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Inflation Reduction Act Opportunities for State and Local Governments

January 16, 2024



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****Both of these requirements must be met to receive CPE credit****



Learning Objectives

1

Describe the various tax credit opportunities created by the IRA

2

Recall how credit refunds and transfers operate under the IRA

3

Describe the latest legal and regulatory updates under the IRA

4

Identify how to plan for clean energy investments within your agency or entity

5

Recognize grant opportunities for local governments included in the IRA and Infrastructure Law





The Inflation Reduction Act

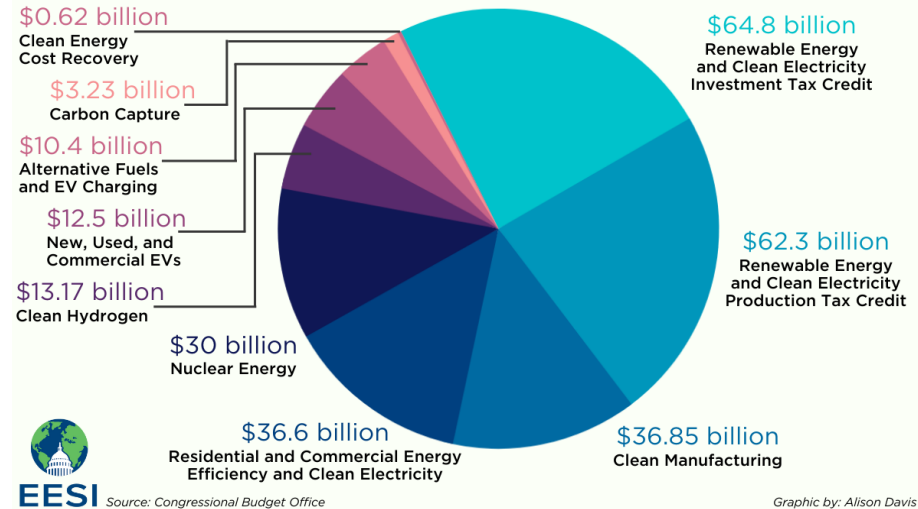


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IRA Funding Breakdown

- Eligible Entities: governments, non-profits and for-profit entities
- Funding categories:
 - renewable energy,
 - manufacturing,
 - energy efficiency,
 - EVs,
 - others

Carrots Over Sticks: Green Tax Credits in the Inflation Reduction Act



Source: https://www.eesi.org/images/content/IRA.tax_credits.png



IRA Snapshot

Creates and modifies a number of renewable energy credits as well as financing programs

Creates new monetization options for tax-exempt and taxable entities

Section 6417 provides an elective pay option (i.e., cash refund) for:

- Tax-exempt organizations
- State and local governments
- Tribal governments
- Rural electric cooperatives

Section 6418 provides a transferability option for for-profit organizations

- Taxpayers can buy and sell credits for cash

IRS portal launched in Dec. 2023 → registration is live

Treasury and IRS have released some guidance, but more to come



Refundable/Transferable Credits

§30C Alternative fuel vehicle refueling property credit

§45 Electricity produced from certain renewable resources, etc.

§45Q Credit for carbon oxide sequestration

§45U Zero-emission nuclear power production credit

§45V Credit for production of clean hydrogen

§45W Credit for qualified commercial clean vehicles (elective pay only)

§45X Advanced manufacturing production credit

§45Y Clean electricity production credit

§45Z Clean fuel production credit

§48 Energy credit

§48C Advanced energy project credit

§48E Clean electricity investment credit





Specific Credit Opportunities



Section 48 Energy Investment Tax Credit

Tax credit for a percentage of the cost of placing specified energy property into service

Base credit rate is 6%

30% if less than 1 megawatt

Applies to:

- Solar
- Wind
- Biogas
- Geothermal
- Energy storage property
- Combined heat and power systems
- Microgrid controllers
- Electrochromic glass



Section 45 Production Credit

Per kWh credit for production of electricity from renewable sources

Rates vary depending upon energy source

Prevailing wage and other bonus credits available

Applies to:

- Solar
- Wind
- Municipal solid waste
- Geothermal
- Biomass
- Hydroelectric



Section 30C Alternative Fuel Refueling Credit

Credit Amount

- 6% of the cost of any single item of qualified property not meeting prevailing wage, up to \$100,000
- 30% of the cost of qualified property if prevailing wage is met, up to \$100,000

Basis and Recapture

- Basis in property must be reduced by amount of the credit
- Basis does not include any property expensed under Section 179
- Recapture required if property ceases to be qualified property



Section 30C Cont'd

Qualified property

- Property used for the storage or dispensing of alternative fuel into the fuel tank of a motor vehicle propelled by that fuel
- Includes fuel tanks, pumps, and other property used to transfer fuel

Alternative Fuels

- Electricity
- At least 85% of its volume consists of one or more of the following:
 - Compressed natural gas
 - Liquified natural gas
 - Liquified petroleum gas
 - Natural gas
 - Hydrogen
 - Ethanol



Census Tract Requirements

- Effective 1/1/23, qualified property must be installed in locations that meet the following census tract requirements:
 - The census tract is not an urban area
 - A population census tract where the poverty rate is at least 20%; or
 - Metropolitan and non-metropolitan area census tract where the median family income is does not exceed 80% of the state median family income level



Section 45W Clean Vehicle Credit



Applies to clean commercial vehicles and mobile machinery acquired or leased after 2022 and before 2033



Credit equals the lesser of:

- 15% of the vehicle's basis (30% if fully electric) or
- Incremental cost of the vehicle



Max credit is:

- \$7,500 for vehicles less than 14,000 GVWR, and
- \$40,000 for all others





Bonus Credits



Prevailing Wage and Apprenticeship

Increases the base credit by 5X generally

A prevailing wage is a wage the federal government requires to be paid by contractors to workers under the Davis-Bacon Act

Hourly wage plus overtime and benefits as set by the Department of Labor based on the locality where the construction, alteration, or repair is being performed

Apprentices must work a certain percentage of the total labor hours depending on when construction of begins



Domestic Content Bonus

- Projects are eligible for an additional bonus credit of 2% (10% if 5X multiplier applied) if the following conditions are met:
 - 100% of any steel or iron that is a component of the facility is manufactured in the United States
 - Not less than 40% of the manufactured components of the facility are manufactured in the United States

100% of steel and iron
produced from the US

At least 40% of
manufactured
components produced in
US



Energy Communities

- Projects are eligible for an additional bonus credit of 2% (10% if 5X multiplier applied) if the facility is located in any of the following:
 - A brownfield site
 - An area that:
 - Has (or, at any time during the period beginning after December 31, 2009, had) 0.17% or greater direct employment or 25% or greater local tax revenues related to the extraction, processing, transport, or storage of coal, oil, or natural gas, or
 - Has an unemployment rate above the national average for the previous year, or
 - Has a census tract or a census tract that is adjoining a census tract in which a coal mine has closed after 1999 or a coal-fired electric generating unit was retired after 2009



Low-Income Communities



Project is built in a low-income community as defined by the New Markets Tax Credit or on Indian Land can receive an increased tax credit of 10%



Project associated with a low-income residential building project, or a low-income economic benefit project, can receive an increased tax credit of 20%

Credit Rate Tables

Category	Amount* for Projects less than 1MW _{AC} (Cumulative)	Amount* for Projects greater than 1MW _{AC} (Cumulative)
Base Tax Credit	ITC: 30% PTC: 2.75¢/kWh	ITC: 6% PTC: 0.5¢/kWh
Wage & Apprenticeship Requirements (Requires a percentage of total labor hours performed by qualified apprentices)	ITC: N/A PTC: N/A	ITC: +24% PTC: +2.25¢/kWh

www.epa.gov/green-power-markets/summary-inflation-reduction-act-provisions-related-renewable-energy



Credit Rate Tables Cont'd

Category	Amount* for Projects less than 1MW _{AC} (Cumulative)	Amount* for Projects greater than 1MW _{AC} (Cumulative)
Domestic Content Minimums (% attributable to U.S. Manufactured Products)	ITC: +10% PTC: +0.3¢/kWh	ITC: +10% PTC: +0.3¢/kWh
Siting in Energy Community ex. Brownfield site, area related to mining operations)	ITC: +10% PTC: +0.3¢/kWh	ITC: +10% PTC: +0.3¢/kWh
Siting in Low-Income Community or on Indian Land (<5 MW _{AC})	ITC: +10% PTC: N/A	ITC: +10% PTC: N/A
Qualified Low-Income Residential Building Project or Economic Benefit Project	ITC: +20% PTC: N/A	ITC: +20% PTC: N/A

www.epa.gov/green-power-markets/summary-inflation-reduction-act-provisions-related-renewable-energy





Credit Monetization



Claiming Direct Payments

Pre-filing registration

- Must be completed prior to filing the tax return where a direct pay election is made
- IRS is advising a minimum of 120 days to process registrations
- Must provide certain information about organization, the credits you intend to claim, and details regarding the property giving rise to the credit
- A registration number will be issued that will be required when making the election on tax return
- IRS will issue a separate registration number for each applicable credit property

Making the election on a tax return

- Must be made on a timely filed return (including extensions) → cannot be made on an amended return
- Must be filed on Form 990-T by due date along with:
 - Form 3800 (General Business Credit)
 - Applicable credit form and registration info from above
 - State and local governments that do not file a tax return will need to file a Form 990-T for this limited purpose





Project Financing Opportunities



Infrastructure Bill Summary

- \$1.2T of federal funding
- Funding opportunities through grants and loans
- Focused on the following areas:
 - Transportation (Dept of Transportation)
 - Broadband (Dept of Commerce)
 - Storm and Water (Environmental Protection Agency)
 - Energy (Dept of Energy)
 - Mitigation and Disaster Relief (FEMA)
 - Cybersecurity (Dept of Homeland Security)



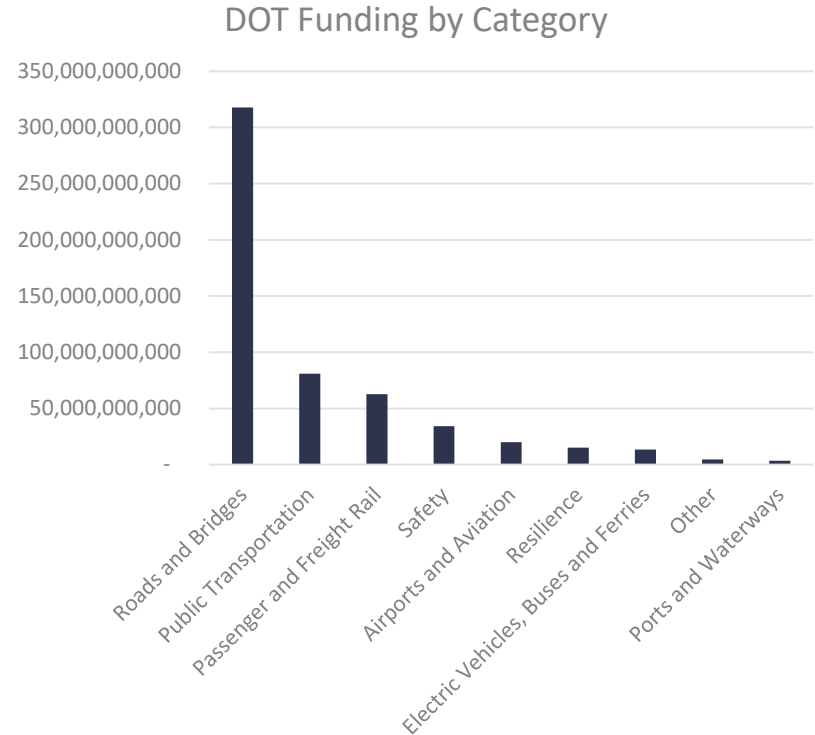
* Includes Highway Trust Fund, Inland Waterways Trust Fund, etc., which provide dedicated funds from existing taxes and fees for infrastructure that would be automatically spent with or without the bipartisan infrastructure bill.

<https://www.grassley.senate.gov/news/news-releases/myths-and-facts-infrastructure-investment-and-jobs-act>



Transportation (DOT)

- Largest federal agency administering funding (\$552B)
- Cities, Counties and Transportation District are biggest beneficiaries
- Funding through state DOT's and grants through Federal DOT



Storm and Wastewater



Provides \$23.56 for the Clean Water and Drinking Water State Revolving Funds over five years (SRF)



Addresses lead in drinking water by providing \$15B to replace lead service lines



Invests \$9B in addressing emerging contaminants

Energy Grants (DOE)

- Focused on Transmission, energy efficiency, and grid resiliency
- Minimal funding for renewable energy – Don't confuse with IRA
- Invests \$5B in a new competitive grant program to enhance grid resiliency
- Invests \$3.5B for the Weatherization Assistance Program
- New, \$2.5B revolving loan fund to replace or enhance transmission lines
- Invests over \$3B in grants to state and local governments for battery processing
- Provides \$1.2B to fund Brownfields projects



Cybersecurity

- Administered through the Dept of Homeland Security
- Purpose:
 - Implement cyber governance and planning;
 - Assess and evaluate systems and capabilities;
 - Mitigate prioritized issues;
 - Build a cybersecurity workforce.
- Funding amount: \$1.9B
- Largely allocation to rural areas



Inflation Reduction Act Grants

- Approximately \$145M in grant opportunities
- Total of 119 various grants
- Open Grant opportunities to non-governmental entities
- Grant examples include:
 - Energy efficiency
 - Renewable energy investments (wind and solar)
 - Transmission development
 - Air pollution remediation and greenhouse gas reduction
 - Grants for manufacturing of green vehicles and renewable energy component parts



Funding Mechanisms



Competitive grants, through federal grant programs and competitive processes run by state departments (IRA and Infrastructure Bill)



Suballocations from State's (Infrastructure Bill)



Federal formulas (Infrastructure Bill)



Loans and Loan Guarantees (IRA and Infrastructure Bill)



Rebate programs (IRA)



Considerations of Federal Funding

- Single audit: Federal single audit might be required
- Matching: Grants likely require organization to contribute a percent of funds
- Period of Availability: Funds need to be spent in a certain period
- Application process: competitive grants (start early) and grants are not guaranteed
- Loans: Application process but low debt service cost



Grant and Rebate Links

- State Incentive Programs

[Database of State Incentives for Renewables & Efficiency® - DSIRE \(dsireusa.org\)](https://www.dsireusa.org)

- Inflation Reduction Act

[Inflation Reduction Act Guidebook | Clean Energy | The White House](#)

- Federal Highway

[Bipartisan Infrastructure Law - Competitive Grant Programs | Federal Highway Administration \(dot.gov\)](#)



Thank you!

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