Renewable Energy Production Tax Credits: IRS Releases 2020 Inflation Factor, Reference Prices

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Alert

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In Notice 2020-38, the IRS recently released the inflation adjustment factor and reference prices for the 2020 calendar year, which are necessary for calculating the Section 45 renewable electricity production tax credits.

Based on the 2020 inflation factor of 1.6687, the 2020 tax credit amounts for renewable energy production and refined coal production are set forth below.

<table>
<thead>
<tr>
<th>Renewable Energy Source or Coal Production Activity</th>
<th>Begin Construction Deadline</th>
<th>2020 Credit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind</td>
<td>Dec. 31, 2016</td>
<td>2.5¢/kwh</td>
</tr>
<tr>
<td></td>
<td>Dec. 31, 2017</td>
<td>Reduced by 20 percent</td>
</tr>
</tbody>
</table>
### 2020 Reference Prices, No Tax Credit Phase-out

If the reference price for a particular energy source, as published by the IRS, exceeds a certain designated level, then the Section 45 production tax credit will be reduced or completely phased out. Based on the 2020 reference prices, there will be no phase-out for any of the renewable energy sources or refined coal production activities for the 2020 calendar year.

By way of example, the 2020 reference price for wind is 4.16 cents/kilowatt hour. Since this reference price does not exceed 13.35 cents/kilowatt hour (i.e., 8 cents multiplied by the 1.6687 inflation factor for 2020), there will be no phase-out during 2020 of tax credits realized from the sale of electricity produced from wind energy.

Similarly, the 2020 reference price for refined coal is $48.58/ton. Since this reference price does not exceed $90.49/ton (i.e., $31.90 multiplied by 1.6687...
inflation factor and 1.7), there will be no phase-out during 2020 for tax credits realized from the sale of refined coal.

Though the IRS still has not determined reference prices for electricity produced from closed-loop biomass, open-loop biomass, geothermal, municipal solid waste, qualified hydropower and marine and hydrokinetic energy, there will also be no phase-out during 2020 for tax credits realized from these renewable sources.

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