

## Energy Storage Tax Incentive and Deployment Act of 2019 (H.R. 2096) Representatives Doyle, Sanchez, and Blumenauer

### Summary

- Under current law, energy storage can only qualify for the investment tax credit (ITC) when integrated with ITC-eligible solar resources under a narrow set of conditions and subject to recapture risks. These conditions create tremendous uncertainty for investors.
- H.R. 2096 modifies the existing ITC for numerous energy technologies to clarify eligibility of energy storage technologies (e.g., grid batteries, pumped hydro, etc.), matching the bipartisan, bicameral legislation from 2018 (S. 1868 & H.R. 4649).

### Background

- Energy storage technologies—grid batteries, pumped hydropower, compressed air, thermal storage, etc.—are uniquely flexible resources that modernize the electric system to be more efficient, resilient, and adaptable to any mix of electric supply resources. Over 70,000 people are employed in the U.S. energy storage industry.
- Numerous energy technologies—fuel cells, solar power, microturbines, combined heat and power, etc.—can access the ITC. Some of these technologies are competitors to energy storage. The narrow application of energy storage allowed by IRS rules prevents non-ITC-eligible resources (such as wind and natural gas) from deriving the same investment benefit as solar power.
- Clarifying eligibility of the ITC for energy storage will create a level playing field across electric grid technologies, improve business certainty, and allow energy storage to pair with any type of generation asset. Doing so will enhance grid efficiency and resilience while creating more jobs and capital formation.

### Bill Details

#### **Business Energy Investment Credit for Energy Storage (Sec. 48)**

For commercial applications, the bill makes energy storage eligible for the tax incentive in section 48 of the IRS code. All energy storage technologies would qualify, including batteries, flywheels, pumped hydro, thermal storage, compressed air, etc. To qualify for the ITC, the system must have a storage capacity of at least 5 kilowatt-hours. The credit allowed is the same as currently available for fuel cells, solar energy, microturbines, combined heat and power, and geothermal heat pumps, including the phase down as shown in the table below. The IRS currently allows an ITC for energy storage when it is installed in conjunction with a solar energy system under specific conditions, although these conditions restrict storage operations and present recapture risks. The bill would extend the ITC for any energy storage project in all applications, including consumer-owned, grid-connected, or off-grid, as well as paired with any generating resources, such as gas or wind. As shown in the table below, the Section 48 ITC phases down and then remains at a lower level from the beginning of 2022.

#### **Residential Energy Property Tax Credit for Energy Storage (Sec. 25D)**

For residential applications, the bill provides homeowners the same credit as currently available for solar energy in section 25D. Only battery storage is eligible for the residential ITC, and the system must have a storage capacity of at least 3 kilowatt-hours. As shown in the table below, the Section 25D ITC phases out fully at the beginning of 2022.

**ITC Phase Out Schedule**

Application	Tax-Year Ending				
	12/31/19	12/31/20	12/31/21	12/31/22	Subsequent tax years
Business Investment Energy Storage Section 48	30%	26%	22%	10%	10%
Homeowner Residential Battery Storage Section 25D	30%	26%	22%	n/a	n/a

#### **Joint Committee on Taxation Score**

In the 115<sup>th</sup> Congress, JCT estimated that storage eligibility for the ITC would create a tax expenditure of ~\$300MM over 10 years.

Item	Not a factor in current bill		Fiscal Years [Millions of Dollars]				
	2018	2019	2020	2021	2022	2018-22	2018-27
Section 48.....	-12	-30	-40	-43	-35	-160	-259
Section 25D.....	-1	-5	-10	-13	-13	-42	-51