the U.S. outer-continental shelf, and oil and gas exploration in the rockies.

Lame duck: When Congress (or either chamber) reconvenes in an even-numbered year following the November general elections to consider various items of business.