



The Solar Manufacturing Jobs Creation Act, H.R. 4085 (Thompson, Camp, Doggett, Tiberi) and S. 2755 (Menendez, Stabenow)

The Solar Manufacturing Jobs Creation Act would add equipment used to manufacture solar energy generating property to the eligible property list of the existing Section 48 commercial solar investment tax credit (ITC). Current law provides a 30% tax credit for solar energy generating property placed in service in the U.S. before January 1, 2017.¹ The bill would allow a 30% credit for investments in equipment placed in service in U.S. manufacturing facilities before January 1, 2017.

The American Recovery and Reinvestment Act of 2009 created a program to provide grants for specified energy property in lieu of tax credits, administered by the Department of the Treasury. The current law commercial solar ITC is eligible for a grant in lieu of the 30% tax credit. Taxpayers may receive a grant for solar energy generating property placed in service before January 1, 2011; as well as for property placed in service after January 1, 2011 if construction began on such property before that date. The bill would make manufacturing equipment eligible for the grant program for property placed in service before January 1, 2011; as well as for property placed in service after January 1, 2011 if pursuant to a written binding contract which was entered into before that date.

Supporting Points

The U.S. is losing the global race for solar manufacturing jobs.

- As recently as a decade ago, the U.S. accounted for more than 40% of global solar photovoltaic (PV) cell production. In 2008 the U.S. produced only 5% of the world's solar cells, with Europe and Asia leading global production.

Other countries are racing to create domestic demand for solar cells and to attract solar manufacturing jobs. Many nations offer generous incentives to locate solar manufacturing in-country.

- **Philippines:** 6-year income tax holiday.
- **Malaysia:** 15-year income tax holiday.
- **Germany:** Grants of 30% of investment costs for large enterprises.
- **Singapore:** Multi-year tax holidays.

ARRA created a limited short-term incentive -- but it isn't enough to support long-term job growth in solar manufacturing. The 2009 American Recovery and Reinvestment Act (ARRA) included a competitive tax credit capped at \$2.3 billion in total tax expenditures for advanced energy manufacturing projects (new code Section 48C). The 48C credit is a very good start to increase domestic solar manufacturing; however:

- Firms must apply and are not guaranteed to receive a 30% credit unless certified as a recipient by Treasury; the program will be oversubscribed and only a fraction will receive a credit.
- When the \$2.3 billion cap is exhausted the program will sunset, and with the breadth of investments eligible funds will likely be exhausted in 2010.

¹ As extended in the 2008 Financial Stabilization Act.

An improved tax incentive for solar manufacturing will create long-term growth and U.S. jobs.

- ***Solar energy creates more jobs per megawatt of energy produced than any other form of energy (renewable or fossil).*** Tax incentives to support U.S. solar manufacturing will ensure a strong solar manufacturing base and maximize renewable energy employment.
- Congress should amend Section 48 (the commercial solar ITC) to include solar manufacturing equipment. This would create a generally available and immediately reliable 30 percent credit for the tools used to create solar panels.
- New investments would be eligible for the grant program that made Section 48 a de-facto refundable credit for 2009 and 2010.
- New U.S. solar manufacturing facilities could begin construction soon after date of enactment with the 30 percent credit definitively in their financial calculations, and firms would have an incentive to make their investments early in order to capitalize on the prospect of a refundable credit, greatly increasing the amount of investment and employment in the near-term.