



U.S. DEPARTMENT OF
ENERGY

Office of
Policy

Unleashing Investments in Clean Energy through the Inflation Reduction Act's Tax Credits

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Inflation Reduction Act is History-Making Policy

- Largest climate & clean energy investment in U.S. History
- Provides 10 years of clean energy financial certainty to manufacturers, investors and more
- Delivers historic focus on domestic job creation
- Saves American families thousands of dollars in energy costs
- Extra benefits for underserved populations



Elective Pay – Cash for Clean Energy

Elective pay allows local governments and tax-exempt entities to receive a cash payment from the IRS for eligible clean energy investments.

Example: local government invests \$600,000 in tax-credit eligible solar, battery storage, and EV chargers at a community center.

Cash-back: Through elective pay, local government receives a \$180,000 cash payment from the IRS as they qualify for a 30% investment tax credit.



Elective Pay – Cash for Clean Energy



Tax-exempt and governmental entities can now receive a **payment equal to the full value of clean energy tax credits** even though they do not owe taxes.



Tax credits earned through Elective Pay **can be combined with DOE grants and loans** with some limitations.



Eligible entities must complete a **pre-filing registration** and then claim the credit by filing a tax return with the IRS after the project or property is placed in service.

Who is eligible for elective pay?

Category	Definition
Tax-Exempt Organizations	Any organization exempt from income taxes under §501(a), including §501(c) and §501(d) organizations such as: <ul style="list-style-type: none"> • public and private charities • religious organizations • social welfare organizations • labor organizations • business leagues
State, Local Governments	Any state, DC, U.S. territory or political subdivision thereof or including its agencies and instrumentalities (e.g. cities, schools, counties).
Tribes	Indian Tribal governments, Alaska Native Corporations, and other Tribal agencies and instrumentalities.
Public Power	Municipal electric utilities, rural electric cooperatives, and the Tennessee Valley Authority.

Which tax credits are eligible for elective pay?

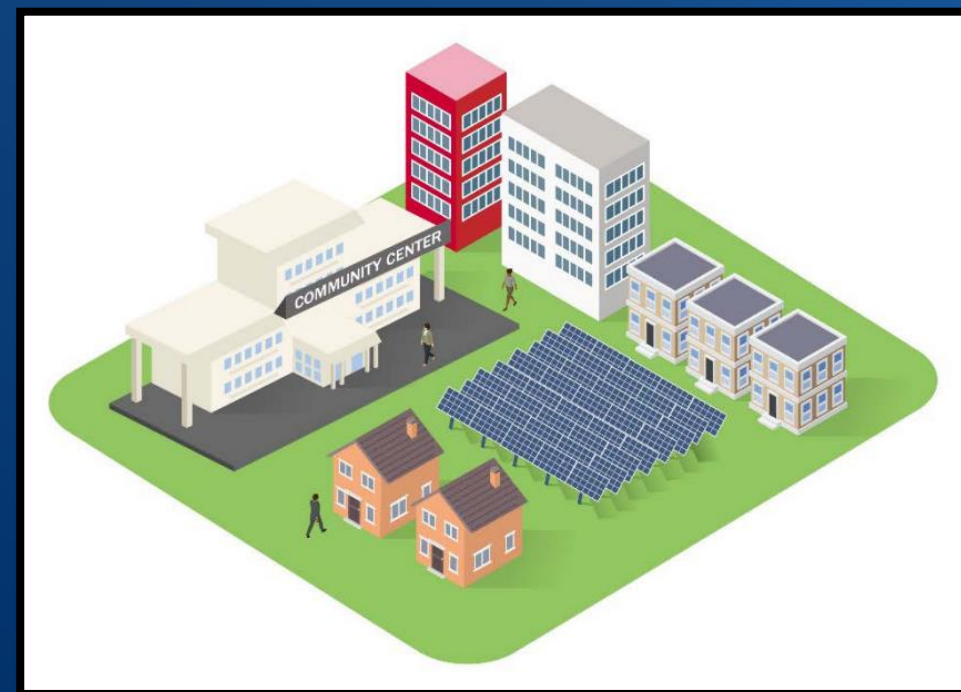
- **12 of the Inflation Reduction Act clean energy tax credits** are eligible for elective pay including:
 - Investment tax credit (ITC) for clean electricity and storage projects
 - Production tax credit (PTC) for clean electricity
 - Credit for clean commercial vehicles including passenger EVs
 - Credit for EV chargers installed in low-income or non-urban areas
- See the full list of credits at: <https://www.irs.gov/pub/irs-pdf/p5817g.pdf>

Elective Pay Revisited – Cash for Clean Energy

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Tax Opportunities for Businesses, Municipalities, and Nonprofits

Clean Vehicle Tax Credits

Commercial Clean Vehicles Credit (45W)

- Businesses and tax-exempt organizations can receive a 30% tax credit – up to \$40,000 – for electric or fuel cell commercial vehicles

Alternative Fuel Vehicle Refueling Property Credit (30C)

- 30% off charging and refueling equipment up to \$100,000 per station for commercial stations located in low-income or rural communities

Commercial Buildings Tax Deductions

Commercial Buildings Energy-Efficiency Tax Deduction (179D)

Projects that install select energy-saving equipment in new or retrofit buildings can receive a deduction of up to \$5 per square foot of building space - *the greater the energy reduction the greater the deduction*



Clean Electricity

- Clean electricity tax credit incentives provide a decade of **unprecedented security** for industry, ending years of “on-again-off-again” policy
- All zero-emitting technologies qualify, including renewables, new nuclear, and energy storage
- Includes **bonuses for energy communities, domestic content**, and wind and solar benefiting low-income communities

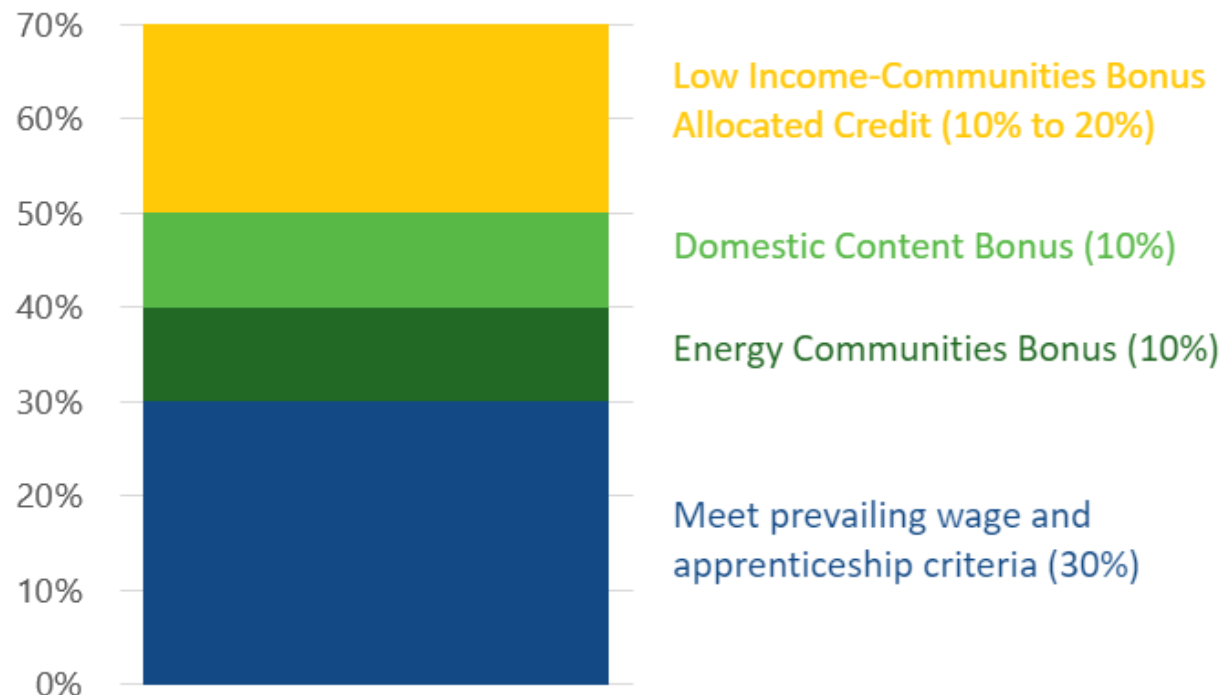


Opportunities for Community Solar

- Clean electricity credits are not just for large utility scale projects but can also apply to residential and community projects
- Community solar allows everyone to benefit from solar energy, even if they can't put panels on a rooftop. Benefits flow to multiple customers such as individuals, businesses, nonprofits, and other groups
- There are bonuses for projects under 5MW located in low-income communities, on Indian land, part of affordable housing developments, and benefitting low-income households

Clean Electricity Investment Tax Credit Example

Total Investment Tax Credit



Credit is 5x lower if not meeting wage and apprenticeship criteria

Tax credits and bonuses can stack, creating possibly large credit values.

A hypothetical 1 MW community solar facility costing \$1 million could earn a **70% tax credit** worth \$700,000

If it is owned by a tax-exempt entity, this could be a **direct cash payment** from the IRS

Tax Opportunities for Industry

IRA Boosts American Manufacturing

- IRA represents first full-scale effort to orient U.S. economy toward industrial clean energy policy
- Example incentives promoting clean energy manufacturing:
 - \$10 billion in tax credits to build or retrofit facilities that produce clean energy products (48C)
 - \$2 billion for DOE grants to retrofit automaking facilities



Tax Incentives for Home Builders

Zero Energy Ready Homes Tax Credit (45L)

- Provides taxpayers with a tax credit for eligible new or substantially reconstructed homes that meet applicable ENERGY STAR home program or DOE Zero Energy Ready Home (ZERH) program requirements – up to \$5,000 per home

Savings Opportunities for Consumers

Making Homes and Appliances More Energy Efficient

- To help determine the best home improvement options, families can claim a credit of up to \$150 for a home energy audit conducted by an inspector
- Families can claim up to \$1,200 in credit each year for adding insulation or installing efficient windows and doors
- State programs to offer rebates for electric appliances and home retrofits, which will reduce household energy bills each month

Consumer Tax Credits

energy.gov/save

Equipment type	Tax Credit Available for 2023-2032 Tax Years
Home Clean Electricity Products	
Solar (electricity)	30% of cost
Fuel Cells	
Wind Turbine	
Battery Storage	
Heating, Cooling, and Water Heating	
Heat pumps	30% of cost, up to \$2,000 per year
Heat pump water heaters	
Biomass Stoves	
Geothermal heat pumps	30% of cost
Solar (water heating)	
Efficient air conditioners*	30% of cost, up to \$600
Efficient heating equipment*	
Efficient water heating equipment*	
Other Energy Efficiency Upgrades	
Electric panel or circuit upgrades for new electric equipment*	30% of cost, up to \$600
Insulation materials*	30% of cost
Windows, including skylights*	30% of cost, up to \$600
Exterior doors*	30% of cost, up to \$500 for doors (up to \$250 each)
Home Energy Audits*	30% of cost, up to \$150
Home Electric Vehicle Charger	30% of cost, up to \$1,000**

*Subject to cap of \$1,200/year

** The IRS will soon publish further information on eligibility requirements related to home electric vehicle chargers, but we know that credits are intended for residents in non-urban or low-income communities.

Home Energy Rebates

Rebates are being offered through States and Tribes.

Home Efficiency Rebates

- Focused on whole-home savings
- All households potentially eligible
- Provides discounts up to \$4,000 per household (up to \$8,000 for low-income households)

Home Electrification Rebates

- Provides discounts for certain efficient, electric appliances & home upgrades
- Only households with low- or moderate incomes (less than 150% area median income) eligible for Home Electrification Rebate
- Can be combined up to \$14,000 per household, up to 100% of project costs for low-income households
- Find more information here: <https://www.energy.gov/scep/home-energy-rebate-programs>

Resources

- [Energy.gov/save](https://energy.gov/save)
- [Energy.gov/infrastructure](https://energy.gov/infrastructure)
- whitehouse.gov/cleanenergy/clean-energy-tax-provisions/

<https://www.irs.gov/credits-deductions/elective-pay-and-transferability-frequently-asked-questions-transferability>

<https://energycommunities.gov/energy-community-tax-credit-bonus/>

<https://www.energy.gov/infrastructure/qualifying-advanced-energy-project-credit-48c-program>

<https://www.whitehouse.gov/wp-content/uploads/2022/12/Inflation-Reduction-Act-Guidebook.pdf>

Thank You! Questions?

