KPMG

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Legislative update: Ways and Means subcommittee discussion draft of "green energy" bill

The U.S. House Ways and Means Subcommittee on Select Revenue Measures today released a discussion draft of an energy bill—the Growing Renewable Energy and Efficiency Now (GREEN) Act.

According to a subcommittee release, the draft legislation is "a comprehensive approach to tackling climate change by using the tax code to extend and expand renewable energy use and reduce greenhouse gas emissions."

Subcommittee Chairman Mike Thompson (D-CA) said that the legislation proposes to "…build on existing tax incentives that promote renewable energy and increase efficiency and create new models for technology and activity to reduce our carbon footprint."

- Read the text of the **discussion draft of the bill** [PDF 207 KB].

- Read a **section-by-section description** [PDF 236 KB] of the provisions in the discussion draft, as prepared by the Ways and Means staff. This section-by-section description states that revenue raisers are "to be provided."

Proposals for tax benefits, incentives

According to the subcommittee, the legislation would extend current renewable energy tax incentives; would create new models to increase the use of green energy while reducing greenhouse gas emissions, and would:

- Promote the use of "green energy" technologies and incentivize the reduction of greenhouse gas emissions through new and existing tax benefits

- Increase energy efficiency and green energy use in both residential and commercial buildings

- Support the use of zero-emission transportation and supporting infrastructure

- Invest in a green workforce through energy credits for manufacturers
- Advance environmental justice through tax credits for research and academic programs
- Require the Treasury Department to analyze the feasibility of a price on greenhouse gas emissions, using the EPA's Greenhouse Gas Reporting Program

KPMG observation

The discussion draft includes a mix of existing energy incentives and new provisions. Notably, the proposal would extend both the wind and solar tax credits and convert them to refundable tax credits. Specifically, the section 45 production tax credit (PTC) and the section 48 investment tax credit (ITC) would become refundable up to 85% of the value of the tax credit.

The refundability of the PTC and ITC would make those credits more valuable to energy project developers who often lack sufficient tax liability to use the credits to offset current tax.

This conversion of the PTC and ITC into refundable credits echoes the Section 1603 cash grant program that was enacted in the *American Recovery and Reinvestment Act* in 2009. That program was heavily used by renewable energy developers and paid out more than $26 billion in cash grants during the duration of the program.

Direct comments, including requests for subscriptions, to Washington National Tax. For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.