

December 2010

Contacts

Washington, DC Office

1900 K Street, NW
Washington, DC 20006-1109

Richmond Office

Riverfront Plaza, East Tower
951 East Byrd Street
Richmond, Virginia 23219-4074

[Laura Ellen Jones](#)

(804) 788-8746
ljones@hunton.com

[David S. Lowman, Jr.](#)

(202) 419-2070
dlowman@hunton.com

[David B. Weisblat](#)

(202) 955-1980
dweisblat@hunton.com

[Timothy L. Jacobs](#)

(202) 955-1669
tjacobs@hunton.com

House Passes One-Year Extension of Section 1603 Grant Program

Early this morning, the House of Representatives passed, by a vote of 277-148, the "Tax Relief, Unemployment Insurance Reauthorization, and Jobs Creation Act of 2010" (the "Bill"). Earlier this week, the Senate passed the Bill by a vote of 81-19. The President is expected to sign the Bill into law later today. The Joint Committee on Taxation has provided an explanation of the provisions of the [Bill](#).

Section 707 of the Bill contains a one-year extension of the Section 1603 Treasury Grant program enacted under the American Recovery and Reinvestment Act of 2009. Specifically, the Bill extends the Treasury Grant program for renewable energy projects placed in service in 2011, or projects placed in service after 2011 (but before the applicable credit termination date) if construction of the project began during 2009, 2010 or 2011. Accordingly, taxpayers that were attempting to "begin construction" of projects by December 31, 2010 now automatically have an additional calendar year to place projects into service without having to race to "begin construction" by the end of the year. Alternatively, for projects that will

be placed in service after December 31, 2011, taxpayers now have all of 2011 to "begin construction" of the projects.

In addition, Section 401 of the Bill provides (a) first-year depreciation equal to 100% of the cost of the qualified property placed in service after September 8, 2010 and before January 1, 2012, (b) 50% additional first-year depreciation for qualified property placed in service after December 31, 2011 and before January 1, 2013. Property qualifying for the additional depreciation must meet all of the following requirements: (1) the property must be MACRS eligible and have a recovery period of 20 years or less; (2) the original use of the property must commence with the taxpayer after December 31, 2007; (3) the taxpayer must have acquired the property (i) after December 31, 2007 and before January 1, 2012 (as long as there was no binding written contract for the acquisition entered into before January 1, 2008), or (ii) pursuant to a binding written contract entered into after December 31, 2007 and before January 1, 2012; and (4) the property must be placed in service after December 31, 2007 and before January 1, 2012.