Clean Renewable Energy Bonds (CREBs) Fact Sheet

What are CREBs?
Clean Renewable Energy Bonds, known as “CREBs,” are tax credit bonds that serve as the companion to the Section 45 tax credit for renewable energy production. CREBs allow non-taxpaying entities, such as governmental bodies, to borrow capital without paying interest. Initially authorized in the Energy Policy Act of 2005, CREBs are codified in Section 54 of the Internal Revenue Code of 1986.

How do CREBs work?
In CREBs financing, a qualified issuer, such as a municipality, issues the CREB to the bondholder, which is the entity providing the loan. The issuer does not pay interest on the loan, and the bondholder receives a tax credit in lieu of the interest that would have been paid. In this way, CREBs allow qualified issuers to borrow money to finance a qualified energy project at a 0% interest rate.

Who is an eligible issuer?
Entities that can apply for and issue a CREB are state and local governments, the District of Columbia, U.S. territories and possessions, mutual or cooperative electric companies, CoBank, Native American tribal governments, the National Rural Utilities Cooperative Finance Corporation, and a not-for-profit electric utility that has received a loan or loan guarantee under the Rural Electrification Act.

What projects are covered under CREBs?
Eligible projects under the CREBs program are identical to those that qualify for the Section 45 tax credit for the production of renewable energy, without regard for the placed-in-service requirements. The eligible facility must be owned by a qualified borrower, which is a governmental body, a mutual or cooperative electric company, or a tribal government. Types of eligible facilities include: landfill gas, waste-to-energy, wind, closed-loop biomass, geothermal, solar, hydropower.

What is the rate of the tax credit?
The Treasury Department sets the tax credit rate daily and sets the rate so as prevent discount or interest cost to the issuer. The rate is set for a CREB according to the date in which there is binding written agreement for the sale of the bond. The amount of a CREB is determined quarterly.

Is there a volume cap on the CREBs program?
Under the Energy Policy Act of 2005, the allocation for the program was set at $800 million, of which $500 million was allocated specifically for governmental bodies. In the Tax Extenders Act, passed in December 2006, the volume cap was increased by an additional $400 million, of which $250 million of which is specifically allocated for governmental bodies.

What are the spending requirements for the CREB?
Under the CREBs program, the issuer must spend at least 95% of the proceeds of the bond on a qualified project within 5 years of the date the bond is issued. The proceeds of a CREB may be used to refinance a qualified project only if the indebtedness being refinanced was incurred by a qualified borrower after the enactment of the CREBs program. In addition, the CREB may be used to reimburse a qualified borrower for amounts paid for a qualified project after the enactment of CREBs, so long as certain resolutions are made.

When can CREBs be issued?
The Tax Relief and Health Care Act of 2006 extended the CREBs program so that CREBs can be issued through December 31, 2008.

How do I apply and when is the application deadline?
The notice and application can be viewed at the IRS website at: http://www.irs.gov/pub/irs-tege/n-07-26a.pdf The deadline for applications is July 13, 2007.