



Department of Energy
Washington, DC 20585

SEP PROGRAM NOTICE 10-014
EFFECTIVE DATE: August 10, 2010

SUBJECT: GUIDANCE FOR STATE ENERGY PROGRAM GRANTEES ON GRANT AND CONSUMER REBATE PROGRAMS FOR ENERGY EFFICIENCY AND RENEWABLE ENERGY REBATE PROGRAMS THAT BENEFIT RESIDENTIAL, SMALL BUSINESS, AND MUNICIPAL SECTORS.

PURPOSE

To provide guidance to the Department of Energy's (Department or DOE) State Energy Program (SEP) grantees on energy efficiency and renewable energy programs that benefit residential, small business, and municipal sectors that are NOT consumer appliance rebate programs for Energy Star or other qualified energy efficient appliances as outlined in SEP Program Notice 10-012.

SCOPE

The provisions of this guidance apply to grantees of SEP funds, pursuant to Formula Grant or American Recovery and Reinvestment Act of 2009 (Recovery Act).

LEGAL AUTHORITY

SEP is authorized under the Energy Policy and Conservation Act, as amended (42 U.S.C. § 6321 et seq.) All grant awards made under this program shall comply with applicable law including the Recovery Act and other procedures applicable to this program.

GUIDANCE

The Energy Policy and Conservation Act, as amended (42 U.S.C. § 6321 et seq.), authorizes the Department to administer the SEP program. The Recovery Act appropriated approximately \$3.1 billion to DOE for the implementation of the SEP. Title IV of Division A of Recovery Act, Pub. L. No. 111-5, 123 Stat. 115, 138; H.R. Conf. Rep. No. 111-16 at 427 (2009). SEP grantees are receiving funding for a variety of energy efficiency and renewable energy programs, some of which include programs for energy efficiency and renewable energy rebate and grant programs that benefit residential, small business, and municipal sectors.

Determining the taxability of a government grant (including a rebate provided under a government program) depends heavily on the particular terms of the grant, the type of taxpayer to whom paid, and whether the law provides a specific exclusion from income. In general, government grants to taxpayers are included in gross income, but there are exceptions. Accordingly, for a grant not to be taxable, a specific exclusion would need to apply. Grantees should consult their legal counsel or tax advisor regarding the tax consequences of particular grants. Alternatively, grantees may obtain a private letter ruling from the Internal Revenue Service following the procedures contained in Revenue Procedure 2010-1, 2010-1 I.R.B. 1.

Government grants that are gross income to the recipient are generally subject to information reporting on Forms 1099 by the payor under 26 U.S.C. § 6041. SEP grantees implementing programs that involve gross income subject to information reporting are advised to issue 1099 forms to recipients.

For those SEP grantees implementing consumer rebate programs for Energy Star or other qualified energy efficient appliances, please refer to SEP Program Notice 10-012 for guidance on implementation of such programs and tax treatment of such rebates.

A handwritten signature in cursive script that reads "Tobias Russell".

Tobias Russell
Acting Program Manager
Weatherization and Intergovernmental Program
Energy Efficiency and Renewable Energy