Dear Technical Director:

We write to you to respectfully request that the Financial Accounting Standard Board ("FASB") consider approval of effective yield accounting treatment for the federal investment tax credit ("ITC") for renewable energy technologies.

Our understanding is that the Emerging Issues Task Force ("EITF") is currently considering these issues as they relate to low income housing tax credits ("LIHTC") in EITF Current Issue 94-1. We would request your consideration of effective yield treatment for the ITC as well. The approval of effective yield treatment would unlock significant capital for a $10+ billion industry that is growing at over twenty percent annually, and is critical for our national energy infrastructure. Below, we address some background on the ITC as well as the applicability and impact of the effective yield treatment.

**Background**

The federal business energy investment tax credit, herein the ITC, was established under 26 USC § 48 and expanded by the Energy Improvement and Extension Act of 2008 (H.R. 1424), enacted in October 2008, and the American Recovery and Reinvestment Act ARRA), enacted in February 2009. The ITC is a thirty percent (30%) tax credit that applies to solar technologies, fuel cells, small wind turbines; and a ten percent (10%) credit that applies to other technologies, including geothermal systems, microturbines and combined heat and power systems. ARRA expanded the credit for this secondary group to 30% for those projects that have begun construction by 2013. The credit is set to be reduced to 10% on December 31, 2016 for most of these technologies, including solar, and will expire for a few others.

The ITC now helps facilitate financing for a multi-billion dollar renewable energy industry. The solar industry itself is over $12 billion. This industry is now the fastest growing source of electricity for the United States, and a critical component to energy independence. Around forty-nine percent (49%) of all new electricity generating capacity within the United States in 2012, and around fifteen percent (15%) of current overall national generating capacity, is from renewable energy resources.

A critical limitation on the continued expansion of many of these renewable energy technologies is access to a liquid market for tax driven investors who can monetize the ITC. For example, the solar industry itself will need an estimated $4 billion in tax driven capital in 2013, and something on the order $6 billion in 2016. It is therefore imperative that the industry continue to support and expand the pool of tax driven investors actively deploying capital into renewable energy projects.

A formidable obstacle to this continued expansion is the current accounting treatment of the ITC.

**Tax Treatment of the ITC**

Under current FASB guidelines, corporations investing in limited partnership investments and reporting the ITC for GAAP purposes use the equity method of accounting. Accounting guidance treats tax credit investments as equity method investments because these investors don't meet the consolidation requirements through their limited partnership interests. Alternative methods of accounting include the cost method, the fair value method, and the effective yield method. The effective yield method can currently be used only if a tax credit investor meets specific
criterion under EITF Issue No. 94-1, "Accounting for Tax Benefits Resulting from Investments in Affordable Housing Projects", the primary guidance related to accounting for affordable housing tax credit investments. The result is that most investments in tax credit investment programs, and the vast majority of tax credit investment in renewable energy, is accounted for pursuant to the equity method of accounting.

The equity accounting treatment for ITCs forces corporations making such an investment to report depreciation losses as an expense above the line. Additionally, a substantial portion of the investment credit, usually the majority, must be recognized as an impairment for a corporation when the investment is made. This accounting treatment is almost always a critical concern for publicly traded companies interested in tax driven investments in the solar asset class. In fact, the profit and loss statement impairment for the investment tax credit is even more severe for the ITC than for LIHTC because the full value of the ITC occurs when a solar project is placed in service, rather than over a 10 year period for real estate property and LIHTC.

We believe the effective yield accounting method is an efficient means by which to adjust this cumbersome approach.

Thank you for your consideration.

Sincerely,

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