

## ***Federal Business Energy Investment Tax Credit for Fuel Cell Systems***

The federal business energy investment tax credit (ITC) for fuel cell technology is an incentive that has helped facilitate sales of stationary and material handling fuel cell systems across the country.

This guide will provide information on the structure of the credit, basic requirements, and frequently asked questions. Information contained in this brief was fashioned by the Fuel Cell and Hydrogen Energy Association for general information only. Entities interested in purchasing a fuel cell system should consult a qualified tax attorney for additional information.

### **Fuel Cell ITC Basics**

The ITC entitles taxpayer to subtract the amount of the credit (dollar-for-dollar) from total federal tax liability.

Important features of the ITC include:

- The credit provides an incentive of 30% of the cost of the fuel cell up to \$3,000 per kW
- Minimum generation capacity of the fuel cell must be at least 0.5 kW
- The fuel cell unit must be placed in service by December 31, 2016
- The electricity-only efficiency of must be at least 30%
- Utilities and telecommunications firms are also included as eligible recipients of the credit
- An allowance of the credit is permissible against Alternative Minimum Tax (AMT)

### **Examples of Incentive Calculation**

The ITC provides a 30% incentive, capped at \$3,000 per kW. Here are some examples of the incentive level based on different fuel cell systems and their price:

#### **Example 1:**

Assume a price of \$100,000 for a 50 kW fuel cell system.

- 30% of system price (\$100,000) = \$30,000, or
- 50 kW X \$3,000 = \$150,000

**Final Incentive = \$30,000**

#### **Example 2:**

Assume a price of \$600,000 for a 50 kW fuel cell system.

- 30% of system price (\$600,000) = \$180,000, or
- 50kW X \$3,000 = \$150,000

**Final Incentive = \$150,000**

## Questions and Answers about the Revised ITC

### **Q: Is the credit available upon completion of installation of the power plant, or at the time of invoicing of the power plant?**

A: The statute reads ‘placed in service’. The date that the fuel cell is placed in service (that is, begins operating) determines when a taxpayer can take advantage of the revised credit. For a detailed explanation of “placed in service” principles, see § 1.46-3(d) of the US Tax Code.

### **Q: How do the 30% incentive and dollar-per-kilowatt cap work?**

A: The magnitude of the credit is determined by the size and cost of the fuel cell. To determine the credit, multiply the cost of the unit by 30%. Next, multiply the rated output in kilowatts, by \$3,000. Your credit is the smaller of the two amounts.

### **Q: Do all fuel cells qualify?**

A: Fuel cells must achieve a 30% electricity-only generation. According to the IRS Bulletin, “the electricity-only generation efficiency of a fuel cell power plant may be determined in accordance with the standards of ANSI/ASME PTC 50-2002 Fuel Cell Power Systems Performance or equivalent testing procedures under normal operating conditions using the lower heating value of the primary fuel.” ASME PTC-50 has been used since 2002 to measure efficiency and is the industry standard at this time.

### **Q: Can a non-tax paying entity transfer or trade the ITC?**

A: No, but third party financing options may help non-tax paying entities install fuel cells.

### **Q: How do I claim the ITC credit?**

A: Taxpayers must use IRS Form 3468. Certain entities may need to also submit IRS Form 3800, the General Business Credit document. Form 3800 includes, but is not limited to, ‘carry back’ or ‘carry forward’ credits.

### **Q: Can leased fuel cell equipment qualify for the credit?**

A: The fuel cell credit is allowed to the lessor of qualified fuel cell energy property if depreciation (or amortization in lieu of depreciation) is allowable to the lessor with respect to the property. The lessee of qualified fuel cell property generally may not claim the fuel cell credit for such property.

### **Q: Are fuel cells for forklifts and other industrial equipment eligible for the credit?**

A: Yes. According to the IRS Bulletin 2008-34, Section 5.02, the fuel cell credit is allowable for a mobile fuel cell power plant if the plant satisfies the size, efficiency, and output conditions.

## More Information

For information about fuel cells, their fuels, and the Fuel Cell and Hydrogen Energy Association, visit [www.fchea.org](http://www.fchea.org).

For more information about the ITC, consult the Internal Revenue Service bulletin, ‘Energy Credit for Qualified Fuel Cell Property and Qualified Microturbine Property,’ Notice 2008–68 or your tax advisor.

Updated 7/2014