DISTRIBUTED WIND ENERGY ASSOCIATION

our Wind our Power our Future

Congress Must Extend Section 48 Investment Tax Credit for Community and Distributed Wind Projects

On-Site Distributed Wind Helps U.S. Businesses Stay in Business

Community and distributed wind projects are smaller than commercial scale projects and the energy generated is often not for wholesale grid distribution but rather for use by energy consumers at or near the site of generation. This creates several advantages:

- Because of local investment and employment, community wind projects have a higher local economic impact that utility wind projects, often **providing a 2x or 3x multiplier of economic impact to the community**.
- By placing generation closer to its point of consumption, the deployment of distributed wind power can reduce the need for new centralized generation and transmission facilities.
- Industrial energy users save money, and increase competitiveness.
- These projects often trigger community interest and support for larger, utility-scale wind and other renewable energy projects.

Community wind projects provide a powerful economic development tool for farmers, ranchers and rural communities across America, at a time when job growth is of preeminent concern. Extending the federal Investment Tax Credit (ITC) is crucial to the continued growth of this emerging industry.

Current Law

- Internal Revenue Code (IRC) § 45 enables electricity generated from wind and sold to another party to receive a Production Tax Credit (PTC) for 10 years after equipment installation, provided it is placed into service by December 31, 2012.
- IRC § 48 allows companies, in lieu of the PTC, to claim a 30% Investment Tax Credit (ITC) for all wind facilities placed into service by December 31, 2012.* The power can be used on-site (not sold).
- Thus, under current law, any company that places a wind facility into service before December 31, 2012 can claim either:

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* The ITC will continue in force for very small wind projects (up to 100kW) placed in service through the end of 2016. Also, solar projects of any size will continue to be eligible for the ITC through 2016.

- A PTC of 2.2¢/kWh for electricity produced from the wind for 10 years; or
- A one-time ITC worth 30% of the cost of the facility.

"Community" and "Distributed" Wind Projects Rely on ITC, NOT the PTC

The ITC is vital for distributed and community wind projects. The PTC is rarely accessible to these projects because:

1. Complex passive activity loss tax rules are prohibitively inefficient for this scale of project, and
2. The PTC requires that electricity generated must be sold to a third party where the ITC allows for electricity to be used to offset on-site electric loads

Action Needed

Congress should enact an immediate extension of the § 48 ITC through 2014 for land-based wind power projects. A renewed ITC would provide business certainty to the community and distributed wind segments of the wind industry that are generally unable to utilize the PTC and enable them to continue to drive economic development across farms, schools, business, and communities across the country providing the 2x - 3x multiplier of economic impact to the local community.