



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Unlocking Green Energy Tax Credits from the Inflation Reduction Act

August 16, 2023



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

Learning Objectives

At the end of this session, you will be able to:

- Identify the various tax credit provisions under the IRA
- Describe the different credit rates and bonus credits available
- Describe the elective pay and credit transfer options available
- Recall the registration and submission process for elective pay requests and credit transfers



Today's Presenters



Michael De Prima
Principal, Tax – Federal Tax Strategies
michael.deprima@claconnect.com



Susan Roberts
Managing Principal of Industry, Tax
susan.roberts@claconnect.com



Ben Seeley
Manager, Tax – Federal Tax Strategies
ben.seeley@claconnect.com





The Inflation Reduction Act



©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

IRA Snapshot

Creates and modifies a number of renewable energy credits as well as grant 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

Programs are still being established → expected in late 2023

Treasury has released some guidance, including temporary and proposed regulation re: monetization



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



©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

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
- Microgrid controllers
- Several others



Section 45 Production Credit

Per kWh credit for the 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

- **Non-Depreciable property**
 - 30% of the cost of any qualified property, up to \$1,000
- **Depreciable Property**
 - 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 45X Advanced Manufacturing Production Credit



Credit for the production of certain renewable energy equipment and components



The production must be conducted in the United States and sales must be made to unrelated parties



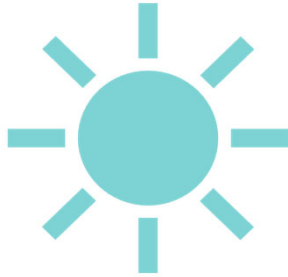
Credit rate depends on item being produced



Refundable and transferable



Section 45X Cont'd



Eligible component categories

Solar energy components

Wind energy components

Inverters

Qualifying battery components

Applicable critical minerals



Interaction with Sec. 48C

Property produced at a facility that received a Sec. 48C credit is not eligible for the Sec. 45X credit





Bonus Credits



©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

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
sourced from the US

At least 40% of
manufactured
components sourced from
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



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



©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Claiming Direct Payments

Pre-filing registration

- Must be completed prior to filing the tax return where a direct pay election is made
- 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
- IRS has indicated that more information regarding pre-filing registration will be available when the process is released later in 2023

Making the election on a tax return

- Must be filed on Form 990-T by due date (including extensions) along with
 - Form 3800 (General Business Credit)
 - Applicable credit form



Transferring Credits

How to buy and sell credits

- Taxpayers must be unrelated parties
- Must be purchased solely for cash (i.e., U.S. dollars only, no foreign currency or cash equivalents are permitted)
- Once the purchase is lined up, a transfer election statement must be arranged between the buyer and seller
- Taxpayers must complete pre-filing registration with the IRS if they intend to transfer some or all of an eligible credit

Transfer election statement

- Some flexibility in terms of the exact form of the transfer election statement, but must generally include:
 - Name, address, and taxpayer identification number for both the buyer and seller
 - A description of the type and amount of the eligible tax credit being transferred
 - Amount of cash paid for the credit
 - Registration number related to the credit property
 - Attestation seller is not related to the buyer and a representation acknowledging the notification of recapture requirements



Disallowance and Recapture

Transferee generally must repay the amount of a disallowed credit

If transferor retains a portion of the credit, the disallowance is first applied to the transferor

After adjustment is applied to the transferor, transferee is liable for excessive transfer

For eligible credits under sections 48, 48C, 48E, and 45Q, transferee bears the financial responsibility of a recapture event

The transferor is required to notify the transferee if a recapture event occurs

For other eligible credits, recapture is not applicable



Thank you!

Michael De Prima
239.280.3548
michael.deprima@claconnect.com

Ben Seeley
330.266.2204
ben.seeley@claconnect.com



CLAcconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.