

Hearing on Energy Tax Incentives Driving the Green Job Economy

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The House Committee on Way and Means hearing on Effectiveness of Current Energy Tax Policy

Honorable Committee:

It is admirable and timely that the Committee reviews the effectiveness of the current policy and how it applies as a means and method for encouraging investment in renewable energy and energy efficiency incentives for the United States of America.

A little background on myself, I currently work with the AKF Group, one of the largest Building System Consulting Engineering Companies in the United States and headquartered in New York.

Prior to joining AKF, I was founder and CEO of Sebesta Blomberg which grew from a start-up in 1994 to a \$35 million dollar national engineering and commissioning firm with headquarters in Roseville, MN and offices in several cities throughout the US.

Over the past two years I spent significant time working with the University of Minnesota Venture Center as CEO in Residence focusing on emerging technologies in the green and renewable energy arena, assembled a start-up wind development in SE Minnesota which is currently developing interconnect and power purchase agreements, served on the Board of a start-up solar PV development company in North Carolina which is finalizing the financing for its first project in Marion, NC, worked part time for the Midwestern Higher Education Compact, which is a not-for-profit instrumentality of the twelve state compact membership to assist Higher Education Institutions reduce costs through various purchasing and advisory services. I also serve as business representative on the Minnesota Department of Health Heart Disease and Stroke Prevention Steering Committee Force and have served on the Minnesota State Department of Commerce Hydrogen Initiative committee.

That being said, I have experienced firsthand on various projects, the inability to secure private investment for many small distributed renewable energy projects as a result of the current policy and regulation relative to how investments in renewable energy are treated in the Tax Codes. The foundation of this Country is built on investment by individuals in projects and companies and the ability of the investors to all receive a reasonable return for the risk of the investment. The current tax code in reality leaves out and discourages a very large segment of the population as potential investors in small and medium scale commercial solar, wind and biomass projects. This is the result of the tax code which currently classifies and limits the tax benefit for individual tax payers due to the classification as "Passive Investors". This simple item results in deferring of the losses in the early years of project operation caused by depreciation and accelerated depreciation through the normal life of the project or until such time as the project is sold to a new investor. Given a significant opportunity to open a new and very large pool of funds to investments in these types of project, the industry would see a significant increase in

demand for green energy manufactured material as well as an increase in jobs associated with implementing and installing these projects. This fact alone has been the sole reason contributing to an inability to finance renewable energy projects by individual investors.

I strongly encourage you Committee to review methods for allowing individual investors the same tax opportunities these projects offer corporations. This alone, I believe, would spur significant investment in the Administration's vision of expanding small scale and distributed distribution of energy including electricity through for opportunities that develop solar, biomass and wind energy projects in the United States.

Thank you for this opportunity to provide comments for your Committee.

Respectfully Submitted,

James J Sebesta, PE