

Instructions

Section references are to the Internal Revenue Code.

Future Developments

For the latest information about developments related to Form 6497 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/Form6497.

What's New

New Where-To-File address. See *Where To File*, later, for the current address for filing Form 6497.

Purpose of Form

Use Form 6497 to report nontaxable energy grants or subsidized energy financing made under government programs whose principal purpose is to conserve or produce energy. This reporting is required only for recipients that are businesses (including sole proprietors).

Form 6497 lists the information to be furnished about the nontaxable energy grants or subsidized energy financing, and about the recipients. Only one program should be reported on each form. This form should also be used to report funds received from the proceeds of tax-exempt bonds that have been used to finance energy conservation or production property.

Grants are always taxable to recipients unless specifically exempted by the federal statute authorizing the grants. The originator of the grant or subsidy program should advise all disbursing agents whether the program is taxable or nontaxable. Taxable grants are reported on Form 1099-G, Certain Government Payments. For details, see the Instructions for Form 1099-G.

Who Must File

Any person (including an Indian tribal government) who administers a government program for a federal, state, or local governmental entity or agent of that entity that provides nontaxable energy grants or subsidized energy financing for energy property to business recipients under programs whose principal purpose is energy production or conservation must file Form 6497. If a federal agency is providing the funds to a state agency, and the state turns the funds over to a bank or similar disbursing agent to act as its agent in disbursing the money for the above purposes, only the bank, or disbursing agent, must file Form 6497 to show the actual recipient information.

Generally, reporting on Form 6497 is required only for nontaxable energy grants or subsidized energy financing made for energy property (as defined in section 48 and the regulations under section 48).

When To File

File Form 6497 for the calendar year by the last day of February following the year of the payment.

Where To File

LB&I Central Compliance Practice Area
1919 Smith St., M/S 1000-HOU
Houston, TX 77002

Definitions

Energy grant. An energy grant is a payment given outright for property designed to conserve or produce energy, with no requirement to repay the money.

Subsidized energy financing. Subsidized energy financing is financing (for example, a loan) made directly or indirectly under a federal, state, or local government program, whose principal purpose is to provide subsidized financing for projects designed to conserve or produce energy. Subsidized energy financing can also include financing under a federal, state, or local program having two or more principal purposes, but (a) only if one of the principal purposes is to provide subsidized financing for energy conservation or production projects, and (b) only if the financing is to be used for energy production or conservation purposes (the "use test") or is provided out of funds designated specifically for energy production or conservation. Loan proceeds meet the use test only if any loan-related documents indicate that the funds are intended for that use.

Financing is made when funds for subsidized energy financing are disbursed. The source of the funds for a program is not a factor in determining whether the financing is subsidized. Financing is subsidized if the terms of the financing provided to the recipient in connection with the program or used to raise funds for the program are more favorable than terms generally available commercially. In addition, financing is subsidized if the principal obligation of the financing provided to the recipient is reduced by funds provided under the program.

Payer. A payer is any person (including an Indian tribal government) who administers a federal, state, or local government program that provides nontaxable grants or subsidized financing under programs whose principal purpose is the production or conservation of energy. It includes agents (such as a bank) that administer federal, state, or local government programs and actually make the payments to the recipient.

Recipient. A recipient is the business entity (including a sole proprietor) that received the grant or financing.

Specific Instructions

Line 1. Generally, this will be the name of the federal, state, or local governmental entity that makes the nontaxable energy grants or provides the subsidized energy financing. If an entity (such as a bank) is administering a program as the designated agent of one of the above governmental entities, enter the name of the agent and be sure to fill in line 4.

Lines 2a and 2b. Enter the address where any IRS questions about Form 6497 can be directed.

Line 3. Use the employer identification number (EIN) for the payer shown on line 1. Do not use the social security number of an officer or employee.

Line 4. If line 1 shows the name of an agent, use line 4 to show the federal, state, or local governmental entity for which the agent is administering the program.

Line 5. Enter the program name or number that authorizes the payment.

Line 6. Make an entry in columns 6(a) through 6(e) for each recipient of a nontaxable energy grant or subsidized energy financing. If you need more space, attach additional Forms 6497.

Column 6(a). Show the name and address of the entity that received the nontaxable energy grant or subsidized energy financing. Do not show the name of an officer, employee, etc.

Column 6(b). Complete this column for sole proprietors without EINs.

Column 6(c). Complete this column if no entry was made in column 6(b).

Column 6(d). Enter the total amount of nontaxable energy grants provided to the recipient during the calendar year under the program shown on line 5.

Column 6(e). Enter the total amount of subsidized energy financing provided to the recipient during the calendar year under the program shown on line 5. The amount of subsidized energy financing may be different from the actual amount of money expended.

Example. If a government agency spent \$1,000 to permit a \$5,000 loan to be made with an interest rate lower than it would have been otherwise, the amount of subsidized energy financing is \$5,000.

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** 2 hr., 23 min.
- Learning about the law or the form** 24 min.
- Preparing, copying, and sending the form to the IRS** 27 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments through www.irs.gov/FormComments. Or you can write to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send this form to this address. Instead, see *Where To File* on this page.