DESCRIPTION OF THE CHAIRMAN'S MARK OF A PROPOSAL TO EXCLUDE FROM GROSS INCOME CERTAIN CLEAN COAL POWER GRANTS

Scheduled for Markup
by the
SENATE COMMITTEE ON FINANCE
on February 11, 2015

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION

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INTRODUCTION

The Senate Committee on Finance has scheduled a committee markup on February 11, 2015, of a proposal to exclude from gross income certain clean coal power grants. This document,[1] prepared by the staff of the Joint Committee on Taxation, provides a description of the proposal.

[1] This document may be cited as follows: Joint Committee on Taxation, *Description of the Chairman's Mark of a Proposal to Exclude From Gross Income Certain Clean Coal Power Grants* (JCX-34-15), February 9, 2015. This document can also be found on the Joint Committee on Taxation website at www.jct.gov.

A. Exclusion from Gross Income of Certain Clean Coal Power Grants

Present Law

Section 402 of the Energy Policy Act of 2005 provides criteria for Federal financial assistance under the Clean Coal Power Initiative. To the extent this financial assistance comes in the form of a grant, award, or allowance, it must generally be included in income under section 61 of the Internal Revenue Code (the "Code").

Corporate taxpayers may be eligible to exclude such financial assistance from gross income as a contribution of capital under section 118 of the Code. The basis of any property acquired by reason of such a contribution of capital must be reduced by the amount of the contribution. This exclusion is not available to non-corporate taxpayers.

Description of Proposal

With respect to eligible non-corporate recipients, the proposal excludes from gross income and alternative minimum taxable income any grant, award, or allowance made pursuant to section 402 of the Energy Policy Act of 2005. The proposal requires that, to the extent the grant, award or allowance is related to depreciable property, the adjusted basis is reduced by the amount excluded from income under the proposal. The proposal requires eligible non-corporate recipients to pay an upfront payment to the Federal government equal to 1.18 percent of the value of the grant, award, or allowance.

Under the proposal, eligible non-corporate recipients are defined as (1) any recipient (other than a corporation) of any grant, award, or allowance made pursuant to Section 402 of the Energy Policy Act of 2005 that (2) makes the upfront 1.18-percent payment, where (3) the grant, award, or allowance would have been excludable from income by reason of Code section 118 if the taxpayer had been a corporation. In the case of a partnership, the eligible non-corporate recipients are the partners.

Effective Date

The proposal is effective for payments received in taxable years beginning after December 31, 2011.

B. Estimated Revenue Effect

Fiscal Years [Millions of Dollars]												
2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2015-20**	**2015-25**
-96	-52	-25	8	41	48	34	24	17	8	2	-79	6

NOTE: Details do not add to totals due to rounding.