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IRS Issues Guidance on Investment Tax Credit For Alternative Energy Projects

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On Friday, June 22, 2018, the Internal Revenue Service issued [guidance](#) to update the federal tax treatment of certain alternative energy property eligible for the Investment Tax Credit (ITC) allowed under 25 U.S.C. § 48.

The new guidance is important because, under the original enabling statute, there was uncertainty regarding what actions constituted 'beginning construction' on a project. The new guidance also extends the deadline by which construction of eligible energy property must begin. Under the new guidance, for instance, if a solar energy project developer invests at least 5 percent of the total expected installation cost of solar property by the end of 2019, the property can qualify for a 30 percent federal ITC. The IRS's new guidance also outlines requirements relevant to several types of alternative energy projects, including deadlines and qualifications for fiber-optic solar, qualified fuel cell, qualified microturbine, combined heat and power system (CHP), qualified small wind and geothermal heat pump property.

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