



# 26% Investment tax credit for waste energy recovery property

## Accounting Methods and Credit Services

A federal investment tax credit (ITC) was recently enacted that provides a credit equal to up to 26% of expenditures incurred for waste energy recovery property. Eligible property includes systems up to 50 MW in capacity. **The credit is available not just for new-build but also for capital improvements to existing facilities.** The 26% ITC is available if construction of the eligible property begins in 2021 or 2022. A 22% ITC is available if construction of the eligible property begins in 2023.

Waste energy recovery property is defined as property that generates electricity solely from heat (such as exhaust heat) from buildings or equipment the primary purpose of which is not the generation of electricity.

### Types of eligible property

Eligible ITC costs are for property used as an integral part of the waste energy recovery activity. Major categories of equipment that are potentially ITC eligible include:

- Heat exchangers and heat recovery steam generators (HRSG)
- Bridge cranes and hoists for turbine generator equipment
- Balance of plant, including steam and condensate piping and supply and exhaust air ductwork
- Electrical and control devices for the major equipment mentioned above, including switchgear, transformers, and MCC
- Finally, ITC-eligible property may also include the civil and structural work, including foundations and structural steel for major equipment such as HRSG and turbines.

The following equipment categories are typically not ITC eligible:

- Property used for the collection, processing, or storage of fuel before its use in the production of electricity
- Transformers or other property used in the transmission of electricity after its production
- Ancillary site improvements, such as roadways and fencing.

## Coordination with the combined heat and power (CHP) credit

Waste heat to power systems are also known as bottoming cycle combined heat and power systems, in which fuel is first used in a furnace or other industrial process and heat rejected from the process is then used for electricity production. Therefore, waste energy recovery property may be part of a CHP system as well. If property qualifies for both credits, the taxpayer may elect to treat the property as waste energy recovery property rather than combined heat and power property.

In addition to a higher credit percentage, waste energy recovery property is not subject to the operational requirements (i.e., efficiency or useful energy tests) that are required for the CHP credit.

## Why KPMG?

The ITC group works as a national team that aligns the skills and core competencies of professionals across the country. Our team members include LEED-accredited professionals, licensed architects, professional engineers, and certified public accountants. We will meet with contractors, vendors, and project managers to gain an in-depth understanding of the project. On most of these projects, we have coordinated our work with other KPMG practices to provide a unified and integrated team to the client. Our services can be better communicated through a relatively brief personal presentation.



## Contact us

**Richard Marcos**  
Principal and Tax Credits Practice Leader

T: 213-817-3188

E: rmarcos@kpmg.com

**Katherine Breaks**  
Principal, Tax

T: 202-533-4578

E: kbreaks@kpmg.com

**Robert Ford**  
Managing Director, Tax

T: 404-222-3206

E: rford@kpmg.com

**Kevin Turk**  
Senior Manager, Tax

T: 267-256-1795

E: kturk@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

[kpmg.com/socialmedia](https://www.kpmg.com/socialmedia)



The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

© 2021 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. NDP150740-1A

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.