

Change in Sequestration Reduction Rate

As the Administration has stated many times, sequestration requires indiscriminate across-the-board cuts and is bad policy that was never intended to be implemented. The Administration has proposed solutions to avoid the across-the-board spending cuts through balanced deficit reduction. The Department of the Treasury, along with the rest of the Administration, hopes Congress will enact responsible deficit reduction and replace sequestration.

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, payments issued under Section 1603 of the American Recovery and Reinvestment Tax Act of 2009 for specified energy property in lieu of tax credits, are subject to sequestration. This means that every award made to a Section 1603 applicant on or after October 1, 2015 and on or before September 30, 2016 will be reduced by 6.8 percent, irrespective of when the application was received by Treasury. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change.

Treasury will continue to review applications and make determinations in accordance with current practice. Applicants are reminded that the amount of their Section 1603 claim must be calculated in accordance with the Section 1603 Program Guidance and the laws applicable to calculating basis for federal tax purposes. Applicants may not adjust claims to account for the impact of sequestration.