

Leveraging ARRA Funding

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SBA provisions

- \$25 million for starting new programs
- \$375 million to reduce or eliminate SBA loan fees and increase SBA guarantee share
- \$225 million for new loan program for small businesses to meet existing debt payments
- \$30 million to expand SBA's micro loan program, including \$24 million in technical assistance grants to micro lenders

ARRA – Bond Provisions

- Effect of ARRA is to enhance existing financing tools and create new tools.
- ARRA has most bond provisions than any legislation in recent years.
- Many provisions are temporary and apply to bonds issued in 2009 and 2010.

ARRA – Bond Provisions

Recovery Zone Bonds.

- \$25 billion of tax-exempt bonding authority will be divided among the states (based on formula relating to employment declines in 2008) for allocations to certain "economic development bonds" or "facility bonds" issued before 2011 in recovery zones.
- "Recovery zones" includes, among others, areas designated by the local government as having significant poverty, unemployment, rate of home foreclosures or general distress.
- For "economic development bonds" in a recovery zone, governmental issuers may receive a 45% credit of interest payable on the bonds.
- For "facility bonds," businesses may finance their capital expenditures made in a "recovery zone" using tax-exempt financing.

ARRA – Bond Provisions

Qualified Energy Conservation Bonds.

- The national limitation for issuing qualified energy conservation bonds is increased from \$800 million to \$3.2 billion.
- Qualified energy conservation bonds are designed to finance a variety of projects aimed at reducing energy consumption or promoting energy efficiency.

ARRA – Bond Provisions

"Build America" Bonds.

- A new category of bonds would enable local governments to issue taxable bonds in 2009 and 2010 (where tax-exempt governmental bond financing would otherwise be available).
- Instead of excluding the interest income from gross income for federal tax purposes, the bondholder would receive a tax credit equal to 35% of the amount of interest received each year.
- For bonds used solely to finance capital expenditures, the local government issuer may elect to receive the tax credit in the form of a payment by the Secretary of the Treasury rather than provide the credit to the bondholder.

Financing Incentives

- **Renewable Energy Production Tax Credit**
 - Provides a per-kilowatt-hour tax credit for electricity production from qualified renewable sources. Provides an extension through 2012 for wind facilities and through 2013 for solar, open- and closed-loop biomass, geothermal, municipal solid waste and qualified hydropower.
 - The bill also allows facilities to claim the Investment Tax Credit in lieu of the Production Tax Credit. The Investment Tax Credit is available in the year in which a facility is placed in service as opposed to the PTC, which is paid over a 10-year period.

- **Treasury Department Energy Grants**
 - In lieu of tax credits, taxpayers can receive a grant from the Treasury Department in an amount equal to 30% of the cost of the renewable energy facility.

Financing Incentives

- **Clean Renewable Energy Bonds (CREBs)**
 - Authorizes an additional \$1.6 billion of new CREBs to finance facilities that generate electricity from qualifying resources. CREBs may be issued by electric cooperatives, government entities (states, cities, counties, territories, Indian tribal governments, or any political subdivision thereof), and certain lenders. CREBs are issued (theoretically) with a 0% interest rate. The borrower pays back only the principal of the bond, and the bondholder receives federal tax credits in lieu of the traditional bond interest.

- **Advanced Energy Manufacturing Credits**
 - The bill provides \$2 billion worth of energy-related manufacturing investment credits at a 30% rate. These credits apply to projects creating or retooling manufacturing facilities to make components used to generate renewable energy, storage systems for use in electric or hybrid-electric cars, power grid components supporting addition of renewable sources, and equipment for carbon capture and storage.

Financing Incentives

- REAP – Rural Energy for America Program
 - Provides 25% of project cost to agricultural producers and rural small businesses for grants and loan guarantees for energy efficiency improvements, energy audits and renewable energy development assistance
 - 25% of project cost
 - Competitive grants to provide assistance to agriculture and rural small businesses

Tax Changes

- Net operating loss carryback extended to 5 years
- 50% bonus depreciation in addition to regular depreciation
- Deferral of debt forgiveness income for 2009 & 2010