HUNTONS CLIENT ALERT

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Senate Version of Tax Act Contains One-Year Extension of Section 1603 Grant Program

Late yesterday evening, Senator Baucus unveiled a version of the "Tax Relief, Unemployment Insurance Reauthorization, and Jobs Creation Act of 2010" (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. Accordingly, the Bill, if enacted, would extend the Treasury Grant 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.

In addition, Section 401 of the Bill would provide a two-year extension of 50 percent bonus depreciation and would provide 100 percent expensing for qualified property acquired by a taxpayer after September 8, 2010 and

before January 1, 2012 that is placed in service prior to January 1, 2012.

The Bill also contains extensions of various other energy tax credit provisions, including a two-year extension of the placed-in-service deadline for refined coal facilities under Section 45 of the Code. Accordingly, refined coal facilities placed in service prior to January 1, 2012 would qualify for refined coal production tax credits.

The Senate is expected to vote on the Bill on Monday. However, the situation is still very fluid. Although the House Democratic Caucus voted yesterday not to bring the President's compromise bill to the floor, some members anticipate that the broad tax bill will be considered next week.

A copy of the Bill is available <u>here</u>.

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