



## Tax Credits: No Tax Liability Needed

Inflation Reduction Act's new direct pay and transfer options allow more organizations to utilize clean energy tax credits for equipment placed in service on or after January 1, 2023 and through December 31, 2032:

- **Direct Pay:** Direct pay, also called ‘elective pay’, allows the value of certain tax credits to be distributed as a direct payment to non-taxable entities, such as tax-exempt organizations; states; political subdivisions such as cities, counties, or school districts; Indian Tribal governments; and rural electricity co-ops.
- **Transferability:** Transferability allows eligible taxpayers, that are not tax-exempt entities, to **transfer** all or a portion of certain tax credits to an unrelated party. This is particularly helpful for households and businesses that may not have adequate tax burden to otherwise benefit from the full value of the credit.

## Federal Incentives Summary

Topic	Incentive Name	Incentive Amount	Direct Pay	Transferability	Stackability Rules
Renewable Energy	Production Tax Credit	Up to a credit of <b>\$0.018 per kwh</b> of renewable energy generated	Yes	Yes	Credit reduced for tax-exempt bonds with similar rules as section 45(b)(3)
	Investment Tax Credit	Up to <b>70%</b> off the cost of a renewable energy system	Yes	Yes	Credit reduced for tax-exempt bonds with similar rules as section 45(b)(3)
Building Energy Efficiency	Energy Efficient Commercial Buildings Credit	Up to <b>\$5.00/sqft</b> for building energy efficiency improvements	No	No	No rules - Combine freely with other incentives
Clean Vehicles, Charging Infrastructure, Alternative Fuels	Commercial Clean Vehicles Credit	Up to <b>\$7,500</b> for vehicles less than 14,000 lbs - Up to <b>\$40,000</b> for all other clean vehicles	Yes	No	Cannot claim both Residential (30D) and Commercial (45W) clean vehicle credits
	Alternative Fuel Vehicle Refueling Property Credit	Up to <b>30%</b> off the cost of alternative fuel vehicle refueling/charging property	Yes	Yes	No rules - Combine freely with other incentives

Explore how these incentives can stack together, and with local incentives, at [ElectrifyMissoula.org](http://ElectrifyMissoula.org).



### Production Tax Credit – Extended as Clean Electricity Production Tax Credit

**Availability:** Applies to facilities placed in service after December 3, 2022 and before December 31, 2032.

**Description and Eligibility:** Provides a tax credit for production of electricity from renewable sources, such as wind, biomass, geothermal, solar, small irrigation, landfill and trash, hydropower, and marine and hydrokinetic renewable energy.

**Base Credit Amount:** As of 2022, the credit was \$0.003/kWh of electricity generated. Credit value adjusts annually for inflation.

**Bonus Credits:**

- Credit is increased by 5 times for projects meeting prevailing wage and registered apprenticeship requirements.
- Credit is increased by 10% if the project meets certain domestic content requirements for steel, iron, and manufactured products.
- Credit is increased by 10% if located in an energy community.

Ask your installer or tax professional for the latest guidance on requirements regarding prevailing wage, apprenticeship, domestic content, and energy communities.

**Direct Pay:** Yes

**Transferability:** Yes

**Stackability:** Credit reduced for tax-exempt bonds with similar rules as section 45(b)(3).

**Tax Code:** 26 U.S. Code § 45

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# Investment Tax Credit - Extended as Clean Electricity Investment Tax Credit

**Availability:** Applies to facilities placed in service after December 31, 2022 and before December 31, 2032.

**Description and Eligibility:** Provides a tax credit for fuel cell, solar electricity of heating technologies, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties.

**Base Credit Amount:** 6% off the energy property investment for projects above 1 MW, unless they meet bonus credit provisions. Projects under 1MW are exempt from prevailing wage and registered apprenticeship requirements and receive the full 30% credit, plus any other applicable bonus credits.

### **Bonus Credit Amount:**

- Credit is increased by 5 times (to 30%) for projects meeting prevailing wage and registered apprenticeship requirements.
- Credit is increased by up to 10 percentage points for projects meeting certain domestic content requirements for steel, iron, and manufactured products.
- Credit is increased by up to 10 percentage points if located in an energy community.
- **Projects can also apply for one of the following bonus credits:**
  - Credit is increased by 10 percentage points for facilities located in low-income communities **OR** on Tribal land. (For small scale solar and wind projects less than 5 MW)
  - Credit is increased by 20 percentage points for facilities that are part of certain federally subsidized housing programs **OR** that offer at least 50 percent of the financial benefits of the electricity produced to low-income households. (For small scale solar and wind projects less than 5 MW)

Ask your installer or tax professional for the latest guidance on requirements regarding prevailing wage, apprenticeship, domestic content, energy communities, low-income communities, Tribal land, and affordable housing.

**Direct Pay:** Yes

**Transferability:** Yes

**Stackability:** Credit reduced for tax-exempt bonds with similar rules as section 45(b)(3).

**Tax Code:** 26 U.S. Code § 48

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### Energy Efficient Commercial Buildings Deduction

**Availability:** Permanent

**Description and Eligibility:** Provides a tax deduction for energy efficiency improvements to commercial buildings, such as improvements to interior lighting; heating, cooling, ventilation, and hot water; and building envelope. Eligible recipients include owners and long-term lessees of commercial buildings, as well as designers of energy efficient building property (architects, engineers).

**Base Credit Amount:**

- As of 2022, the deduction was \$0.50/sqft - \$1/sqft, depending on the increase in efficiency, with deductions over a four-year period capped at \$1.00/sqft. Deduction value adjusts annually for inflation.
- Alternatively, taxpayers can qualify for deductions through “qualified retrofit plans” that reduce a building’s energy use intensity by at least 25%.

**Bonus Credit Amount:** 5 times the base deduction amount (up to \$5.00/sqft) if the project meets prevailing wage and registered apprenticeship requirements.

Ask your contractor or tax professional for the latest guidance on prevailing wage and apprenticeship requirements.

**Direct Pay:** No, but if the system or building is installed on federal, state, or local government property, the tax deduction may be taken by the person primarily responsible for the system’s design. The tax deduction does not apply to other non-tax paying entities, including but not limited to NGOs or churches, unless there exists an energy-as-a-service agreement that is owned by a tax paying company.

**Transferability:** No

**Stackability:** No rules

**Tax code:** 26 U.S. Code § 179D

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## Commercial Clean Vehicles Credit

**Availability:** Vehicles placed in service after January 1, 2023 and acquired before January 1, 2033.

**Description and Eligibility:** Provides a tax credit for purchasers of qualified commercial clean vehicles. Eligible recipients include businesses that acquire motor vehicles or mobile machinery for use or lease and tax-exempt entities that acquire them for use.

**Base Credit Amount:** The amount of the credit is the lesser of:

- 15% of the vehicle's cost or 30% of the vehicle's cost for vehicles without internal combustion engines, OR
- The amount that the purchase price exceeds the price of a comparable internal combustion vehicle.

The credit is capped at \$7,500 for vehicles that weigh less than 14,000 lbs and \$40,000 for all other clean vehicles.

**Bonus Credit Amount:** None

**Direct Pay:** Yes

**Transferability:** No

**Stackability:** Cannot claim both the Residential (30D) and Commercial (45W) clean vehicle credits.

**Tax code:** 26 U.S. Code § 45W

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## Alternative Fuel Vehicle Refueling Property Credit (*Commercial*)

**Availability:** January 1, 2023 through December 31, 2032

**Description and Eligibility:** Provides a tax credit for alternative fuel vehicle refueling and charging property in low-income and rural areas. Alternative fuels include electricity, ethanol, natural gas, hydrogen, biodiesel, and others.

**Base Credit Amount:** 6% off the cost of the refueling/charging property, limited to a \$100,000 credit per item of property.

**Bonus Credit Amount:** Businesses can claim a 30% credit for projects meeting prevailing wage and registered apprenticeship requirements.

Ask your contractor or tax professional for the latest guidance on prevailing wage and apprenticeship requirements.

**Direct Pay:** Yes

**Transferability:** Yes, for property used in a trade or business.

**Stackability:** No rules

**Tax code:** 26 U.S. Code § 30C

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