

117TH CONGRESS
1ST SESSION

H. R. 2482

To amend the Internal Revenue Code of 1986 to provide tax credits for microgrid property.

IN THE HOUSE OF REPRESENTATIVES

APRIL 13, 2021

Mr. PANETTA introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide tax credits for microgrid property.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Making Imperiled
5 Communities Resistant to Outages with Generation that
6 is Resilient, Islandable, and Distributed Act” or as the
7 “MICROGRID Act”.

8 **SEC. 2. TAX CREDITS FOR MICROGRID PROPERTY.**

9 (a) IN GENERAL.—Subpart E of part IV of sub-
10 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by inserting after section 48C the fol-
 2 lowing new section:

3 **“SEC. 48D. MICROGRID PROPERTY.**

4 “(a) IN GENERAL.—For purposes of section 46, the
 5 microgrid property credit for any taxable year is an
 6 amount equal to the applicable percentage of the basis of
 7 the qualified microgrid property placed in service by the
 8 taxpayer during such taxable year.

9 “(b) APPLICABLE PERCENTAGE.—For purposes of
 10 this section—

11 “(1) IN GENERAL.—The term ‘applicable per-
 12 centage’ means, with respect to qualified microgrid
 13 property which is part of any qualified microgrid,
 14 the percentage determined in accordance with the
 15 following table determined with respect to the cal-
 16 endar year in which construction of such qualified
 17 microgrid begins:

“In the case of calendar year:	The applicable percentage is:
2025 or any prior calendar year	30 percent
2026	26 percent
2027	22 percent
2028	10 percent.

18 “(2) TREATMENT OF CONVERSIONS.—In the
 19 case of any system which is converted into a quali-
 20 fied microgrid, the construction of such microgrid
 21 shall be treated for purposes of this subsection as

1 beginning on the date on which such conversion be-
2 gins.

3 “(c) QUALIFIED MICROGRID PROPERTY.—For pur-
4 poses of this section—

5 “(1) IN GENERAL.—The term ‘qualified
6 microgrid property’ means any qualified property—

7 “(A) which is part of a qualified microgrid,

8 “(B) either—

9 “(i) the construction, reconstruction,
10 or erection of which is completed by the
11 taxpayer, or

12 “(ii) which is acquired by the taxpayer
13 if the original use of such property com-
14 mences with the taxpayer,

15 “(C) which is not part of a bulk-power sys-
16 tem (as defined in section 215 of the Federal
17 Power Act (16 U.S.C. 824o)), and

18 “(D) with respect to which depreciation (or
19 amortization in lieu of depreciation) is allow-
20 able.

21 “(2) QUALIFIED MICROGRID.—The term ‘quali-
22 fied microgrid’ means an electrical system which—

23 “(A) incorporates a microgrid controller,

1 “(B) includes equipment which is capable
2 of generating not less than 4 kilowatts and not
3 greater than 50 megawatts of electricity,

4 “(C) is capable of operating in connection
5 with the electrical grid and as a single control-
6 lable entity with respect to such grid, and

7 “(D) is capable of operating independently
8 (and disconnected) from such grid.

9 “(3) QUALIFIED PROPERTY.—

10 “(A) IN GENERAL.—The term ‘qualified
11 property’ means—

12 “(i) microgrid controllers, and

13 “(ii) electric distribution and
14 switchgear property.

15 “(B) ADDITIONAL CONSIDERATIONS.—

16 Upon consultation with the Secretary of En-
17 ergy, the Secretary may determine that a quali-
18 fied property under this section includes prop-
19 erty connected to the bulk power system (as de-
20 fined in section 215 of the Federal Power Act
21 (16 U.S.C. 824o)).

22 “(4) MICROGRID CONTROLLER.—The term
23 ‘microgrid controller’ means, with respect to oper-
24 ation and islanding of a qualified microgrid, the
25 equipment which is necessary to monitor and control

1 the energy resources and loads on such microgrid to
2 maintain acceptable frequency, voltage, or economic
3 dispatch. Such term includes any software and net-
4 working hardware necessary to the operation of such
5 equipment.

6 “(5) ELECTRIC DISTRIBUTION AND
7 SWITCHGEAR PROPERTY.—The term ‘electric dis-
8 tribution and switchgear property’ means, with re-
9 spect to operation and islanding of a qualified
10 microgrid, the equipment which is necessary to de-
11 liver electric power from energy resources on such
12 microgrid to loads on the same such microgrid. Such
13 term includes breakers, fuses, wires, switchgear cabi-
14 nets and bussing, paralleling switchgear, trans-
15 formers, power quality correction equipment, trans-
16 fer switches, disconnects, protective relays, metering
17 equipment, and wired and wireless communications
18 equipment necessary to the operation of such
19 microgrid.

20 “(6) TREATMENT OF SPARE PARTS.—Any
21 qualified property which is held by the taxpayer as
22 a spare part for possible replacement of qualified
23 property which is part of a qualified microgrid shall
24 not fail to be treated as part of such microgrid for
25 purposes of this section.

1 “(d) SPECIAL RULES.—

2 “(1) CERTAIN PROGRESS EXPENDITURE RULES
3 MADE APPLICABLE.—Rules similar to the rules of
4 subsections (c)(4) and (d) of section 46 (as in effect
5 on the day before the date of the enactment of the
6 Revenue Reconciliation Act of 1990) shall apply for
7 purposes of this section.

8 “(2) DENIAL OF DOUBLE BENEFIT.—No credit
9 shall be determined under this section with respect
10 to the basis of any property if a credit is determined
11 under any other section of this title with respect to
12 such basis.

13 “(e) ALLOWANCE OF PERSONAL CREDIT FOR RESI-
14 DENTIAL MICROGRIDS.—In the case of a qualified
15 microgrid placed in service by any individual in the resi-
16 dence of such individual—

17 “(1) this section shall be applied without regard
18 to subparagraph (C) of subsection (c)(1), and

19 “(2) the microgrid property credit determined
20 under this section for any taxable year with respect
21 to qualified microgrid property (determined after ap-
22 plication of paragraph (1)) which is part of such
23 qualified microgrid shall be taken into account as an
24 increase in the amount of the credit otherwise allow-

1 able to the taxpayer under section 25D for such tax-
2 able year.

3 “(f) TERMINATION.—No credit shall be determined
4 under this section with respect to any property placed in
5 service after December 31, 2028.”.

6 (b) ELECTIVE PAYMENT OF CREDIT.—Subchapter B
7 of chapter 65 of such Code is amended by adding at the
8 end the following new section:

9 **“SEC. 6431. ELECTIVE PAYMENT OF MICROGRID PROPERTY**
10 **CREDIT.**

11 “(a) ENERGY PROPERTY.—In the case of an eligible
12 person making an election (at such time and in such man-
13 ner as the Secretary may provide) under this section with
14 respect to any portion of the credit determined under sec-
15 tion 48D (determined without regard to subsection (d) of
16 this section) or any portion of the credit allowed under
17 section 25D by reason of section 48D(e) (as so deter-
18 mined), such eligible person shall be treated as making
19 a payment against the tax imposed by subtitle A for the
20 taxable year equal to the portion to which such election
21 applies.

22 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
23 poses of this section—

24 “(1) ELIGIBLE PERSON.—The term ‘eligible
25 person’ means—

1 “(A) any organization exempt from tax
2 under section 501(a),

3 “(B) any State or local government, or a
4 political subdivision thereof, or any agency, au-
5 thority, or instrumentality of any one or more
6 of the foregoing, or any corporation which is
7 wholly owned, directly or indirectly, by any one
8 or more of the foregoing,

9 “(C) any Indian tribal government,

10 “(D) any organization described in section
11 1381(a)(2), and

12 “(E) any not-for-profit electric utility
13 which had or has received a loan or loan guar-
14 antee under the Rural Electrification Act of
15 1936.

16 “(2) INDIAN TRIBAL GOVERNMENT.—The term
17 ‘Indian tribal government’ shall have the meaning
18 given such term by section 139E.

19 “(3) DETERMINATION OF CREDITS.—The
20 amount of any credit described in subsection (a)
21 which is treated as allowed to any eligible person
22 shall be determined for purposes of such subsection
23 in the same manner as though such eligible person
24 were subject to the tax imposed under chapter 1.

1 “(4) TIMING.—The payment described in sub-
2 section (a) shall be treated as made on—

3 “(A) in the case of any government, or po-
4 litical subdivision, to which paragraph (1) ap-
5 plies and for which no return is required under
6 section 6011 or 6033(a), the later of the date
7 that a return would be due under section
8 6033(a) if such government or subdivision were
9 described in that section or the date on which
10 such government or subdivision submits a claim
11 for credit or refund (at such time and in such
12 manner as the Secretary shall provide), and

13 “(B) in any other case, the later of the due
14 date of the return of tax for the taxable year
15 or the date on which such return is filed.

16 “(5) WAIVER OF SPECIAL RULES.—In the case
17 of an election under this section, the determination
18 of any applicable credit shall be without regard to
19 paragraphs (3) and (4)(A)(i) of section 50(b).

20 “(6) GOVERNMENTAL ENTITIES TREATED AS
21 TAXPAYERS.—In the case of an election under this
22 section—

23 “(A) any State or local government, or a
24 political subdivision thereof, or

25 “(B) any Indian tribal government,

1 shall, to the extent not a taxpayer as defined under
2 section 7701(a)(14), be treated as a taxpayer for
3 purposes of this section and determining any appli-
4 cable credit.

5 “(c) EXCLUSION FROM GROSS INCOME.—Gross in-
6 come of the taxpayer shall be determined without regard
7 to this section.

8 “(d) DENIAL OF DOUBLE BENEFIT.—The credit oth-
9 erwise determined under section 45D (and the credit oth-
10 erwise allowed under section 25D by reason of section
11 48D(e)), determined without regard to this subsection,
12 shall be reduced by the amount of the portion of such
13 credits with respect to which the taxpayer makes the elec-
14 tion under subsection (a).”.

15 (c) CONFORMING AMENDMENTS.—

16 (1) Section 46 of such Code is amended by
17 striking “and” at the end of paragraph (5), by strik-
18 ing the period at the end of paragraph (6) and in-
19 sserting “, and”, and by adding at the end the fol-
20 lowing new paragraph:

21 “(7) the microgrid property credit.”.

22 (2) Section 49(a)(1)(C) of such Code is amend-
23 ed by striking “and” at the end of clause (iv), by
24 striking the period at the end of clause (v) and in-

1 serting a comma, and by adding at the end the fol-
2 lowing new clause:

3 “(vi) the basis of any qualified
4 microgrid property under section 48D.”.

5 (3) Section 50(a)(2)(E) of such Code is amend-
6 ed by striking “or 48C(b)(2)” and inserting
7 “48C(b)(2), or 48D(d)(1)”.

8 (4) The table of sections for subpart E of part
9 IV of subchapter A of chapter 1 of such Code is
10 amended by inserting after the item relating to sec-
11 tion 48C the following new item:

“Sec. 48D. Microgrid property.”.

12 (5) The table of sections for subchapter B of
13 chapter 65 of such Code is amended by adding at
14 the end the following new item:

“Sec. 6431. Elective payment of microgrid property credit.”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to periods after December 31,
17 2020, under rules similar to the rules of section 48(m)
18 (as in effect on the day before the date of the enactment
19 of the Revenue Reconciliation Act of 1990).

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