

STATE OF IDAHO  
ENERGY, ENVIRONMENT & TECHNOLOGY  
INTERIM COMMITTEE



TAX INCENTIVES/CREDITS AVAILABLE  
TO ENERGY PRODUCERS

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## FEDERAL INCOME TAX INCENTIVES

### Energy Credit (IRC section 48) –

- An investment credit for qualified solar, geothermal, combined heat and power system property, geothermal heat pump systems, micro-turbine property, and qualified fuel cell property.
- The credit, depending on the property, is 6.5% to 30% of the basis of each property placed in service during the year.

### Qualifying Energy Project Credit (IRC section 48C) –

- An investment credit is allowed for investment in qualified advance energy manufacturing projects.
- Qualifying projects are certified by IRS in consultation with the Department of Energy.
- The credit is 30% of the qualified investment.

### Electricity Produced from Certain Renewable Resources, etc. (IRC section 45) –

- A cents/kilowatt hour credit for electricity produced from qualified energy resources at a qualified facility.
- The credit is available for 10 years beginning on the date facility was originally placed in service.

### Advanced Nuclear Power Facility Production Credit (IRC section 45J) –

- A cent/kilowatt hour credit for electricity produced at an advance nuclear power facility during the 8-year period beginning on the date the facility was originally placed in service.

### Enhanced Oil Recovery Credit (IRC section 43) –

- A credit equal to 15% of the taxpayer's qualified enhanced oil recovery costs for the taxable year on a qualified enhanced oil recovery project which involves the use of 1 or more tertiary recovery methods, certified by a petroleum engineer and approved by the Secretary, that can reasonably be expected to result in more than an insignificant increase in the amount of crude oil recovered.
- The credit is phased out as crude oil prices increase (adjusted for inflation).

Credit for Producing Oil and Gas from Marginal Wells (IRC section 45I) –

- A credit of \$3 per barrel of qualified crude oil production and 50 cents per 1,000 cubic feet of qualified natural gas production.
- Limited on the amount of production that will qualify.
- Phased out as oil and gas prices increase.

Credit for Producing Fuel from a Nonconventional Source (IRC section 45K) –

- A credit of \$3 per barrel-of-equivalent of qualified fuels
  - Oil produced from shale and tar sands; gas produced from geopressured brine, Devonian shale, coal seams, a tight formation, or biomass; and liquid, gaseous, or solid synthetic fuels produced from coal.
- This credit appears to have sunset, except for the special rule relating to coke and coke gas.

Biodiesel and Renewable Diesel Used as Fuel (IRC section 40A) –

- Total of three credits
  - Biodiesel mixture credit - \$1 per gallon of biodiesel used in the production of a qualified biodiesel mixture
  - Biodiesel credit - \$1 per gallon of biodiesel not in a mixture with diesel fuel that was used as fuel in a trade or business, or sold at retail and placed in the fuel tank of the consumer's vehicle
  - Small agri-biodiesel producer credit – 10 cents per gallon of qualified agri-biodiesel production.)
- Appears to have sunset December 31, 2011.

Credit for Production of Low Sulfur Diesel Fuel (IRC section 45H) –

- A 5 cents per gallon credit available to any facility of a small business refiner of low sulfur diesel fuel produced.
- Credit to recover the cost to be in compliance with EPA regulations – date for compliance December 31, 2009.
- Credit is no longer available.

Alcohol, etc., Used as Fuel (IRC section 40) –

- Sum of 4 credits
  - Alcohol mixture credit – 60 cents for each gallon of alcohol used in the production of a qualified mixture
  - Alcohol credit – 60 cents for each gallon of alcohol which is not in a mixture with gasoline or a special fuel
  - Small ethanol producer credit – 10 cents for each gallon of qualified ethanol fuel produced
  - Cellulosic biofuel producer credit – \$1.01 for each gallon of qualified cellulosic biofuel produced subject to certain reductions.

## IDAHO TAX INCENTIVES

### INCOME TAX:

Idaho Investment Tax Credit (Idaho Code section 63-3029B) –

- A credit of 3% of the qualified investment made in during the taxable year.

Incentive Income Tax Investment Credit (Idaho Code section 63-3029J) –

- The credit is based upon the qualified investment made during the taxable year as a percentage of the unemployment or per capita income of the county where the property is located.

New employee credits of Idaho Code sections 63-3029F and 63-3029EE.

The Idaho Small Employer Incentive Act of 2005 (Idaho Code sections 63-4403, 63-4404, and 63-4405)

- Credit for capital investments – in lieu of investment tax credit (slightly higher credit)
- Credit for creation of new jobs – in lieu of credit allowed in section 63-3029F (higher earnings requirement for new employees)

### SALES TAX:

Equipment used in alternative method of generation of electricity (Idaho Code section 63-3622QQ) –

- This statute provided a rebate of sales tax paid on purchases of machinery and equipment used directly in generating electricity using fuel cells, low impact hydro, wind, geothermal resources, biomass, cogeneration, sun or landfill gas as the principal source of power.
- Effective until July 1, 2011; was allowed to sunset by the 2011 legislature.

Production exemption (Idaho Code section 63-3622D) –

- Provides a sales and use tax exemption for tangible personal property primarily and directly used or consumed in or during a manufacturing, processing, mining, farming, or fabricating operation.
- The tangible personal property produced is later taxed when sold at retail.
- The statute excludes from the exemption the production of electricity (among other utilities) delivered to consumers at the place of consumption by means of pipes, wires, mains or similar systems.
  - The sale of natural gas, electricity, and water by utilities is not a retail sale subject to sales tax (Idaho Code § 63-3622F).

The Idaho Small Employer Incentive Act of 2005 (Idaho Code section 63-4408) –

- Provides for a rebate of 25% of all sales and use taxes the taxpayer or its contractors paid in regard to any property constructed, located or installed within the project site during the project period for that site.

PROPERTY TAX:

Qualified Investment Exemption (Idaho Code section 63-3029B) –

- In lieu of the investment tax credit a taxpayer can elect a two year exemption from all taxes on personal property on the qualified investment.
- Certain conditions must be met to make the election.

Small Employer Growth Incentive Exemption (Idaho Code section 63-606A) –

- County board of equalization can exempt all or a portion of the value of the property qualifying for the credits of Idaho Code section 63-4403 and 63-4404 from property taxation. (Discretionary)

Property Exempt from Taxation (Idaho Code section 63-602NN) –

- Beginning in 2008 and each year thereafter, a board of county commissioners may declare that all or a portion of the market value of a defined project based on investment in new plant and building facilities, meeting tax incentive criteria, shall be exempt from property taxation for up to 5 years. (Discretionary)