Side-by-Side Comparison of Hydropower-Related Tax Provisions in Administration's FY 2015 Budget, Baucus Tax Reform Discussion Drafts and Camp Tax Reform Proposal

Provision	Administration's FY 2015 Budget	Baucus Discussion Drafts	Camp Tax Reform Proposal
Sec. 45 Production Tax Credit (PTC)	Proposes making the sec. 45 PTC permanent and refundable, effective for property on which construction begins after 12/31/2014. PTC also would be made available to electricity produced from solar facilities. The proposal would also relax the current law restriction which requires electricity to be sold to unrelated third parties, by providing that the PTC would also be made available to electricity consumed directly by the producer, but only to the extent that its production can be independently verified.	Proposes extending the present law PTC through 2016, but with a "placed in service" standard rather than a "beginning of construction standard" for facilities placed in service between 1/01/2014 and 12/31/2016. The PTC would be repealed for property placed in service after 12/31/2016. The current law PTC and Sec. 48 ITC would be replaced by a new clean electricity tax credit. Any facility producing electricity that is 25% cleaner than the average for all electricity production in 2013 could opt to receive either a PTC or ITC. The cleaner the facility, the larger the credit.	The PTC would not be extended beyond 12/31/2013. Facilities placed in service after 2013 due to the "beginning of construction standard" under current law would continue to receive the PTC from the date the facility is placed in service. However, the inflation adjustment applicable to the credit rate would be repealed, effective for electricity produced or sold after 2014. In other words, the credit amount would revert to 1.5 cents or .75 cents per kilowatt-hour for the remaining portion of the 10-year electricity produced or sold on or after 1/01/2015. The entire

		Maximum PTC for a zero emissions facility would be $0.023 per KW of generation, indexed for inflation. Zero emission facilities include wind, solar, hydropower and nuclear facilities. New facilities placed in service on or after 1/01/2017 would be eligible for the PTC for a ten-year period beginning when the facility is placed in service. The new PTC would not apply to facilities placed in service before January 1, 2017. Maximum ITC for a zero emissions facility would be 20% of the cost of the investment. Generally, the clean electricity ITC cannot be claimed for facilities that begin to operate before1/01/2017. However, after 2016, a 20-percent ITC can be claimed for existing facilities that undertake a carbon capture and sequestration retrofit that captures at least 50% of carbon dioxide emissions. The new credits would take the form of non-refundable general	production tax credit would be repealed, effective for electricity and refined coal produced and sold after 2024.

		business credits, with a one year carryback and a 20-year carry forward. Importantly, the current law rule limiting eligibility for the PTC to electricity sold to a third party would be eliminated and electricity consumed on-site could potentially generate production credits if the amounts are appropriately metered. The clean electricity credits would begin to phase out over a 3-year period beginning when the Secretary of the Treasury, in consultation with the Secretary of Energy and the EPA Administrator, certifies that the annual average greenhouse gas emissions for electricity production facilities in the U.S. is equal to or less than 372 grams of CO_2e per KWh.	
Depreciation.	MACRS would be replaced by a system based on an asset's economic life.	MACRS and ADS rules would be replaced by a pooling cost recovery system designed to approximate the decline in the economic value of assets. The pooling system would be comprised of four asset pools,	MACRS rules would be repealed and replaced by rules substantially similar to ADS (Asset Depreciation Range System). This would lengthen class lives and require the use of the

		based on the recovery period of the asset. Short-lived property is assigned to pool 1, mid-term to pool 2, longer term to pool 3 and long-lived property to pool 4. Pooled assets would be depreciated at prescribed rates using a 100% declining balance method. No transition relief for existing tangible personal property would be provided. Assets are assigned to pools based on the asset class categorizations provided in Revenue Procedure 87-56. Water utilities property (class 49.3 under Rev. Proc. 87-56) would be placed in Pool 4 (the category to which electricity generation and distribution plant property has been assigned). For the first taxable year beginning after 12/31/2014, each asset pool balance would be determined by adding the adjusted basis of any property held by the taxpayer on the first day of such taxable year assigned to each asset pool. Cost basis of property acquired	straight-line recovery method. Taxpayers would be able to adjust their basis in depreciable assets in accordance with the chained consumer price index rate at the end of each year. Effective for property placed in service after 2016.

		during the taxable year would be added to asset pools, (along with the cost of additions or improvements to existing pooled property. Gross proceeds from the disposition or transfer of any pooled property during the taxable year would be subtracted from the pool balance. The annual depreciation deduction would be calculated by multiplying the applicable recovery rate for each pool by the associated pool balance at year's end. The applicable rates of the four pools are: Pool 1, 38%; Pool 2, 18%; Pool 3, 12%; and Pool 4, 5%. Treasury would be given authority to issue new guidance to: (1) reclassify assets (or categories of assets) as real property or as pooled property; (2) reclassify assets (or categories of assets) to different pools; and (3) modify asset classes described in Revenue Procedure 87-56 or create new categories of assets for assets not currently assigned to a class.	

Tax-exempt bonds	The proposal would create a new, permanent America Fast Forward Bond program that would be an optional alternative to traditional tax-exempt bonds. Like Build America Bonds, America Fast Forward Bonds would be taxable bonds issued by State and local governments in which the Federal Government makes direct payments to State and local governmental issuers (through refundable tax credits). For the permanent America Fast Forward Bond program, the Treasury Department would make direct payments to State and local governmental issuers in an amount equal to 28 percent of the coupon interest on the bonds. Eligible uses for America Fast Forward Bonds would include: (1) original financing for governmental	No proposals.	Interest on newly issued private activity bonds (PABs) would be included in income and thus subject to tax, effective for PABs issued after 2014. The provision would not apply to any previously issued bond, nor would State and local governments be prevented from issuing PABs in the future; the provisions would merely remove the Federal tax subsidy for newly issued bonds.

	capital projects, as under the authorization of Build America Bonds; (2) current refundings of prior public capital project financings for interest cost savings where the prior bonds are repaid promptly within 90 days of issuance of the current refunding bonds; (3) short-term governmental working capital financings for governmental operating expenses (such as tax and revenue anticipation borrowings for seasonal cash flow deficits), subject to a 13-month maturity limitation; and (4) financing for section 501(c)(3) nonprofit entities. The proposal also recommends precluding direct payments to State and local government issuers under the permanent America Fast Forward Bond program from being subject to sequestration.		