

# Successful Advocacy for Our Industry!

On February 17, 2009, President Obama signed the **American Recovery and Reinvestment Act of 2009** into law that contained several positive provisions for propane. On October 3, 2008, former President George W. Bush signed the **omnibus financial rescue package** that contained three other high priority propane tax credit extensions. This document summarizes the favorable provisions in these two laws that will directly benefit the propane industry. This summary material is provided for informational purposes only; please consult a professional tax advisor to determine if these provisions apply to your specific tax situation.

## Propane-Specific Provisions

- **Alternative Fuel Tax Credit**

The 50-cent-per-gallon alternative fuel tax credit is extended through the end of 2009.

- **Refueling Infrastructure Tax Credit**

The percentage of the credit for alternative fuel refueling property is increased from 30% to 50% and the cap amount increases from \$30,000 to \$50,000. This provision applies to property placed in service in 2009 and 2010. (Expires Dec. 31, 2010.)

- **Energy Efficient Appliance Tax Credit**

The percentage of the tax credit for covered energy efficient furnaces and water heaters increases from 10% to 30%. The lifetime cap for these credits is increased from \$500 to \$1,500. Importantly, *installation costs associated with efficient appliances may be claimed*. Provisions apply to property placed in service after December 31, 2008 and before January 1, 2011. (Minimum efficiency standards: propane furnaces must have an annual fuel utilization efficiency (AFUE) of not less than 95 while propane water heaters must have an energy factor (EF) of at least 0.80 or a thermal efficiency of at least 90%.)

## General Provisions that Will Benefit the Propane Industry

- **Expensing**—For 2008, Congress temporarily increased the amount businesses may expense (deduct immediately as opposed to depreciate) from \$125,000 to \$250,000. In addition, the phase out limitation for the credit (the total amount of property that the business placed in service that year) was also temporarily increased from \$500,000 to \$800,000 for 2008. The higher temporary figures continue for another year, meaning the \$250,000 and \$800,000 figures will apply to property placed in service in 2009.
- **Net Operating Losses (NOL)**—NOL generally means the amount by which business deductions exceed gross income. The law increases the general NOL carry back period from two (2) years to as much as five (5) years for any taxable year during 2008 and 2009. In addition, it now only applies to small businesses which are defined as businesses with gross receipts of \$15 million or less.
- **Extension of Bonus Depreciation**—Businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write off 50% of the cost of the depreciable property (e.g. equipment, tractors, wind turbines, solar panels and computers) acquired in 2008 for use in the United States. The law extends this temporary benefit for capital expenditures incurred in 2009.

