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Federal Government Announces Guidelines for Renewable Energy Grants

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The U.S. Treasury Department in partnership with the U.S. Department of Energy released guidelines this month for businesses to apply for grants from a recovery package of approximately \$3 billion for the development of renewable energy projects in the United States. The grant program will provide direct payments in lieu of tax credits in support of an estimated 5,000 biomass, solar, wind, and other types of renewable energy production facilities. The grant program implements the applicable provisions of the American Recovery and Reinvestment Tax Act of 2009 that was signed into law by President Obama in February 2009.

By receiving payments for property under the program, applicants will forgo tax credits under Sections 45 and 48 of the Internal Revenue Code with respect to the grant-eligible property for the taxable year in which the payment is made or any subsequent taxable year. The terms and conditions of the program are available at the Treasury Department's website below.

The program provides payments to businesses that place in service specified energy property during 2009 or 2010, or after 2010 if construction began on the property during 2009 or 2010. The property must be placed in service by a certain date known as the credit termination date. Payments to qualified applicants will generally range from 10% to 30% of the basis of the property, depending on the type of property.

In previous years, businesses frequently took advantage of available tax credits for renewable energy projects. In 2006 approximately \$550 million in tax credits were provided to 450 businesses. However, the rate of new renewable energy installations declined in the wake of the economic and financial downturn. The federal government hopes the new program will encourage economic growth by allowing companies to proceed with

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projects that may not otherwise have access to financing. U.S. Energy Secretary Steven Chu lauded the program, saying, “These payments will help spur major private-sector investments in clean energy and create new jobs for America's workers. It is part of our broad effort to double our renewable energy capacity in the next few years and make sure that America leads the world in creating the new clean energy economy of the future.”

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Applicants interested in receiving payments under Section 1603 may submit an application online by clicking [here](#). Applications may be submitted only after the property to which the application relates is placed in service, or is under construction.

To view the Guidance Document, please click [here](#).

To view the U.S. Treasury Department website, please click [here](#).

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