

The 1603 Coalition

Congress Should Extend the 1603 Treasury Program

Background: The tax code provides a host of tax incentives designed to spur the development and use of domestic energy sources and technologies. Project developers commonly monetize these tax incentives by partnering with tax equity investors who have the liquidity and tax liability to utilize the credits.

The 2008 economic crisis and the economy's subsequent downturn drastically reduced the availability of tax equity, severely limiting the financing available for energy projects. The Section 1603 Treasury Program, which was enacted in 2009 and extended in 2010, allows energy developers to receive a federal grant in lieu of taking an existing energy tax incentive they are otherwise entitled to claim. This is simply a change to the timing of when an energy incentive can be claimed. This change in timing, however, provides the liquidity needed for the further development of domestic energy projects.

By any objective measure, the 1603 Treasury Program has been a resounding success:

- **The 1603 incentive creates jobs and supports economic development.** Since its enactment, the Section 1603 Program has leveraged \$25.8 billion in private sector investment to support over 22,000 projects utilizing a wide range of energy technologies in all 50 states. This has resulted in tens of thousands of new American jobs.
- **The 1603 incentive is an efficient finance mechanism** that allows taxpayers and small businesses to maximize the return and value of existing energy tax incentives. The program streamlines project financing transaction costs for companies, many of which are small businesses, and allows companies to put more time and resources into creating jobs and developing new energy resources. Bloomberg New Energy Finance recently estimated that one dollar from a 1603 award has nearly double the value of a dollar in tax credits to a project developer due to the high premiums charged by tax equity investors.
- **The 1603 incentive is technology neutral** and encourages the development of a wide variety of domestic energy technologies including: biomass; combined heat & power; fuel cells; geothermal; hydropower; landfill gas; marine hydrokinetic; microturbine; municipal solid waste; solar; and wind.
- **The need for the 1603 Program.** The tax equity market modestly improved in 2011, but still has not recovered to pre-recession activity. A July 2011 survey of all tax equity investors by the U.S. Partnership for Renewable Energy Finance estimates expiration of the program would shrink the total financing available for energy projects by 52 percent in 2012.

The 1603 Treasury Program expired on December 31, 2011. Failure to extend the program will stifle job creation and severely restrict the market's ability to leverage private sector capital to finance new domestic energy projects.

To create jobs and encourage the development of new energy resources in a technology neutral manner, **Congress should extend the Section 1603 Treasury Program.**