## OREGON and Federal Resources

1. Business Energy Tax Credit
The Oregon Business Energy Tax Credit (BETC) is valued at 35% of ‘eligible costs' for any particular project. Renewable Resource Projects that use solar, wind, hydro, geothermal or biomass to produce energy, displace energy, or reclaim energy from waste may qualify for a tax credit. Renewable resource projects must replace at least 10 percent of the electricity, gas, or oil used. The energy can be used on site or sold. For farmers, capital costs associated growing feedstock/crops for alternative fuel production are eligible, including cost of seed, chemicals, pro-rated tractor/equipment usage, etc. The credit is a dollar-for-dollar credit against State of Oregon Business taxes owed. The tax credit can be sold or "passed through" to other entities which desire a tax credit for the net present value of 25.5% of the eligible costs. Be sure to contact the OR Dept. of Energy before planting to understand all details and to qualify.
Business Energy Tax Credit (Evan Elias, 503-378-6044)
http://www.energy.state.or.us/bus/tax/taxcdt.htm

- Tax credit up to 35% of project cost, depending on project life.
- Eligible projects include energy efficiency, recycling, transportation, and renewable resources such as biomass production, wind, solar, geothermal, waste heat, fuel cells, water, micro-turbines and Sterling engines.
- Tax credit can be taken over 5 years against Oregon business excise (income) tax.
- Projects that cost less than $20,000 can take credit in one year. Unused credits can be carried forward up to 8 years.
- Projects must be pre-certified by the Office of Energy
- Credits can be sold or passed through to other business entities.
- Legislative concept for 2007 session would raise the BETC to 50% of project cost.

2. Low Interest Energy Loan: Oregon Department of Energy
http://egov.oregon.gov/ENERGY/LOANS/selphm.shtml
6.5% for 15 years. For projects that:

- Save energy
- Produce energy from renewable resources such as water, wind, geothermal, solar, biomass, waste materials or waste heat
- Use recycled materials to create products
- Use alternative fuels

USDA Programs:
3. Renewable Energy and Energy Efficiency Grant Program (SEC. 9006) A competitive grant that provides grants (25%) and loans for renewable energy development and efficiency enhancement for activities related to farms, ranches, and rural businesses. For FY 2006, $23 million allocated to this program. Contacts William Hagy, USDA, D.C., 202-720-7287; or Don Hollis, USDA, Oregon, 541-278-8049, ext. 129).

4. Bioenergy Program (SEC. 9010) Farm Bill: The Commodity Credit Corporation (CCC) pays processor for feedstock from qualifying commodities used to increase production of biodiesel or ethanol facilities. The subsidy is available after initial construction and first phase of production for increased eligible gallons of bioenergy produced. $23 million in payments in 2005. http://www.fsa.usda.gov/daco/bio_daco.htm#2005

5. Conservation Security Program Renewable Energy Credits
Available only in approved CSP watersheds.
See: http://www.nrcs.usda.gov/programs/csp/

- Reduce energy consumption and earn $150 for a 5% reduction; $250 for a 10% reduction and $500 for a 20% reduction of total BTUs for the agricultural operation.
- Conduct an energy audit of agricultural operations and earn $500.
- Recycle 100% of the on-farm lubricants and earn $200 per year.
- Use fuels blended with renewable agricultural products such as bio-diesel and fuel grade ethanol and earn $125.00 per 500 gallons of the renewable fuel component (ex: 2500 gallons of 20% bio-diesel = 500 gallons of renewable fuel for a payment of $125.00).
- Generate renewable on-farm energy such as solar, wind, geothermal or methane and earn $2.50 per 100 kWh.
- Reduce machinery field operations and earn up to $0.90 per acre.
- Use of manure to supply at least 90% of nutrient needs of plants.

Grower self-assessment workbook:
http://www.nrcs.usda.gov/programs/csp/pdf_files/CSP_SelfAssess_Workbook_F.pdf

6. Value-added Producer Grant (VAPG)
http://www.rurdev.usda.gov/rbs/coops/vadg.htm
∑ The USDA/VAPG is intended to help independent agricultural producers enter into value-added activities.
Eligible uses:
∑ Planning activities (conduct a feasibility study, develop a business plan, develop a marketing plan); or
∑ Working capital to operate a value-added business venture.
∑ Renewable energy projects are eligible for this funding.
∑ 50% of project cost; requires 1:1 match.
∑ This grant is very competitive. Opens once per year.

- For more information, contact:

Dan Streng, USDA Rural Development , 101 SW Main St., Ste. 1401, Portland, OR 97204-3222 Phone: (503) 414-3366, dan.streng@or.usda.gov

7. Energy Trust of Oregon: Open solicitation program
http://www.energytrust.org/RR/index.html
∑ Eligible renewable technologies include new electricity generation facilities or new additions to existing facilities fueled by: Wind energy; Solar energy; Geothermal energy; Hydroelectric facilities located outside protected areas; Biopower projects now receive funding through an RFP.
∑ Eligible projects must either be located in the Oregon service territory of Pacific Power or Portland General Electric, or have a power purchase agreement with one of those utilities. Off-grid projects are not eligible for Energy Trust support.

8. EPA Programs: West Coast Collaborative Ag Diesel Project
http://www.westcoastcollaborative.org/wkgrp-ag.htm
∑ The Agriculture Workgroup is exploring opportunities to share information and seek funding for a variety of projects including: retrofits or efficiency improvements for diesel agriculture pumps; biodiesel production; and use of emulsified fuel in heavy equipment.
∑ Current projects being funded:
http://www.westcoastcollaborative.org/

9. Property Tax Exemption
Enterprise Zone Exemption (ORS 285C.055)
Through a short-term tax exemption, an Oregon enterprise zone induces eligible businesses of all sizes to make additional investments that will improve employment opportunities, spur economic growth and diversify business activity. Qualifying new plant & equipment in a zone receives a total exemption for at least three and in some cases up to five consecutive years from the local assessment of ad valorem property taxes, which can otherwise have a deterring effect on private investors seeking to start or enlarge operations with a substantial capital outlay. Enterprise zone property (except hotel/resorts and utilities) also is exempt for up to two years while it is being constructed or installed.
http://www.econ.state.or.us/enterthezones/whatare.htm

10. Ethanol production facilities (ORS 307.701)
Upon compliance, the real and personal property of an ethanol production facility that meets the requirements of subsection (3) (see below) is exempt from taxation. The exemption shall be 50 percent of the assessed value of the property determined under ORS 308.146. The exemption under this section may be claimed for five assessment years. There is a sunset provision of 7/1/08.

Subsection (3) An ethanol production facility may qualify for exemption from taxation under this section if the facility: (a) Is first in the process of construction, erection or installation as a new facility after July 1, 1993; (b) Is or will be placed in service to produce ethanol within four years after January 1 of the first assessment year for which the exemption under this section is claimed; and (c) Within four years after January 1 of the first assessment year for which the exemption under this section is claimed, is or will be certified by the State Department of Agriculture as a facility that produces ethanol capable of blending or mixing with gasoline. The blend or mixture shall meet the specifications or registration requirements established by the United States Environmental Protection Agency. http://www.leg.state.or.us/ors/307.html

Note: A local business has explored the comparative options of the ‘Enterprise Zone" and ‘Ethanol' tax exemption - taking the Enterprise credit in the first five years and the ethanol credit in subsequent years. This may be an issue in need of further exploration.

## FEDERAL INCENTIVES FOR BIOFUEL PRODUCTION

### 11. Biofuel Excise Tax Exemption or Income Tax Credit

Either the refiner, producer, terminal operator, wholesaler or other gasoline marketer which produce gasoline blends, consisting of 10% ethanol and 90% gasoline, are exempt from 5.4¢ of the per gallon federal gasoline excise tax. Blends less than 10% ethanol receive prorated exemption. The exemption equates to 54¢ per gallon of ethanol used that are at least 190 proof. For methanol, the credit is 60¢ per gallon of alcohol if the methanol is at least 190 proof and 45 cents if the methanol is between 150 and 190 proof. This credit can be taken as an excise credit as illustrated, or income tax credit. This mixture credit is available only to the blender, who must produce the mixture and either use it or sell it as motor fuel.

### 12. American Jobs Creation Act of 2004 (HR. 4520)

This bill amends and extends the alternative fuel excise tax credits. Upon implementation of this bill January 1, 2005, the Treasury will be responsible for awarding 51 cents/gallon of alcohol (ethanol) mixed with gasoline, 60 cents/gallon of alcohol (excluding ethanol) mixed with gasoline, 50 cents/gallon of biodiesel mixed with traditional diesel, and $1.00/gallon of agri-biodiesel mixed with traditional biodiesel. The definition of agri-biodiesel is biodiesel produced from virgin vegetable oils derived from corn, soybeans, sunflower seeds, canola, cottonseeds, crambe, rapeseeds, safflowers, flaxseeds, rice bran, and mustard seeds, as well as from animal fats. The tax credit is applicable to the producer of the biodiesel and alcohol fuel mixture for fuel sold after December 31, 2004 and in the case of ethanol will terminate after December 31, 2010 and in the case of biodiesel will terminate after December 31, 2006.

### 13. Energy Policy Act

Energy Policy Act of 1992 (EPAct), Public Law-102-486, Title XIX-Revenue Provisions, Sec. 179A A $2,000-$50,000 federal adjustment allowance to gross income is available for the incremental cost to purchase or convert qualified clean fuel vehicles. Up to $4,000 federal tax credit is available for 10% of the purchase price of an EV. This is an adjustment allowance to gross income for the clean fuel vehicle property portion of a vehicle and certain refueling properties. A tax deduction for the purchase of a new original equipment manufacturer (OEM) qualified clean fuel vehicle, or for the conversion of a vehicle to use a clean-burning fuel, is provided under the Energy Policy Act of 1992. The amount of the adjustment allowance to gross income for qualified clean fuel vehicles is based on the gross vehicle weight (gvw), the type of vehicle and the value of the vehicle's clean fuel vehicle property, as defined in IRS Code Section 179A.

The tax deduction for clean fuel vehicles is available for business or personal vehicles, except EVs eligible for the federal EV tax credit. The adjustment allowance to gross income is not amortized and must be taken in the year the vehicle is acquired. A tax deduction of up to $100,000 per location is available for qualified clean fuel refueling property or recharging property for EVs. The equipment must be used in a trade or business.

Contacts: Justin Klure, Justin.Klure@state.or.us OR Dept. of Energy
Brent Searle, bsearle@oda.state.or.us OR Dept. of Agriculture