

A light gray silhouette of the state of Ohio is centered on the slide. It contains several small, white, semi-transparent circles scattered across its surface.

Ohio Department of Development's Tax Incentives Programs

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Today's Agenda

I. State Tax Incentive Programs:

- Job Creation Tax Credit Program (JCTC)
- Changes in Job Creation Tax Credit Program (JCTC)
- Job Retention Tax Credit Program (JRTC)
- Changes in Job Retention Tax Credit Program (JRTC)

II. Local Property Tax Abatement Programs:

- Existing Local Property Tax Abatement Programs
- Proposed Changes to Local Property Tax Abatements



I. State Tax Incentive Programs



Ohio Job Creation Tax Credit program (JCTC)

Job Creation Tax Credit current program (JCTC)

- JCTC is **refundable** tax credit against insurance premiums; corporation franchise; commercial activities (CAT); or an individual's Ohio personal income tax obligations
- Tax credit based on state income taxes withheld from the new, eligible full-time employees
- 5-member Ohio Tax Credit Authority charged with reviewing and approving applications and setting the tax credit rate and term
- Involve interstate competition

Job Creation Tax Credit current program (JCTC)

Determinations

- Proposed project creates net new jobs in the State of Ohio
- Project is economically sound, increases employment opportunities, and strengthen the economy for the State of Ohio
- Tax credit is a major factor for the project to move forward
 - Although not “but for,” important element to approval

Job Creation Tax Credit current program (JCTC)

Eligibility

- Types:
 - C-Corporations and pass-throughs
 - Retail operations not eligible
- Must be a taxpayer:
 - insurance premiums; corporation franchise; commercial activities; or individual Ohio personal income tax
- Job Creation:
 - 25 new jobs at 150% of federal minimum wage; or
 - As few as 10 jobs at 400% of federal minimum wage
 - Jobs created within 3 years of operations

Job Creation Tax Credit current program (JCTC)

Eligibility – cont.

- Financials
 - Financial statements and sources-and-uses schedule demonstrate company is economically sound and financially viable
- Local Financial Support:
 - Primary beneficiary of respective local political subdivision
- Service-oriented Projects:
 - Must demonstrate $\geq 51\%$ of revenue/sales originate from outside Ohio
- Fixed Asset Investment:
 - Eligible investment includes building, land, machinery & equipment, computers, and infrastructure

Job Creation Tax Credit current program (JCTC)

Compliance

- Taxpayer executes an agreement with ODOD
- Taxpayer maintains operations at the project location for 2X tax credit term
- Taxpayer annually reports (by March 1):
 - Number new employees
 - New income tax revenues withheld and remitted to OTAX
 - Average wage and annual payroll of new employees

Job Creation Tax Credit current program (JCTC)

Application & Approval Process – cont.

- **Commitment Letter**
 - Letter summarizing levels of assistance, including any JCTC, sent to taxpayer specifying amount of State incentives, along with terms and conditions
- **Approval**
 - Tax Credit Authority renders final approval of JCTC projects.
 - Meet monthly
- **OEPA & OTAX Compliance Check**

Job Creation Tax Credit current program (JCTC)

Application & Approval Process – cont.

- **Confidentiality**
 - Financial statements and other information for the purposes of JCTC application generally not considered public records under ORC §149.43
- **Post-approval**
 - Execute agreement
 - All changes made to projects after Authority approval are subject to a \$300 amendment fee
 - File annual report by March 1



Changes in Ohio Job Creation Tax Credit program (JCTC)

Introduction of Changes: Key Definitions

- **“Income Tax Revenue”**
 - Total amount withheld from each employee employed at the project.
- **“Baseline Income Tax Revenue”**
 - “Income Tax Revenue” twelve months preceding Tax Credit Authority approval
 - Multiplied by 1 plus the annual pay increase factor
 - Plus “Income Tax Revenue” of relocated employees
- **“Excess Income Tax Revenue”**
 - “Income Tax Revenue” minus “Baseline Income Tax Revenue”

Introduction of Changes: Additional Definitions

- **“Pay Increase Factor”**
 - Annual percentage adjustment of “Baseline Income Tax Revenue” determined by the Tax Credit Authority
- **“Payroll”**
 - Wages paid to employees at the project location not including benefits
- **“Post-term Reporting Period”**
 - The greater of: 1) conclusion of the tax credit term plus three years or 2) seven years
- **“Consumer Price Index”**
 - The seasonally adjusted compound annual rate statistic released by the Dept. of Labor, Bureau of Statistics

Introduction of Changes: Additional Definitions

- **“Full-time Equivalent Employees”**
 - Total number of hours employees have been compensated divided by 2080 hours (40 hours per week).
- **“Relocated Employees”**
 - Means either of the following:
 - Employees in another political subdivision relocated to the project site whose positions are not replaced within the same calendar year.
 - Employees employed by the taxpayer within the same political jurisdiction that are relocated to the project site whose positions are not replaced within the same calendar year.
- **“Amendment”**
 - Any change to terms or conditions of a contract after approval.
- **“Complete”**
 - Annual reports submitted by March 1st with all required information.

Introduction of Changes: Tax Credit Authority Determinations

- Ohio Revised Code 122.17 (C):
 - (1) The taxpayer's project will *create new jobs in this state* increase payroll and income tax revenue;
 - (2) The taxpayer's project is economically sound and will benefit the people of this state by increasing opportunities for employment and strengthening the economy of this state;
 - (3) Receiving the tax credit is a major factor in the taxpayer's decision to go forward with the project.

Introduction of Changes: Eligibility Requirements

- All determinations are satisfied (from previous slide)
- Project proposes to and actually creates additional payroll.
 - Must be equal or greater than 175% of Federal Minimum Wage multiplied by 52,000 (or 25 full-time equivalents).
- Any retail portion of the project is ineligible.
- Service projects must demonstrate $\geq 51\%$ of sales are outside of Ohio.
 - “Service Project” is determined by the Tax Credit Authority.
- The Tax Credit Authority shall from time to time set additional requirements.

Introduction of Changes: Contracts Shall Include

- Maintain operations for the greater of:
 - Seven (7) years
 - The term plus three (3) years
- The percentage of excess income tax revenue allowed as the amount the credit.
- The pay increase factor to be applied to the taxpayer's Baseline Income Tax Revenue.
- Annual Reports shall include: employment, tax withholdings, and investment.
- After the Director has reviewed the annual report and verified compliance with the contract, a certificate may be issued to the taxpayer. So long as there are not outstanding fees
- A substantial amount of employment positions may not be relocated unless the taxpayer has notified the municipal corporation from which employees would be relocated.

Introduction of Changes: Changes to Non-compliance

- Reduction in Percentage or Term:
 - Any condition or requirement set forth in the contract not meant may result on a reduction of percentage or term.
 - » Effective in the current taxable or calendar year
 - The committed additional annual payroll required by the contract is not met in the date set forth in the contract.
 - The annual report is incomplete after 60 days from the Director's notice of non-compliance.
- Termination
 - The annual report is incomplete after 60 days from the Director's notice.
- Clawback Provisions (percentage of certificates refunded)
 - If the taxpayer maintained operations at the project site for:
 - less than or equal to the term of the credit: up to 100%
 - less than greater of 7 years or the term plus 3 years: up to 75%

Introduction of Changes: Changes to Fees

- “Application Fees”
 - \$1500 refundable fee if company does not go to the Tax Credit Authority for approval
- “Servicing Fees”
 - Any amendment requesting to add additional grantees is subject to the servicing fee of \$250 x Term
- “Amendment Fees”
 - Apply to all substantive changes to projects after approval.
 - “Substantive” may include but shall not be limited to: changes in the project scope and assignment of tax credits.
- “Late Fees:
 - Same rules apply (\$500 per month after March 1st), with the exception of reports not submitted as “complete” mentioned in the non-compliance section.



Ohio Job Retention Tax Credit
program (JRTC)

Job Retention Tax Credit program (JRTC)

- JRTC makes available non-refundable tax credits to reduce tax liabilities against the commercial activities; corporation franchise; or individual Ohio personal income tax obligations
- JRTC designed for use exclusively by large-scale capital investment prospects

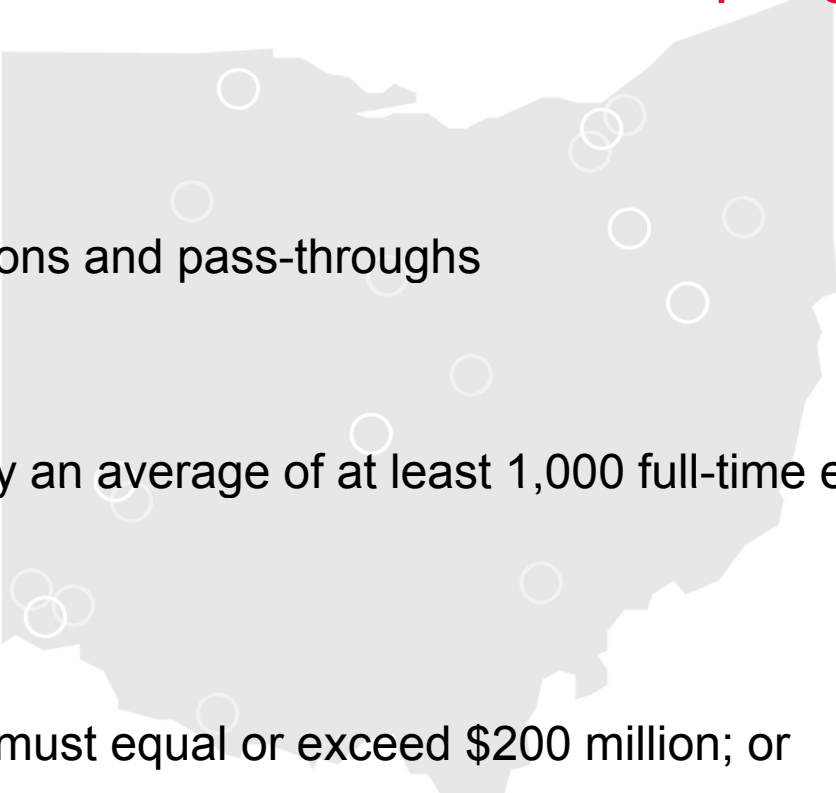
Job Retention Tax Credit program (JRTC)

Determinations

- Significant number of employees are retained at defined project site
- Significant investment in acquisition, construction, renovation, or repair of buildings, machinery or equipment, or capitalized costs of basic research and new product development
- Tax credit is a major factor in company's determination to begin, continue, or complete the capital investment project

Job Retention Tax Credit current program (JRTC)

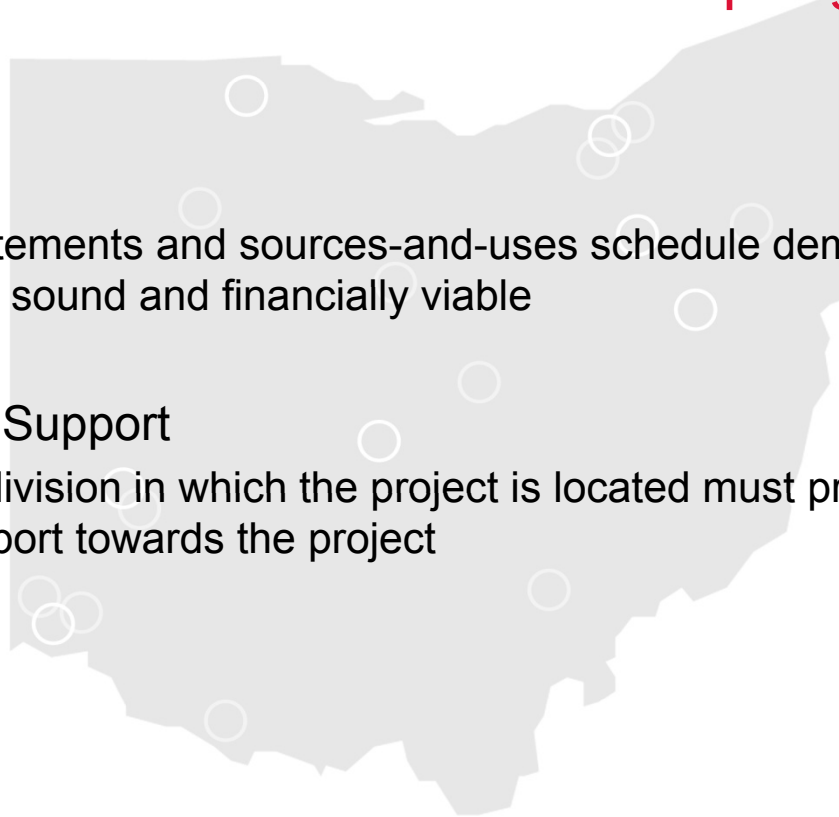
Eligibility

- Types:
 - C-Corporations and pass-throughs
 - Employees
 - Must employ an average of at least 1,000 full-time employees at the project site
 - Investment
 - Investment must equal or exceed \$200 million; or
 - \$100 million if the committed wage rate for the retained positions is at least 400% of federal minimum wage
- 

Job Retention Tax Credit current program (JRTC)

Eligibility – cont.

- Financials
 - Financial statements and sources-and-uses schedule demonstrates company is economically sound and financially viable
- Local Financial Support
 - Political subdivision in which the project is located must provide substantial financial support towards the project



Job Retention Tax Credit current program (JRTC)

Compliance

- Company must maintain operations at the project site for Term + 3 years; or 7 years, whichever is greater
- Company annually reports (by March 1):
 - Number of retained employees
 - Income tax revenue withheld from those retained employees
 - Amounts paid towards the completion of the capital investment

Job Retention Tax Credit current program (JRTC)

Application & Approval Process

- Consult
 - Initially consult with ODOD representative prior to submitting an application
- Application & Fee
 - Complete application and \$500 fee submitted to ODOD for review
- Economic Impact Determination
 - Staff distribute completed application to the following:
 - Director of Office of Budget & Management (OBM);
 - Director of ODOD; and
 - Ohio Tax Commissioner

JRTC Application & Approval Process

Application & Approval Process – cont.

- Commitment Letter
 - Letter summarizing levels of economic development assistance, including any JRTC, sent to taxpayer specifying the amount of incentives, as well as terms and conditions
- Approval
 - Tax Credit Authority renders final approval determinations of proposed JRTC projects.
 - Meet monthly
- OEPA & OTAX Compliance Check

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Changes in Ohio Job Retention Tax Credit program (JRTC)

Introduction to Changes: Job Retention Tax Credit (JRTC)

- “Eligible Business”
 - Employees at least 500 full-time equivalents upon approval
 - Makes or causes to be made payments for a capital investment of either of the following:
 1. Primarily Manufacturing Operations: \$50 million over a period of 3 years.
 2. Primarily Significant Corporate Administrative Functions: \$20 million over a period of 3 years.
 - The taxpayer has had the capital investment project approved by the Tax Credit Authority

Introduction to Changes: Key Definitions (JRTC)

- “Income Tax Revenue”
 - Total amount withheld under section 5747.06 of the Revised Code by the taxpayer during the calendar year that includes the tax period from the compensation of all employees employed in the project whose hours of compensation are used in calculating the number of full-time equivalent employees.

Introduction to Changes: Tax Credit Authority Determination (JRTC)

- Ohio Revised Code 122.171 (D):
 - (1) The taxpayer's capital investment project will result in the retention of employment in this state.
 - (2) The taxpayer is economically and has the ability to complete the proposed capital investment project.
 - (3) The taxpayer intends to and has the ability to maintain operations at the project site for at least the greater of (a) the term of the tax credit plus three years, or (b) seven years.
 - (4) Receiving the tax credit is a major factor in the taxpayer's decision to begin, continue with, or complete the project.

Introduction to Changes: New Contract Changes (JRTC)

- Inclusion of full-time equivalent employees
- The anticipated income tax revenue to be generated
- The term & percentage of the credit, and the maximum annual value of tax credits that may be allowed each year, and the first year which the credit may be claimed.
- Requirement that the taxpayer retain a specified number of full-time equivalent employees at the project site.
- The taxpayer continues to employ 500 full-time equivalent employees during the entire term of the agreement.
- The taxpayer annually reports the employment, tax withholding, capital investment, and any other information the director needs.
- A substantial amount of employment positions may not be relocated unless the taxpayer has notified the municipal corporation from which employees would be relocated.

Introduction of Changes: Changes to Non-compliance (JRTC)

- Reduction in Percentage or Term:
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 - The annual report is incomplete after 60 days from the Director's notice.
- Termination
 - The annual report is incomplete after 60 days from the Director's notice.
- Clawback Provisions (percentage of certificates refunded)
 - If the taxpayer maintained operations at the project site for:
 - less than or equal to the term of the credit: up to 100%
 - less than greater of 7 years or the term plus 3 years: up to 75%

Introduction of Changes: Job Retention Tax Credit Budget

- The aggregate amount of tax credits issued during any calendar year for approved projects:
 - For 2010: \$13 million dollars
 - For 2011 – 2023: the amount of the limit for the preceding calendar year plus \$13 million dollars
 - For 2024 and each year thereafter, \$195 million dollars
- * The foregoing annual limitation do not apply for tax credit projects approved prior to July 1, 2009.



II. Existing Local Property Tax Abatement Programs



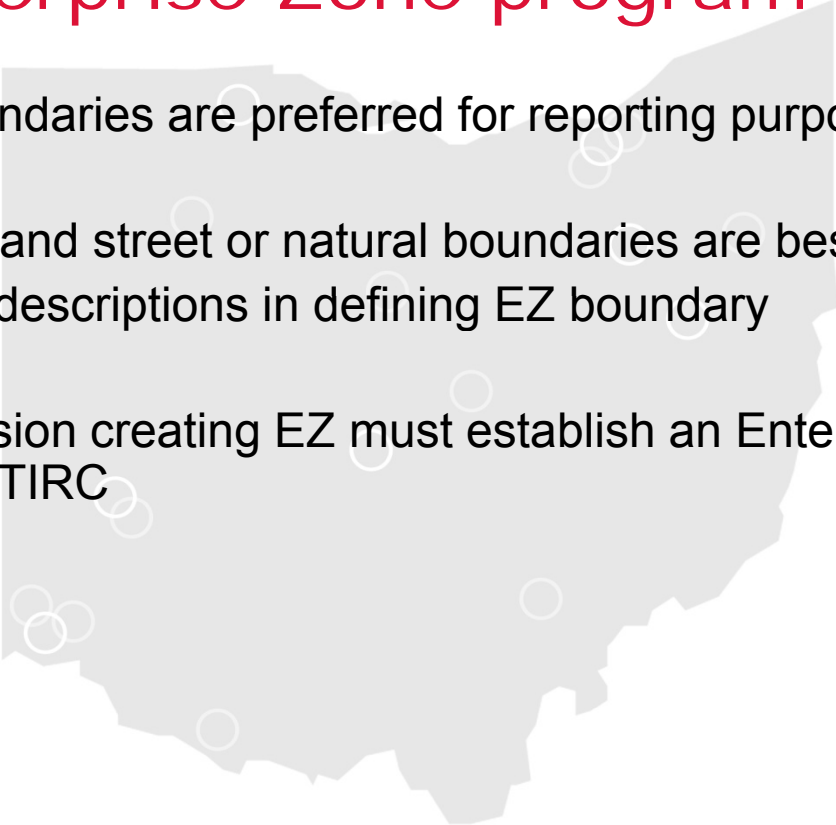
Enterprise Zone program (EZ)

Enterprise Zone program (EZ)

- Authorizes real property tax exemptions of up to 100%, 15 years on improvements to commercial or industrial properties
- MSA Principal Cities or Counties may petition ODOD for EZ creation
- Political subdivision draws the single contiguous boundary, chooses eligible properties, applicable exemption limits, and negotiating procedures
- County-created zones require approval of each affected municipality or township

*****Program is slated to sunset on October 15, 2009*****

Enterprise Zone program (EZ)

- Contiguous boundaries are preferred for reporting purposes
 - Municipal limits and street or natural boundaries are best
 - Avoid legal descriptions in defining EZ boundary
 - Political subdivision creating EZ must establish an Enterprise Zone Manager and a TIRC
- 

Enterprise Zone program (EZ)

Comparing EZ with Community Reinvestment Area program (CRA) -

- Relocation waiver – ORC § 5709.633
 - 30 day notification required on relocation projects (same as CRA)
 - Must petition ODOD for waiver, available at <http://development.ohio.gov/edd/ez/EZFormsDocuments.htm>
 - **Director of ODOD must approve waiver prior to agreement's execution**
- Retail facilities generally not eligible for abatement
 - Retail is only authorized in Impacted cities certified by ODOD under ORC § 1728.01
- Residential facilities not eligible for abatement
- Tier II Certificates – Eligible business can receive CFT benefits: apportionment formula reduction; day care credits; and employee training credits



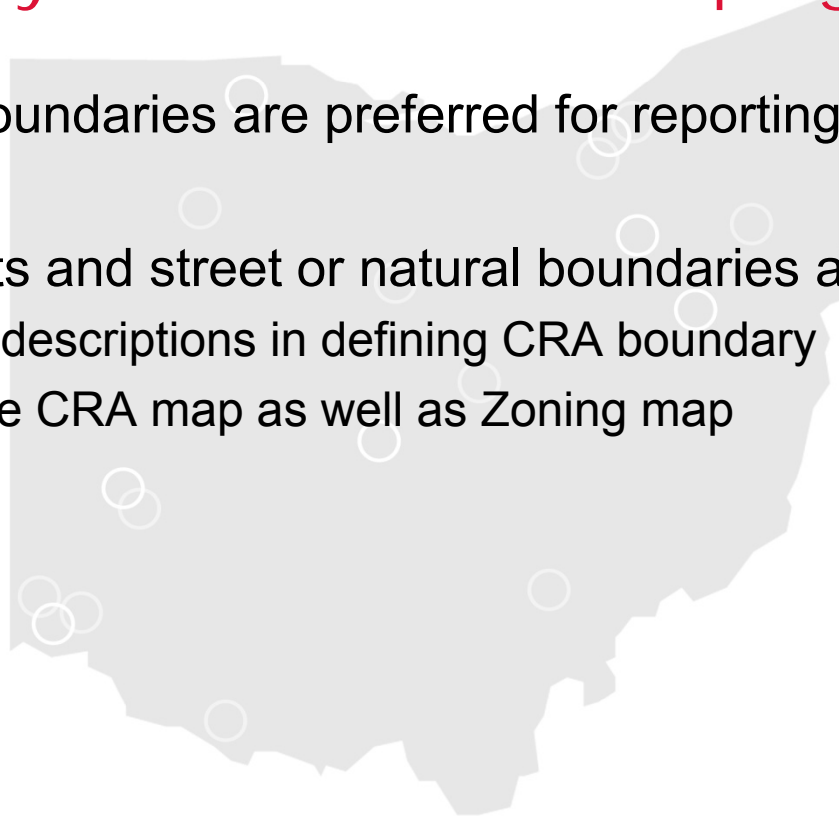
Community Reinvestment Area program (CRA)

Community Reinvestment Area program (CRA)

- Authorizes real property tax exemptions of up to 100%, 15 years on improvements to residential, commercial or industrial properties
- Cities, Villages, or Counties may petition ODOD for CRA creation
 - Can petition on ODOD website
- Political subdivision chooses draws single contiguous boundary, chooses eligible properties, exemption limits, and negotiating procedures
- Housing Survey must be completed as part of the petition
 - Sample is available on ODOD website

Community Reinvestment Area program (CRA)

- Contiguous boundaries are preferred for reporting purposes
- Municipal limits and street or natural boundaries are best
 - Avoid legal descriptions in defining CRA boundary
 - Must include CRA map as well as Zoning map



Community Reinvestment Area program (CRA)

CRA Agreements -

- Commercial and Industrial projects require an agreement before the project begins
- ORC §3735.671 has agreement guidelines and mandatory language
- More than 50% requires school board approval
- School board notice
 - 45 **business** days if approval required (can be waived)
 - 14 calendar days otherwise
- Application fee
 - \$750 paid by company to the State
 - Made out to Ohio Treasurer or ODOD
- Must annually report all agreements by March 31st of following year

Community Reinvestment Area program (CRA)

Comparing CRA with the Enterprise Zone program -

- No relocation waiver
 - 30 day notification required on relocation projects
- Retail is OK
 - Retail may be restricted in authorizing local legislation
- Allows residential
 - No agreements necessary for residential



Tax Increment Financing (TIF)

Tax Increment Financing (TIF)

- Not an “abatement”
- Redirects real property tax revenue to fund an improvement that serves a public purpose
- Public improvements - typically infrastructure improvements but may include several other types of uses
- Established by local legislation
 - Must be forwarded to ODOD within 15 days
- Reported on annually to ODOD

Tax Increment Financing (TIF)

Creating a TIF -

- Notice given to school board prior to vote
 - 14 calendar days for 75%, 10 years or less
 - 45 business days if greater than 75%, 10 years (approval necessary)
- Agreements can be made with developers to formalize commitments and financing or reimbursement options
- Property owners are required to make semi-annual payments in lieu of taxes (PILOTs) to the county treasurer equal to what the increased tax bill would have been
- TIF Law is complex, consider hiring legal counsel

Tax Increment Financing (TIF)

Implementation Process -

- Legislation passed granting exemption
- Taxpayer applies for exemption to the County Auditor
- Ohio Tax Commissioner ultimately approves applications
- County Treasurer sends the taxpayer a PILOT bill, like a tax bill
- Property owner pays PILOT
- Treasurer collects and distributes PILOT



Proposed Changes to Local Property Tax Abatement Programs

Feedback Received

- *“Tax Reform has rendered portions of the EZ obsolete”*
- *“Tax Abatement began as urban development but now virtually all areas qualify”*
- *“Ohio’s Tax Abatement statutes does not align with TIF statutes”*
- *“Ohio’s Tax Abatements are complex and confusing”*
- *“Tax Abatement and TIF programs adversely impact school district revenues”*

Recommendations

- Extend EZ program in its current form for an additional 12 months to allow for development of reforms for the entire system
 - Then allow EZ to sunset and consolidate into a single system
- Initiate a special bipartisan working group selected by Administration and the General Assembly to develop a detailed proposal
- Consolidate property tax abatement programs by allowing EZ to sunset, repealing “Impacted Cities” program and using the CRA program as a basis for program redesign
- Create a “stay and grow” program to encourage Ohio companies to create new jobs and make improvements at their current location

Recommendations (cont.)

- Redesign the CRA and TIF programs to limit tax abatement and redirection eligibility to areas meeting a single system of unified criteria
- Encourage revitalization of Ohio's distressed and older communities while fostering planned growth in our developing areas by designing types of abatements that can be provided
 - Distressed Areas and OHIO Hubs
 - Rehabilitation Areas
 - Commercial and Industrial Development Areas
- Align Ohio's tax abatement and TIF programs with Economic Development Strategy by varying eligibility by area designation
 - Distressed Areas and OHIO Hubs
 - Rehabilitation Areas
 - Commercial and Industrial Development Areas

Recommendations (cont.)

- Authorize the TIF for job training and education
- Standardize relocation provisions across all Ohio incentive programs by adopting an early warning system
- Enable communities to review and approve abatement and increment project agreements either on a case by case , legislated basis or provide for automatic approvals based on legislated criteria and regulations

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Questions?

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Incentives for “Green” Initiatives

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Federal climate change and sustainability incentives

Federal Incentives Climate Change and Sustainability Incentives

- ▶ Renewable Energy
 - ▶ Renewable Energy Investment Tax Credit/Grant
 - ▶ Renewable Energy Production Tax Credit
 - ▶ USDA Rural Energy for American Program
- ▶ Green Manufacturing
 - ▶ Advanced Energy Manufacturing Credit
- ▶ Energy Efficiency
 - ▶ Energy-efficient buildings deduction
 - ▶ Modified Accelerated Cost Recovery System
 - ▶ Bonus Depreciation
 - ▶ Alternative-fuel vehicles

Federal Incentives — Renewable Energy

Renewable Energy Investment Tax Credit (IRC §48)

- ▶ Equal to the energy percentage (30% or 10%) of the basis of each energy property placed in service during the tax year
- ▶ 30 % Credit for:
 - ▶ Fuel Cells; Solar Energy; Small and eligible large wind; Closed and open loop biomass and other eligible renewable systems
- ▶ 10% Credit for:
 - ▶ Geothermal, Micro-turbine, Combined heat and power, and Thermal ground-water energy
 - ▶ Under the 2009 Stimulus Bill taxpayer can elect to take an investment tax credit of 30% rather than a production tax credit for wind, geothermal, biomass or hydropower
- ▶ Previously the basis of investment on which credit applied was reduced by other “subsidized energy financing”
 - ▶ Under H.R.1, the 2009 Stimulus Bill, this has been eliminated and the credit can be taken on the full investment

Federal Incentives — Renewable Energy

Renewable Energy Investment Tax Grant (IRC §48)

- ▶ Previously the Section 48 incentive could only be taken as a non-refundable tax credit
- ▶ It can now be taken as a grant
 - ▶ Under H.R.1, the 2009 Stimulus Bill, a 1603 grant through the Department of the Treasury can be taken in lieu of the credit
 - ▶ Grant applications have not yet been released but are due out soon
- ▶ Value:
 - ▶ 30% of the basis of energy property for fuel cells, solar, wind, closed- and open-loop biomass, geothermal, landfill gas, trash, hydro-power, marine or hydrokinetic production.
 - ▶ 10% of the basis of energy property for micro-turbine, and combined heat and power systems.

Federal Incentives — Renewable Energy Renewable Energy Production Tax Credit (IRC §45)

- ▶ 1.5¢ per KWh credit for electricity produced by the taxpayer from qualified energy resources at a qualified facility and sold by the taxpayer
- ▶ Eligible systems include solar, wind, biomass, geothermal, and hydropower
- ▶ Under the 2009 Stimulus Bill the taxpayer can now elect to take an 30% investment tax credit under Section 48 instead of a production tax credit

Federal Incentives — Renewable Energy

USDA Rural Energy for America Program

- ▶ Grants of 25% of Renewable Energy Projects
 - ▶ Capped at \$500,000 for renewable energy projects
 - ▶ Capped at \$250,000 for energy efficiency projects
 - ▶ Total of \$31M in grants expected in 2009
- ▶ Loan Guarantees
 - ▶ Limit for loan guarantees is \$25 million
 - ▶ Up to 60% guarantee for loans over \$10 million
 - ▶ Up to 85% guarantee for loans under \$600,000
- ▶ Competitive process with applications due July 31, 2009
- ▶ Multiple form application
 - ▶ Standardized application forms
 - ▶ Project Description and Technical Requirements
 - ▶ Grant Recipient Certifications
 - ▶ Financial Information

Federal Incentives — Renewable Energy

USDA Rural Energy for America Program

- ▶ Eligible Applicants
 - ▶ Agricultural producer OR rural small business (as defined by SBA)
- ▶ Eligible Projects
 - ▶ Renewable energy system
 - ▶ Includes large and small wind
 - ▶ Commercially available and replicable technology
 - ▶ Technical merit
 - ▶ Rural location for project
- ▶ Eligible Costs
 - ▶ Post-application purchases of equipment, construction, retrofitting and installation
 - ▶ Permit fees
 - ▶ Professional fees, except application preparation
 - ▶ Feasibility studies, business plans, energy audits

Federal Incentives — Green Manufacturing Advanced Energy Manufacturing Credit (IRC §48C)

- ▶ New under H.B.1, the 2009 stimulus Bill
- ▶ Equal to 30% of the basis of eligible property placed in service during the tax year which is part of a qualifying advanced energy project
- ▶ Qualifying projects
 - ▶ Re-equipping, expanding or establishing a manufacturing facility for the production of:
 - ▶ Property designed to produce energy from sun, wind, geothermal or other renewable resources
 - ▶ Fuel-cells, micro turbines, or systems for electric/hybrid-electric motor vehicles
 - ▶ Electric grids to transmit renewable energy
 - ▶ CO2 capture and storage
 - ▶ New Qualified plug-in electric drive vehicles, qualified plug-in electric vehicles, or components related to their motors
 - ▶ Other advanced energy property designed to reduce greenhouse gas emissions
- ▶ Credits limited to \$2.3 Billion
- ▶ Cannot be combined with Section 48

Federal Incentives — Energy Efficiency

Energy-efficient buildings deduction (IRC §179D)

- ▶ Mechanism: Between \$0.30 and \$1.80 times the square footage of the building up to the total costs of the energy efficient property placed in service
- ▶ Tax effect: Accelerated depreciation of property that would otherwise be treated as 39 year property
- ▶ Qualification – Property installed must reduce the total annual energy and power costs with respect to the interior lighting systems, heating, cooling, ventilation, and hot water systems of the building by 50 percent or more in comparison to a reference building which meets the minimum requirements of Standard 90.1–2001(ASHRAE).
- ▶ Section 179D extended through 12/31/2013 under Emergency Economic Stabilization Act of 2008.
- ▶ The Section 179D deduction for a government-owned building can be allocated to the designer of the building

Federal Incentives — Energy Efficiency Modified Accelerated Cost Recovery System (IRC §168)

- ▶ MACRS establishes a set of class lives for various types of property, ranging from three to 50 years, over which the property may be depreciated.
- ▶ A number of renewable energy technologies are classified as five-year property under the MACRS, including:
 - ▶ a variety of solar electric and solar thermal technologies
 - ▶ fuel cells and micro-turbines
 - ▶ geothermal electric
 - ▶ direct-use geothermal and geothermal heat pumps
 - ▶ small and large wind
 - ▶ combined heat and power (CHP).
 - ▶ Eligible biomass (7 years)

Federal Incentives — Energy Efficiency Bonus Depreciation (IRC §168)

- ▶ 50% bonus depreciation provision for eligible renewable-energy systems acquired and placed in service
 - ▶ Introduced under the 2008 Economic Stimulus Act for CY2008, and extended to end of 2009 under the 2009 Stimulus Package
- ▶ Eligible Projects
 - ▶ property must have a recovery period of 20 years or less under normal federal tax depreciation rules;
 - ▶ property generally must have been acquired during 2008 or 2009; and the property must have been placed in service during 2008 or 2009 (or, in certain limited cases, in 2010).
- ▶ Effect:
 - ▶ 50% deduction of the adjusted basis of the property in the first year.
 - ▶ Remaining 50% of the adjusted basis of the property is depreciated over the ordinary depreciation schedule.
 - ▶ Adjusted basis of the project must be reduced by one-half of the amount of the energy credit for which the project qualifies.

Ohio climate change and sustainability incentives

Ohio Climate Change and Sustainability Incentives

- ▶ Ohio Department of Development – Ohio Energy Office
 - ▶ Manufacturing Facilities' Energy Efficiency
 - ▶ Renewable Energy Program
 - ▶ Distributed Energy Resources Projects
 - ▶ State Energy Program
 - ▶ Energy Star Rebates
- ▶ Ohio Job Stimulus Package
 - ▶ Advanced Energy Program
- ▶ Utilities Incentives
 - ▶ Duke Energy Rebates for Commercial Energy Efficiency
- ▶ Local Incentives for LEED-Buildings
 - ▶ Cincinnati
 - ▶ New Albany

Ohio Incentives — Ohio Department of Development Manufacturing Energy Efficiency Program

- ▶ Grants available for implementation of energy-efficiency projects in manufacturing facilities in Ohio
 - ▶ Administered by Ohio Department of Development, Energy Office
- ▶ Requirements:
 - ▶ Installation of energy efficient equipment in a manufacturing facility
 - ▶ Minimum 15% energy use reduction from existing condition
 - ▶ Completed an EnVinta diagnostic assessment
 - ▶ Installed in services are of AEP, Duke, First Energy of Dayton Power
- ▶ Value of Grant:
 - ▶ 25% of cost of energy efficient equipment
 - ▶ Limited to \$50,000

Ohio Incentives — Ohio Department of Development Renewable Energy Program

- ▶ Grants available for implementation of renewable energy projects limited to solar electric, wind electric, and solar thermal systems
 - ▶ Administered by Ohio Department of Development, Energy Office
- ▶ Requirements:
 - ▶ Installed in services are of AEP, Duke, First Energy of Dayton Power
 - ▶ Must be tied to electric grid
 - ▶ New equipment and installation requirements
- ▶ Value of Grant:
 - ▶ Solar: \$3.50/Watt installed
 - ▶ Limited at 50% of eligible systems cost or \$150,000
 - ▶ Wind: \$2.00/Watt installed
 - ▶ Limited at 40% of eligible system cost of \$200,000

Ohio Incentives — Ohio Department of Development Distributed Energy Resources

- ▶ Grants available for implementation of distributed energy resources (DER) projects, including but not limited to industrial heat recovery, combined heat and power and landfill or biomass methane for electric generation.
 - ▶ Administered by Ohio Department of Development, Energy Office
- ▶ Requirements:
 - ▶ Installed in services are of AEP, Duke, First Energy of Dayton Power
 - ▶ New equipment and project must be completed within 2 years of grant award
- ▶ Value of Grant:
 - ▶ 25% of project cost
 - ▶ Limited to \$100,000

Ohio Incentives — Ohio Department of Development State Energy Program

- ▶ The stimulus package provided \$3.1B for the State Energy Program
 - ▶ Ohio received \$96 million to be administered by Ohio Department of Development
- ▶ States use grants to address their energy priorities and program funding to adopt emerging renewable energy and energy efficiency technologies.
- ▶ Ohio's initiatives will include:
 - ▶ \$42 million – Deploying renewable energy in Ohio through: renewing manufacturing through deployment; transforming waste to value; and advancing bio-fuels beyond basics
 - ▶ \$8 million - Grants to conduct commercial and residential building retrofits in existing and new construction to attain greater energy efficiency.
 - ▶ \$15 million - Grants to the manufacturing companies seeking to improve the sustainability of Ohio industry and build expertise and awareness in industrial carbon management projects.

Ohio Incentives — Ohio Department of Development ENERGY STAR Rebate

- ▶ \$11 million of funding through Federal Stimulus Package
- ▶ Administered by the Ohio Department of Development's Energy Office
- ▶ Rebates available to Ohio consumers for eligible ENERGY STAR appliances
- ▶ State of Ohio working on developing program
 - ▶ Milestones:
 - ▶ Federal Guidance Received – July 14, 2009
 - ▶ State of Ohio submit full proposal – October 15, 2009

Ohio Incentives — Ohio Job Stimulus Package Advanced Energy Program

- ▶ As part of his \$1.57 billion Jobs Stimulus Package in 2008, Governor Strickland included a \$150 million Advanced Energy Program
 - ▶ \$66 million for clean coal technology projects including:
 - ▶ retrofits and technology upgrades for existing coal-fired plants for increase efficiency and reduction in emissions; development of advanced-coal based power and cost effective carbon dioxide capture and sequestration systems.
 - ▶ \$84 million for non-coal advanced and renewable energy sources:
 - ▶ increased energy efficiency in electricity generation; distributed generation; nuclear energy technology; fuel cells; advanced solid waste technologies; renewable energy resources; certain advanced energy manufacturing facilities; university research on advanced energy resources; and any technologies, or strategies related to the reduction of energy consumption or production of clean renewable energy.
 - ▶ The size of grants under the Advanced Energy program will be between approximately \$50,000 and \$250,000
 - ▶ Loans may range from approximately \$1 million to \$2 million.
 - ▶ Administered by the Ohio Air Quality Development Authority

Ohio Incentives — Utility Incentives

- ▶ Duke Commercial Rebates
 - ▶ Cash incentive to Duke Energy commercial customers for installing high-efficiency equipment
 - ▶ Heating & Cooling Equipment Incentive
 - ▶ Chillers & Thermal Storage Incentive
 - ▶ Lighting Incentives
 - ▶ Process Equipment Incentives
 - ▶ Foodservice Equipment Incentives
 - ▶ Purpose: Reduce energy usage and cut operating costs
 - ▶ Limit: Maximum Incentive cannot exceed 50% of property cost
- ▶ Programs from AEP and FirstEnergy also in the pipeline

Ohio Incentives — Local Incentives

LEED-certified Buildings

- ▶ Leadership in Energy & Environmental Design (LEED®) is the nationally accepted benchmark for the design, construction and operation of high performance energy efficient buildings.
 - ▶ Administered by the US Green Building Council (USGBC)
 - ▶ LEED® promotes a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health: sustainable site development; water savings; energy efficiency; materials selection; and indoor environmental quality.
- ▶ Local jurisdictions offer incentives to encourage LEED-certified buildings:
 - ▶ Cincinnati – 75% property tax abatement for 15 years
 - ▶ New Albany – Permit fee reduction

Thank you

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