Proportional Amortization = Simplified Accounting for Renewable Energy Investors

The Financial Accounting Standards Board (FASB) published Accounting Standards Update (ASU) 2023-02 on March 29, which expands the proportional amortization method to account for investments in all tax credit structures. That accounting method was previously allowed only for low-income housing tax credit (LIHTC) investments, but now is available, by election, to all community development tax credit investment reporting that meet five conditions. Michael Novogradac, CPA, and Novogradac partner Nat Eng, CPA, discuss the implications of ASU 2023-02 for renewable energy investment, including key aspects of the guidance, the hurdles of applying proportional amortization and ways to overcome those hurdles.

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Transcript

Introduction

[00:00:10] **Michael Novogradac, CPA:** Hello, I'm Michael Novogradac, and this is Tax Credit Tuesday. This is the April 4th, 2023, podcast. Last week, the Financial Accounting Standards Board, also known as FASB, issued Accounting Standards update number 2023-02. This update addresses the simplified accounting method, known as proportional amortization, and more specifically the March 29th accounting standards update, also known by the initialism ASU, not the university, expands the proportional amortization method of accounting to all tax credit investments, including renewable energy. In this week's episode, we're going to focus on the renewable energy aspects of ASU 2023-02. This episode will be of particular importance to investors in renewable energy tax credits, which are principally financial institutions and other publicly traded companies.

And we're focused on renewable energy tax credits, such as the investment tax credit, also known as the ITC and the production tax credit, the PTC. The proportional amortization method of accounting for tax credit investments allows an investor to gradually pay down the initial cost of the investment in proportion to the realization of tax credits and benefits.

The amortization is recognized below the line as a component of income tax expense or benefit. This helps a tax credit in ways that we're going to explore in greater depth later in the podcast. This method of accounting was previously available only to low-income housing tax credit investments. But thanks to last week's FASB release of ASU 2023-02, proportional amortization is now available by election to any tax credit investment that satisfies certain gating criteria.

The expansion of proportional amortization to all tax credit investments comes as part of a year's long effort on the part of the wider tax credit community. Really, it's a multi-year effort. If you go back far enough, Novogradac itself did play a key role in that push with its GAAP Accounting Working Group, which included dialogue, analyses and input provided to FASB.

This effort was led within Novogradac by my partner, Brad Elphick. Now as a quick show note, next week Brad will be on the podcast to provide a deeper dive in the mechanics of ASU 2023-02, and he'll explain how a tax credit investment can qualify for proportional amortization accounting treatment.

He'll also discuss efforts to possibly develop a new FASB project to further expand the application of ASU 2023-02, but more on that later. Let's get back to this week's podcast. One reason that the proportional amortization accounting method is attractive to public company investors and renewable energy tax credits is that proportional amortization is simpler than other accounting methods, such as the equity method, deferral method, and hypothetical liquidation of book value or HLBV method.

Now the FASB announcement comes as the nation's clean energy production is experiencing a boom after the passage of last year's Inflation Reduction Act. The Inflation Reduction Act included more than $369 billion in clean and renewable energy provisions, as well as extensions of the investment tax credit and production tax credit for essentially 10 years.

We at Novogradac have been getting many inquiries about using proportional amortization with renewable energy tax credits because of the Inflation Reduction Act in the anticipated FASB standards update. Investors, not too surprisingly, are wondering how they can potentially use proportional amortization accounting.

My guest on today's podcast has been fielding many of those calls. Joining me is Nat Eng. He's a partner of mine in the Walnut Creek, California, office of Novogradac. Nat's given presentations on this topic in recent months for banks and other publicly traded companies. Nat is one of the leading experts on this issue.

[00:04:18] **Michael Novogradac, CPA:** He works with developers, sponsors, syndicators and investors in the green energy space, and has unique insights into details of this FASB update. It's also worth noting Nat's the chair of the upcoming Novogradac 2023 Spring Renewable Energy and Environmental Tax Credits Conference being held May 18th and 19th in San Diego, California.

Now in today's episode, Nat and I will discuss what the guidance says, as well as some of the benefits of promotional amortization for investors. We'll then discuss the hurdles in using this method, as well as, more importantly, how to clear those hurdles. He'll also discuss some of the resources available for those who want to know more.

We have a lot of ground to cover, so if you're ready, let's get started.

[00:05:06] **Michael Novogradac, CPA:** Nat, welcome back to Tax Credit Tuesday.

[00:05:09] **Nat Eng, CPA:** Thanks for having me back, Mike. I think this is lucky number three.

What is Proportional Amortization?

[00:05:14] **Michael Novogradac, CPA:** Yes it is. Yes, it is. Lucky number three. So to get us started, it may be level set for our listeners who may not be as familiar with proportional amortization as an accounting concept, please explain what proportion amortization is and do it briefly. I mentioned in the introduction, we do have Brad Elphick, our partner out of our Atlanta office, and he'll go in a lot more detail next week.

[00:05:40] **Nat Eng, CPA:** Yeah. Thanks. Thanks again, Mike. Hopefully I can be succinct here, but I think, a lot of, accountants that have been historically working in the industry is sort of seeing proportional amortization maybe as a potential savior in a way, a savior from accounting complexity.

And, proportional amortization is a simplified application of equity method of accounting, whereby investment tax credits and benefits are amortized against the investment through income tax expense. And it's compared to the alternatives which we'll discuss later, let's just say it's a little bit easier in, in practice, which, takes some of the heartburn from these investments off the table.

Before we go on, I do think it would be good to share a little more detail as to why proportional amortization as a method of accounting is important. And I know it relates to the simplified nature of proportional amortization, and it's something that's different for renewable energy than it is for low-income housing tax credits, potentially some other types of tax credits that aren't as concerned with the complexities of other methods.

[00:06:55] **Michael Novogradac, CPA:** Somebody could go through the method, one of the methods that renewable energy is using now and how this would be considered simplified.

[00:07:03] **Nat Eng, CPA:** Yeah. So, Going back to the tongue twister that, you introduced at the beginning of the podcast, HLBV or hypothetical liquidation at book value. I think a lot of folks get intimidated when they hear that.

So, even though investors have largely rectified income statement geography issues by using the deferral method for accounting for the investment tax credit, oftentimes even after application of the deferral method, they apply HLBV for equity method of accounting purposes. And the implementation of HLBV, quite frankly, is very complex.

Operationally, it's usually a complicated spreadsheet that combines both GAAP and tax principles and calculating the liquidation value that an investor has at the end of the reporting period. It's definitely an imperfect method. Liquidation provisions can vary widely. Oftentimes there's uneconomic results and bottom line is, I'm not sure if anyone really wants to do those calculations at the end of the day.

So I sort of look at proportional amortization as an alternative to applying HLBV, and it's a welcome alternative in many folks' minds.

[00:08:30] **Michael Novogradac, CPA:** No, thanks for that. I just found it interesting that in the low-income housing tax credit area and even new markets tax credits and others, the fact that you report the expense below the line is a big driver in terms of the attractiveness of proportional amortization. Less so the simplified nature. But it's interesting to me how within renewable energy, it's the simplified nature that can be particularly compelling as a reason to adopt.

So let's talk a bit about the calls that you've been getting. I mentioned in the introduction that we've been getting a lot of calls about proportional amortization, and those calls are coming in before the recent release, in part because there were drafts and they were members of our GAAP Working Group, so they knew it was coming.

So they were trying to anticipate the release and how it could apply, but maybe talk a bit more about why it's been such a hot topic in the renewable energy space.

[00:09:25] **Nat Eng, CPA:** Yeah. I think there's been a lot of momentum, quite frankly, in the renewable energy space. I think, a lot of investors are, have been very ESG-motivated as of late and even before the Inflation Reduction Act came out, there was definitely a push to deploy more capital in the renewable energy space and in particular solar transactions. So with this push comes, you know, additional capital and I guess typically the accounting complexity that comes along with that. So with proportional amortization almost on the horizon, in parallel, it's perfect in terms of timing to help the new investors entering in the market sort of get over some of the accounting hurdles or complexities that tend to create a little bit of consternation.

Key Aspects of ASU 2023-02 for Renewable Energy

[00:10:24] **Michael Novogradac, CPA:** So I appreciate that. Let's jump into the actual guidance listeners are wondering. We've talked about this ASU 2023-02. If you could explain the key aspects of that guidance and how it would apply for renewable energy investors. And then we can go into, I have a lot of additional questions. Maybe give a quick overview on the application of this ASU.

[00:10:52] **Nat Eng, CPA:** Sure. So, this methodology is fairly simple in its application. We don't even have to look at the liquidation provisions, thankfully. Basically the investment tax credits and benefits are amortized against the investment through the income tax expense. There is a practical expedient method that's available under this methodology. It probably doesn't apply to renewables as, I don't think you can get back to the substantially the same answer. So I think a lot of folks are, you know, still looking at the non-practical expedient method and saying, well, geez, that's a lot simpler to apply than hypothetical liquidation at book value. If you can even say that three times. I have trouble. And then maybe talk about the effective dates.

So the effective dates are Dec. 31st for year end. End at Dec. 31st, 2020. Earlier adoption is permitted. So a lot of folks are even looking to apply it in Q1.

[00:11:56] **Michael Novogradac, CPA:** That's important. The early adoption is permitted, and as you note, many will try to get it in Q1 of 2023.

So it's something that we'll be, you know, spending a lot of time working with clients. I assume you're getting calls from clients now to start doing calculations for Q1.

[00:12:12] **Nat Eng, CPA:** Well, we were getting question or requests probably six to eight months ago when the original proposed ASU came out.

But, what's interesting is I think some investors said, "Hey, can we do our investments after March 31st?" in anticipation of the final ASU that came out conveniently last Wednesday.

Hurdles of Applying Proportional Amortization

[00:12:35] **Michael Novogradac, CPA:** Got it. So let's, talk about some of the hurdles or challenges of applying proportional amortization. There's overall five requirements, and Brad Elphick when he is on next week, he'll discuss the five requirements and maybe you can discuss the couple requirements that are particularly significant hurdles or challenges of applying proportional amortization for renewable energy investments.

[00:13:01] **Nat Eng, CPA:** Yeah. So I think when, we were, going through the motions with our working group, with, you know, the various investors and stakeholders out there, we were particularly looking at, solar investment tax credit deals. Now the investment tax credit, thanks to Inflation Reduction Act, also applies to a lot other technologies.

So we have to keep that in mind. But when we were looking at investment tax credit deals, we really, had some reservations about if and how proportional amortization could apply. And one of the main issues with the investment tax credit is it's upfront. Now most people like the fact that it's upfront, economically. The issue is that because it's upfront and there's also usually some cash component related to these transactions, investors usually pay more than a dollar per credit. Compare and contrast this to other tax credits, which are realized over a period of time. Those tax credits, like low-income housing tax credits, new markets tax credits are usually purchased on a discount basis and oftentimes there's not a large cash component.

So we have a few compounding factors here that make satisfying some of the criteria for proportional amortization difficult. And I think one thing to keep in mind is with these criteria, they were really trying to ensure that participants were using this accounting for tax credit investments. So if there was a substantial amount of cash involved, an investment might not be considered a pure tax credit investment and hence would be excluded from this methodology. So solar investment tax credit deals, investment tax credit deals in general I think tend to have some issues satisfying two criteria within this accounting guidance. And they're the positive yield criteria and the substantially all criteria.

[00:15:27] **Michael Novogradac, CPA:** So thank you for those. Let me just interject here. So that's two of the five that Brad will be discussing all five next week. But the two that you're mentioning, the positive yield and substantially all criteria as you note, are designed to try to distinguish between a tax credit investment and other types of investments that also have tax credits.

So one that's, you know, tax credit driven versus one where there are tax credits, but it's driven by, economic non-tax benefit economics, namely cash flow. I will note that I mentioned earlier that the, we have this GAAP Working Group. One of the efforts that the GAAP Working Group is likely going to work on going into the future and hear more from Brad next week is trying to modify the language around the positive yield and or the substantial all requirement such that, you know, transactions that have some amount of cash flow with the cash flow is a small subset of the overall benefits would be

eligible, such that these requirements wouldn't be quite as limiting. But for now, we have the guidance that did apply only for low-income housing tax credits. Essentially, that guidance is being expanded to other to all tax credits that are investible.

So now let's talk about the positive yield and substantially-all criteria in sequence. Maybe start with the positive yield requirement, if you could go into a little more detail as to what the positive yield criteria is.

[00:17:01] **Nat Eng, CPA:** Sure. And it's also important to note that these two criterion are sort of joined at the hips in a lot of ways.

[00:17:08] **Michael Novogradac, CPA:** Yes, they are.

[00:17:09] **Nat Eng, CPA:** Yeah. They're really trying to prevent investments that have economic returns in a substantial amount from other than tax credits and benefits. So with the positive yield test, I think there's sort of a way that I think a lot of participants are visualizing this. What's interesting, I visualized it certainly, a little bit differently from the onset, but it appears that my view is in the minority. So positive yield is a test whereby tax credits and benefits must succeed the investment amount on an aggregate nominal basis. So if there's tax credits and benefits of let's say 102 and the equity investment is 100, then that tax credit investment, in theory, satisfies the positive yield criteria.

I was visualizing it initially a little bit differently in that positive yield has the word "yield "in it. So in theory, shouldn't this be some sort of IR or Excel spreadsheet exercise? But I think most folks are sort of looking at it on an aggregate basis, because quite frankly it produces a more consistent result. Whereas with investment tax credit deals, because the benefits are so front loaded, that yield can be all over the place.

So I think I realized that, the way I was visualizing it, at least initially, was probably flawed in certain ways. And I think the industry is sort of taking a consistent approach from an aggregation standpoint. There's other questions about what should be included in the definition of tax benefits that I think we're still sorting through.

There's some that, you know, see the backend taxable income from these transactions as, you know, potentially an excludable item. For the most part, I think we've been running it on aggregate basis, including tax benefits and detriments on an aggregate basis.

[00:19:29] **Michael Novogradac, CPA:** So that's a brief kind of overview on the positive yield criteria, and I'm not sure that your initial take is all that different than the shorthand take.

But, we don't need to spend time on that. The substantially-all criterion. Maybe you could explain what the substantially-all criterion. I'm sure our listeners are going, well, it must mean substantially all of something must come from something.

[00:19:54] **Nat Eng, CPA:** That's right. What does substantially all mean?

Substantially all might mean different things to different people, but within the GAAP literature substantially all is 90%. And then it's 90% of what? So basically, 90% of the total economic benefits has to come from tax credits and benefits.

[00:20:19] **Michael Novogradac, CPA:** Great, thank you for that. So the idea is your aggregate tax credits and other tax benefits, basically, you know, tax losses and other tax benefits you could identify has to exceed the amount of your investment.

That's kind of the positive yield. And then if you do that, then you also have to look at all your benefits, both your tax benefits and your non-tax benefits. And those non-tax benefits have to be, you know, in essence less than 10% of your total benefits. So it's like a two-part test, like you said, they're interrelated with each other.

But you know, you have to pass the positive yield test first, and then you also have to ensure that the non-tax benefits aren't too great a proportion of your investments.

That's right. And, investment tax credit deals struggle with both tests, quite frankly, and it's largely driven by the fact that oftentimes there's preferred cash flows, oftentimes structured around a preferred return distribution.

[00:21:22] **Nat Eng, CPA:** And then you add on top of that, a buyout option or buyout price on behalf of the investor. Which isa residual value and the combination of those ongoing cash distributions and that buyout value, you know, may, you know negatively or will negatively impact your substantially-all test.

And usually an investor is contributing capital, maybe additional capital for additional returns, which makes sense. And, you know, that doesn't help the positive yield test either.

[00:22:01] **Michael Novogradac, CPA:** And I would just note, we don't need to go to this in more detail, but from a tax opinion perspective, the general rule of thumb is investors need to have a greater interest in cash flow from an ITC investment than they do would've to have in low-income housing tax credits, and others and least, and an expectation of realizing that cash flow. But let's not go into that. I just wanted to make that note for listeners to wonder, well, why can't you just do it just like low-income housing tax credits? But there are some different tax issues at play.

So let's, we've talked about the hurdle. Clients wouldn't be calling you if they thought you were just going to tell them you can't get over the hurdle and don't bother. So maybe you could discuss some of the ways that investments are being analyzed to try to overcome these hurdles with the hurdles, once again being positive yield and it's substantially-all criteria.

Ways to Overcome Hurdles

[00:22:57] **Nat Eng, CPA:** Yeah, I'll be honest, I was skeptical about passing these criterion, as well, initially. But there are definitely a few tools in the toolbox, so to speak, that investors can utilize to, you know, potentially satisfy these criterion. The easiest item appears to be taking a fresh look at one's effective tax rate utilized in the transaction.

A lot of times transactions are negotiated with a 21% federal tax rate, not including the state tax benefit. If you add in the state tax benefit, you increase the amount of tax benefits that are available and that has a positive impact on the positive yield and substantially all tests. Sometimes a transaction, you know, might be just missing the, the 90% test, and that's on a discounted basis, I should note. And increasing the effective tax rate can get it over the line. Other ways to satisfy it is to restructure your deal. Now I think you're sort of threading the needle between keeping the tax attorneys happy and passing, these criteria, quite frankly. Attorneys definitely, want to make sure that the allocations have substantial economic effect, that partners are real partners in the deal and are getting economic upside and downside via cash often. So they like to see a little bit more cash. However, these criterion basically incentivize less cash in transactions, for the aforementioned reasons. So there might be ways to resize, an investment commitment or the pricing to the extent that the equity contribution comes down. And then the expected cash flows also come down in sort of a pro rata manner such that,the investor's still hitting their return on investment hurdles and the sponsor is happy that they're not giving away the house.

So there might be a balancing or rebalancing of transactions on a go forward basis, to potentially satisfy these tests in a manner that keeps the tax attorneys happy and satisfies these criterion.

[00:25:22] **Nat Eng, CPA:** Yeah. And then the third way of, potentially, satisfying these tests is, a lot of investors participate through syndicators, tax credit syndicators, and tax credit syndicators have some flexibility in terms of how they structure their fees. So perhaps a less front-loaded fee. A fee that's earned over time usually helps transactions pass the positive yield and substantially all tests.

[00:25:55] **Michael Novogradac, CPA:** Yeah, I sort of think about it as, you know, how much investment goes in upfront or how much investment is going in from the investor relative to the tax credits, usually the tax credits are a given number, so those aren't going to change much. And then you were mentioning the state tax benefits to the extent that the tax benefits beyond the tax credits are valued more highly. Then they will obviously increase your total tax benefits, which helps with the positive yield.

And then you also then have your cash flow and to the extent that there's cash upfront being paid for, expected cash flow down the road, change the amount of cash flow that you're expecting. Such that you pay less upfront, kind of helps you kind of resize. And as you point out, there's resizing all of this to meet the substantially all and the positive yield test.

[00:26:42] **Michael Novogradac, CPA:** But the interesting cash flow has to be sufficient to get your tax opinions. And that's where--

[00:26:47] **Nat Eng, CPA:** That's right.

[00:26:47] **Michael Novogradac, CPA:** And that's where six months from now or a year from now, we'll have lots of examples of transactions that have closed and navigated that. Right now we're in the process of doing that and the good news at Novogradac is we have lots of partners that are working with lots of clients to work through those details working with lots of tax attorneys. And, you know, we can share, you know, internally the technical knowledge that we gained such that in due course they'll start to become some normal, you know, rules around what's considered acceptable and opinable on by tax attorneys and what's not. And similarly, what we believe will get the proper treatment from your accountants or your auditors, and those that will not, but it definitely will be a, an evolving process and just reinforces the importance of working with professionals, both accounting, tax and consultants that are experienced in the area so they know, you know, where the thinking is right now.

[00:27:48] **Nat Eng, CPA:** Yeah. So it's definitely possible. Definitely not impossible is one of the key messages that I wanted to impart here.

[00:27:57] **Michael Novogradac, CPA:** And is there anything more on, it seems like resizing investment commitments is fairly straightforward, state tax benefits, that seems fairly straightforward. And then structure and transaction fees, it, you know, all of those seem like they're fairly straightforward in the sense of directionally what to do.

It's just a question of how you blend the three together, to get to the point that you need to get to. So rather than discuss each one separately, are there any overarching comments you'd want to make about the three approaches to getting over the hurdles?

[00:28:30] **Nat Eng, CPA:** Well, the lowest hanging fruit is clearly the tax rate, especially for, you know, preexisting deals. Deals that you know, might have been right on the line. unfortunately, if, a deal wasn't passing before by a lot, the tax rate, lever is probably not going to change the answer. But, yeah, that, that is definitely the easiest button to push.

That's the easy button here. Renegotiating deals or, changing deal structures on a go forward basis, I think that's just going to take, cooperation from all parties. But I think there is, you know, definitely a level of cooperation that I'm seeing out there between sponsors and investors. So it seems like, there's, you know, definitely a path forward.

[00:29:14] **Michael Novogradac, CPA:** So what do you think are the next steps for investors that want to adopt the new FASB guidance?

[00:29:20] **Nat Eng, CPA:** Yeah, I think, if they're entertaining a deal right now that they're planning to close before, year end, I encourage them to reach out to their favorite accountant, hopefully us. We have spreadsheets and analysis that, I think can quickly calculate, how close, these transactions are to passing or hopefully passing. And we can also, you know, proactively work, with, you know, both the sponsor and investor to figure out, you know, if there's I guess lease invasive paths to, you know, achieving the desired results. So, you know, definitely look forward to continuing the dialogue with folks that are, you know, looking at this as an option.

[00:30:03] **Michael Novogradac, CPA:** And then I guess they'll have to preview their approach with their auditors at some point. and I guess I would also just encourage them to consider attending our Renewable Energy Conference, in San Diego at the middle of May. That's May 18th and 19th, as I mentioned in the introduction. There'll be a lot of discussion and a lot of socializing of different structures and the rest there, as well as some great sessions.

I'd also note that we have the GAAP Working Group. I'd encourage listeners to join the GAAPWorking Group, both to learn more about the application of this new guidance to various types of transactions, as well as to help support the effort to go back to FASB and the Emerging Issues Taskforce to kind of expand the scope such that we wanted to do quite as a technical work here to get transactions to qualify.

And then maybe you could mention an article that you wrote for the Journal of Tax Credits about the topic?

[00:31:07] **Nat Eng, CPA:** Yeah. Forthcoming article. Currently in draft form and continues to evolve. We're still getting feedback from various investors, fellow accounting firms on application of proportional amortization.

So, at a certain point I'll draw the line in the sand and finally get the article out there.

[00:31:26] **Michael Novogradac, CPA:** That's right. You can't let perfection be the enemy of good, and it's going to be evolving for quite a while. And that article will be a great way to bring folks up to speed on the thinking at the time that you, put the pin down knowing that it's going to continue to be added to through the experience that you gained working with so many other clients and your fellow partners.

But before we go, I wanted to see if there was anything else we didn't cover that well, obviously there's lots of stuff we didn't cover, but is there anything that you think we should cover or you should mention before we close.

[00:32:00] **Nat Eng, CPA:** Yeah, I think, I'd just encourage everyone to just keep an open mind as they look at this new accounting guidance.

You know, quite frankly, I think we were really pessimistic and maybe overly skeptical when we were first trying to think about the criterion and these renewable energy investment tax credit deals. Like, I think we almost gave up hope initially, but I think, as, you know, the guidance, you know, has been finalized and settles in, I look forward to proactively working with everyone to figure out how we can make it work.

[00:32:37] **Michael Novogradac, CPA:** Well, I certainly wasn't one of those ones that was, ready to give up and I was, optimistic the transactions could navigate the two. Obviously not all transactions can, but I was, pretty optimistic that, you know, many transactions would be able to. So we'll, wait and see how that is. And that's obviously as you were working with the working group, the GAAP Working Group, I know you were already beginning.

Sort through different strategies and different approaches. And once again, that's the beauty of the working group is you have lots of, Novogradac partners, principals and others sharing ideas along with clients and prospective clients. So it's definitely, been an exercise. It's been very, really valuable.

So thank you for, joining me on the podcast.

[00:33:20] **Nat Eng, CPA:** Yeah, thanks as always.

Outro

[00:33:22] **Michael Novogradac, CPA:** Listeners, our guest today has been Nat Eng, as I noted. He's a partner in Novogradac's Walnut Creek office. I will include Nat Eng's email address in this week's show notes for anyone who wants to follow up with him. And Nat, please do stick around for our Off-Mike section of the podcast where I get to ask you some fun off-topic questions.

Once again, to our listeners, please be sure to tune into next week's podcast. We're going to continue our discussion of proportional amortization and the recent Financial Accounting Standard of Boards guidance. My guest, as I noted earlier, will be my partner, Brad Elphick. Also, as I noted earlier, he leads the Novogradac GAAP Working Group.

Brad's been working with clients and FASB on expanding the application of proportional amortization for over a year. During the podcast next week, Brad and I are going to discuss the five conditions that must be satisfied by attached credit investment in order to use proportional amortization accounting.

We're going to also discuss the timeline for implementation of this guidance and when investors can begin to put this method of accounting into guidance are into place. Also, we'll talk about what future efforts the GAAP Working Group is going to put forth in order to try to expand the application of this method of accounting.

There's a lot to unpack and discuss beyond the implications of renewable energy tax credits as we did this week, so you're not going to want to miss it.

Off-Mike

[00:34:55] **Michael Novogradac, CPA:** Now, we've reached our Off-Mike section where I ask our guests some off-topic questions to get their words of advice and words of wisdom. So now when you're on the podcast, previously you said you like to tinker mechanically. So I've been wondering is there a project or projects that you've been tinkering with recently?

[00:35:22] **Nat Eng, CPA:** Yeah. for better or for worse, I tinker more than my spouse likes. But, I did save the day because we had a power outage here, due to some of the storms that rolled through and our generator wouldn't start.

So I had the pleasure of basically rebuilding a carburetor, trying to get electricity to some of the essential household electronics. Small engines and carburetors, though I think are the bane of my existence, it's one of the things that I probably don't like to tinker with if I had a choice.

[00:35:57] **Michael Novogradac, CPA:** Were you successful?

[00:35:59] **Nat Eng, CPA:** I was successful. I do need to revisit it again. For some reason it runs, but it's running on full choke, which shouldn't happen.

[00:36:10] **Michael Novogradac, CPA:** Got it. Carburetors were always a challenge for me back in shop class, but I'm dating myself.

[00:36:18] **Nat Eng, CPA:** Yeah. Usually I need somebody that's more experienced in the technologies involved with carburetors to help me.

The whole airfield mixture thing is like HLBV to a lot of folks out there, I think.

[00:36:33] **Michael Novogradac, CPA:** Yeah. Getting it right's a challenge. So, my other question has to do with your favorite podcast. If you could share that with me, if you have one, or if you don't have a favorite podcast, you can mention what you, listen to or watch in lieu of, a podcast.

And of course, for this question, you can't say Tax Credit Tuesday.

[00:36:50] **Nat Eng, CPA:** Okay. Yeah, I unfortunately gave up my podcasts, when I gave up my long commute. Actually I don't miss my long commute though, but I, do believe in, YouTube enlightenment. I try to watch more intellectually stimulating topics.

I think it sort of bounces around. My son's a big fan of watching excavators and people that have a lot of heavy equipment in their backyard, so I watch that with him a lot. I also am a big fan of Adam Savage, the former MythBuster guy and he builds a lot of interesting things, so I'm a big fan.

[00:37:31] **Michael Novogradac, CPA:** No, I like Adam Savage and MythBusters. That was a great show. My kids and I used to watch it all the time. So when you're talking about excavators, you've got to share with our listeners the age of your son.

[00:37:42] **Nat Eng, CPA:** Oh, he's 3. Since I don't have a yard big enough for an excavator, sometimes we randomly have to go out on trips looking for construction equipment.

[00:37:54] **Michael Novogradac, CPA:** Oh, I, used to watch MythBusters all the time with my kids, it was a great show to watch with your kids or to watch without your kids.

[00:38:02] **Nat Eng, CPA:** Yeah, I heard one of their, test sites was nearby in the Bay Area.

[00:38:06] **Michael Novogradac, CPA:** Yeah, it was over in Alameda. They would do stuff out on the old Alameda air station.

So thank you for joining. I appreciate you being on the podcast and sharing with our listeners all that you shared. And to our listeners, I'm Mike Novogradac. Thanks for listening.

Additional Resources

Email

Nat Eng

Conference

Novogradac 2023 Spring Renewable Energy and Environmental Tax Credits Conference

Working Group

Renewable Energy Working Group