There is an array of tax incentives to promote the development of energy and sustainability projects. Some examples of current U.S. tax incentives include:

- **Alternative energy**: There are several tax incentives for the production of electricity from alternative energy sources such as solar property, fuel cells, microturbines, and other direct or backup energy sources.

- **Energy efficiency**: The Tax Code provides incentives for the creation or expansion of energy efficiency equipment such as combined heat and power projects.

- **Grants in lieu of tax credits**: Qualifying alternative energy and energy efficiency property can receive direct federal grants in lieu of tax credits.

- **Alternative fuels**: A number of incentives are available to companies that utilize alternative fuels in vehicles or in operations generally. These incentives take the form of tax credits, refundable tax credits, and accelerated cost recovery. Qualifying fuels include those derived from biomass, hydrogen, lignocellulosic and/or hemicellulosic matter, and many others.

- **Alternative fuel vehicles**: Companies purchasing qualifying passenger or heavy-duty alternative fuel vehicles such as hybrid, electric vehicles, certain diesel vehicles, and other vehicle types may qualify for significant tax incentives.

- **Alternative fuel vehicle refueling credit**: There are available tax credits for the cost of alternative fuel refueling property. Qualifying properties include biofuels, alternative fuels, and electric recharging equipment.

- **Energy-efficient buildings deduction**: Certain energy-efficient property installed in commercial buildings is eligible for a tax deduction.

- **Energy-efficient appliance credit**: There is a manufacturers tax credit for the production of certain U.S. produced energy-efficient appliances manufactured after 2007 and through 2010.

- **Solar, geothermal, and wind state incentives**: State incentives may come in many forms, including grants, rebates, tax deductions, and sales or property tax exemptions.

- **Green building related state incentives**: State tax credits and cash rebates for buildings meeting certain criteria may be available.

- **Sales tax exemptions**: Sales tax exemptions for sale and installation of energy devices, residential weatherization products, and related sales tax/exempt use certificates may be available.

- **Property tax exemptions and abatements**: Property tax exemptions and abatements may apply to the installation of energy systems and can include exemptions for value added to a property by an eligible system; exemptions for the amount of the appraised property value that arises from installation or construction of solar/wind powered energy devices; and abatements that allow building owners to deduct from their real property tax a portion of the expenditures associated with installing a photovoltaic system.

- **Electricity-related state tax incentives**: Various state tax incentives may be available under a number of scenarios, including new facilities, new electricity service within a specific area, and employment and expansion projects. There are several additional U.S. federal, state, and global tax incentives that may apply to a given energy and/or sustainability project. More than one credit or incentive can often be used to maximize project profitability. These incentives are often overlooked, as they are not traditional energy tax credits.
Energy sustainability
Current U.S. tax policy encourages investment in sustainability projects to decrease energy use and reduce environmental impact. However, many companies do not look at sustainability projects through the lens of potential tax benefits. As a result, companies are often forced to forgo projects that do not meet their minimum thresholds for return on investment. Companies also often do not capture the full benefit of incentives or credits available to them under the law, or they pursue credit claims that may be challenged by the IRS (or state tax authorities) due to insufficient documentation or misclassification.

Applying a tax lens is critical to help drive ROI
Applying a tax lens to energy and sustainability projects can have a material impact on their after-tax cost, as tax incentives can improve return on investment, lower effective tax rates, and increase cash flow. Considering the potential tax incentives and opportunities can mean the difference between a project that moves forward and a project that is canceled in the idea phase.

To help determine if your company could have potential energy and sustainability tax incentive opportunities, consider the following questions:

• Is your company paying a significant amount of tax?
• Does your company have an announced corporate sustainability plan?
• Is your company looking to reduce the overall cost of “going green?”

Opportunities for tax incentives
KPMG LLP’s (KPMG) Energy Sustainability Tax professionals can help companies identify, quantify, and capture tax credits and incentives specifically tailored to alternative energy, energy efficiency, and other areas related to sustainability. KPMG can help companies capture potential statutory or discretionary federal, state, and even global tax credits, deductions, grants, and/or incentives that could be available for energy and sustainability projects.

Guidance on complex legislation and changing regulations
In addition to tax incentives, evolving federal and state statutes and regulations have created a formidable array of regulatory hurdles and business risks that companies should identify and manage. KPMG’s Energy Sustainability Tax professionals have the technical experience to help you navigate complex legislation and changing regulation.

KPMG can also provide assistance in the following areas:

**Tax Equity Investment Services:** Assistance with modeling, structuring, and documentation of tax equity and sale leaseback deals for investors and developers involved in renewable energy financing arrangements.

**Compliance Consulting:** Assistance in identifying compliance requirements and determining whether the appropriate processes are in place to qualify, quantify, and document the required information to obtain or maintain energy/sustainability related credits, grants, or other incentives.

Depending on your specific energy and sustainability plans, KPMG has experienced professionals from a variety of specialized disciplines and industries, including:
- Energy Sustainability Tax Services
- Credit Incentive Services
- Tax Accounting Services
- Construction Tax Planning
- Fixed Asset Services
- State & Local Tax Services
- Global Credit Incentive Services

A multidisciplinary approach
KPMG’s Energy Sustainability Tax professionals combine project management principles and technical energy skill-sets to identify, document, and calculate energy and sustainability activities and related expenditures and investments from a tax perspective.

We take a holistic, vertical approach that looks at the entire business in reviewing and evaluating a client’s corporate sustainability program. Teams of KPMG professionals include specialists from a variety of relevant disciplines—including tax, advisory, and engineering professionals—working together to bridge the gap among a company’s sustainability strategy, corporate facilities, and tax departments.

This vertical, multidisciplinary approach offers an efficient and thorough way to evaluate sustainability programs in today’s vertically integrated companies. Understanding sustainability initiatives across the entire business also helps to tailor the engagement to the needs of the client.

Experience across industries
KPMG’s Energy Sustainability Tax professionals have provided energy tax incentive consulting for companies across a wide variety of industries where we assisted:

• A multinational consumer products company with the review of a planned R&D facility investment and identified significant opportunities related to federal energy credits, R&D deductions and credits, opportunities related to fixed assets, and state and local employee-related incentives.
• A large software technology company with the review of energy-efficient data centers and production facilities and identified substantial opportunities related to energy-efficient building deductions, R&D deductions and credits, and current deductions for repairs and maintenance in lieu of capitalization.
• A large luxury goods retailer with the review of store upgrades and distribution facility and identified sizeable opportunities related to energy-efficient building deductions, current deductions for repair and maintenance in lieu of capitalization, and various state and local incentives.

• A variety of companies with 48C credits for investments in advanced qualified energy manufacturing property.

• With modeling, structuring, and documentation of tax equity and sale leaseback deals for investors and developers involved in renewable energy financing arrangements.

Forward thinking, global mindset, value-adding Tax practice
KPMG Tax professionals understand the changing tax environment and focus on turning knowledge into value for clients. This begins by anticipating the potential long- and short-term consequences of an action in today’s global marketplace. KPMG Tax professionals also take the time to help companies implement their sustainable energy decisions that can deliver real value to their businesses.

Washington National Tax
KPMG’s Washington National Tax (WNT) office is a technical core of KPMG’s Tax practice in the United States. WNT serves as a premier resource for both clients and KPMG professionals in resolving complex tax issues. The range of specialty groupings within WNT facilitates multidisciplinary approaches that draw upon shared insights and leading practices. These specialty groupings include the Energy Sustainability Tax practice, which is focused on emerging issues associated with renewable energy and climate sustainability, including production and investment tax credits and federal, state, and global energy grants.

John P. Gimigliano, a former senior tax counsel for the U.S. House of Representatives’ Ways and Means Committee, leads KPMG’s Energy Sustainability Tax practice. John was instrumental in the development of tax credit legislation and served as lead tax counsel for the House of Representatives during negotiation and enactment of the Energy Policy Act of 2005. He has intimate knowledge of the Treasury Department’s tax credit processes.

Contact us
To learn more about how KPMG’s Energy Sustainability Tax practice can enhance processes, improve profitability, reduce costs, and spur innovation within your organization, contact:

John Gimigliano
Principal in Charge
Washington, DC
202-533-4022
jgimigliano@kpmg.com

Christine Kachinsky
Partner
New York
212-872-2187
ckachins@kpmg.com

Adam Uttley
Partner
Los Angeles
213-593-6732
auttley@kpmg.com

John Simon
Principal
New York
212-872-3661
jfsimon@kpmg.com

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