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LFG Production Tax Credits

Landfill gas is the recipient of two tax credits identified as Section 45K (old Section 29) and Section 45 production tax credits. Section 45K and Section 45 identify the appropriate Internal Revenue Code that provides a tax credit for the sale of gas (Section 45K or former Section 29) or electricity (Section 45) produced by the taxpayer in the United States from specified non-conventional sources. The main stipulation is you cannot claim both tax credits from the same project at the same time. Furthermore, if your project has claimed Section 29 tax credits in the past or (the way we understand it) if you have bought landfill gas from a facility that has claimed Section 29 tax credits in the past, you can not claim Section 45 tax credits even if you otherwise qualify for Section 45.

President Bush signed the Energy Policy Act of 2005 on August 8, 2005, thereby extending the qualification date for IRS Section 45 Production Tax Credits from January 1, 2006 to January 1, 2008. In addition, the term of the tax credits were extended from 5 years from in service date to 10 years from in service for projects that come on line after the August 8th date. If your project came on line after October 22, 2004 but before August 8, 2005 you can only claim the Section 45 tax credits for 5 years from the in-service date.

The value of the tax credit for 2007 is \$10 per megawatt/hour.

Let us help you with any of your questions.

Contact Steve Allen today at **832-467-9955** or email at steve@airandgas.net