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55 YEARS

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## **Federal energy grant**

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On February 17th President Obama signed the American Recovery and Reinvestment Act. Section 1603 of this act provides for a 30% cash grant (known as the 1603 Payment) in lieu of the 30% energy credit. The idea behind this legislation was to offer a cash payment as an alternative to the diminished demand for tax credits. It was thought that this cash infusion could help companies retain more of their workforce, while meeting the goal of decreasing dependence on foreign oil. Projects that qualify for the 1603 Payment are the same types of energy conservation projects that are eligible for the energy credit. Generally, these projects include construction of wind turbines, solar heating and cooling systems, fuel cells and geothermal energy conservation systems.

To qualify for the payment, construction of the project must commence before October 11th, or be placed in service in 2009 or 2010. For property placed in service in 2009 or 2010, applications for the 30% payments of the costs are to be submitted after the property is placed in service. If the properties cost exceeds \$500,000, the application must include an independent accountant's certification attesting to the accuracy of all costs claimed as part of the basis of the property.

A Section 1603 Payment with respect to specified energy property is not includible in the gross income of the applicant. The basis of the property is reduced by an amount equal to 50% of the payment. Cessation of production due to a natural disaster will not trigger recapture of the 1603 Payment. However, a disposition to a disqualified person within five years of receipt will result in a partial repayment. In addition, posting of a bond is not required, nor does the receipt of the payment create a lien on the property.

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