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By Adam Braillard: Securing the 1603 Grant

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Renewable energy projects placed in service before the end of 2011 are eligible for the Section 1603 Federal Treasury Grant (in lieu of the Investment Tax Credit), which is a cash payment equal to 30% of the cost of a renewable energy project (the "1603 Grant").

For any project that will not be placed in service before the end of 2011, then it must have begun construction in 2009, 2010 or 2011 and must be placed in service by the end of 2016 (solar), 2012 (wind) and 2013 (most other renewable energy generating facilities). Under the 1603 Grant, there are two ways for a project to show that construction has begun;

- 1) physical work, or
- 2) if 5% of the cost of the project was incurred in 2009, 2010 or 2011.

Physical work can consist of site preparation such as foundation excavation. But, if an applicant is considered to have started construction on the project, the Treasury Department says that it will scrutinize any work that is not continuous.

The 5% test requires the applicant to incur at least 5% of the project costs. Here, most applicants rely on the actual purchase of tangible materials. However, the Treasury Department has noted that the purchase of services necessary to design and plan for renewable energy projects may be sufficient.

If the 1603 Grant is not extended and a project qualifies for eligibility for the 1603 Grant, the applicant must submit a preliminary application to the Treasury Department by October 2012.

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