

On the Horizon

Public Sector IRA Tax Credit Opportunities

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Your Presenters



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IRA
Clean Energy Credits



Capital Expenditures

- Clean energy property
- Construction/renovation



Manufacturing

- Manufacture of clean energy property
- Re-equip/expand manufacturing facility of clean energy property



Carbon Sequestration

- Capture – dispose or utilize



Alternative Fuels

- Clean nuclear
- Biodiesel & others
- Clean hydrogen
- Aviation fuels



Electric Vehicles

- ~~Vehicles~~
- Charging stations
- ~~Mobile machinery~~



Energy Production

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IRA – Simple Example

Company places solar panels on rooftop in 2024. The basis of the property is $1,000,000. Assuming all bonus credit requirements are met, the credit calculation would be:

Pre IRA

Description	Rate/ Calculation	Credit Amount
Base credit	30%	**$300,000**

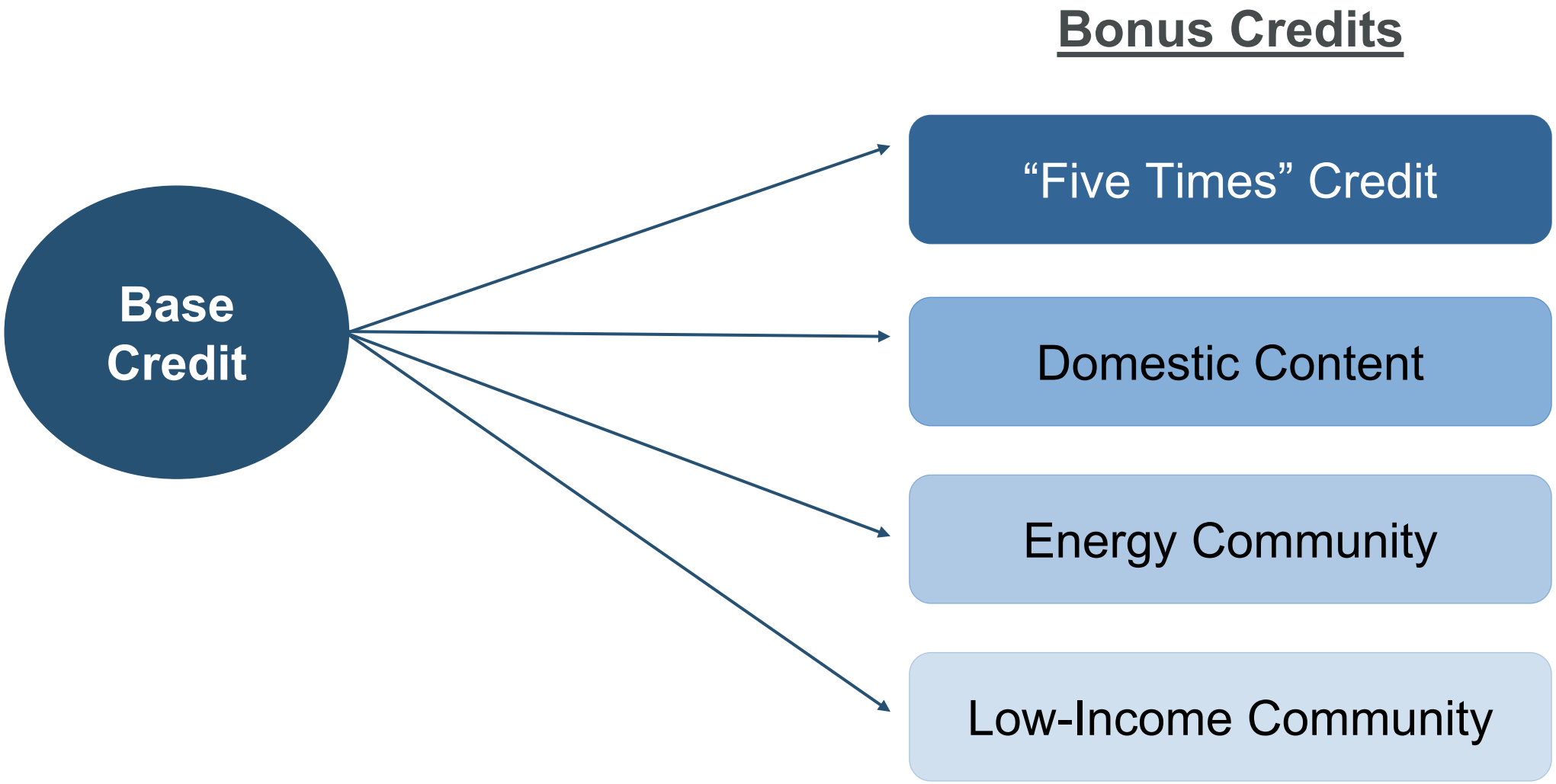
Post IRA

Description	Rate/Calculation	Credit Amount (Cumulative)
Base credit	6%	$ 60,000
5 times bonus	x5	$300,000
Domestic content	10%	$400,000
Energy community	10%	**$500,000**

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Credit Mechanics



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Bonus Credits

Base x 5

- "Five Times" Bonus Credit – Either:
  - Project less than 1 megawatt, OR
  - Prevailing wage and apprenticeship requirements (PWA)

Prevailing Wage Requirement

- Pay at least prevailing wage to all laborers and mechanics on project
  - Employed by taxpayer, contractor, or subcontractor
  - Consider including in contracts
- Wage determination: https://www.sam.gov
- Recordkeeping requirements
- Cost/benefit analysis of increased pay versus credit benefit

Apprenticeship Requirement

- If 4 workers, must have at least one qualifying apprentice
- Total hours component
- Request from qualifying apprenticeship programs
- Recordkeeping requirements
  - Daily "proof" required

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Bonus Credits

Domestic Content

10%

- Steel & Iron – 100% U.S. Sources
- Manufactured product – 45% U.S. components (2025 projects)
- Safe Harbor rules for solar/wind/energy storage

Energy Community

10%

- Brownfield Site
- Statistical area – specific requirements
- Census tract with (or adjoining) closed coal mine
- Website/map available

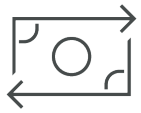
Low Income Community

10%-20%

- Solar facilities
- Wind facilities
- Applies to additional clean energy technologies beginning in 2025

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Monetizing Credits



Transferability – “Selling” Credits

- Taxable and non-taxable entities eligible
- Potentially expected discount: 10%+/-
- Registration of projects required – timing is key
- Exchanges/venues for transfer available
- Risk involved – recapture with transferee, PWA requirements with transferor
  - Insurance available
  - Contracts important
  - Due diligence is extensive

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Monetizing Credits



Direct Pay – Cash "Refund"

- Generally available for tax-exempt entities
- Elective Payment
  - Creates a refundable credit even if no tax liability exists
  - Election is irrevocable for the tax year once made
- Registration of projects required
- Credit is claimed on Form 990-T
  - Organizations that normally would not file 990-T are required to file to receive the Direct Payment and claim the credit

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The One Big Beautiful Bill Act

Clean Energy Credits

Summary

- Full repeal of many credits
- Adjustments or accelerations of phase-outs to other credits
- Adds provisions to disallow credits for taxpayers deemed to be “specified foreign entities” or foreign-influenced entities (or those involved with them in specific ways)

Credits Terminated

- Sections 25E, 30D and 45W (clean vehicle credits) terminated for vehicles after September 30, 2025
- Section 30C (Alternative Fuel Vehicle Refueling Property Credit) terminated for property placed in service after June 30, 2026.
- Sections 25C and 25D (home credits) terminated for property placed in service after December 31, 2025
- 179D repealed for projects starting construction after June 30, 2026

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The One Big Beautiful Bill Act

Clean Energy Credits

Production and Investment Tax Credit Sections 45Y and 48E

Solar and Wind Projects

- Projects that begin construction* within 12 months after date of enactment (by July 4, 2026) must be placed in service by end of 2030
- Projects that begin construction 12+ months after date of enactment must be placed in service by end of 2027 to claim a credit
- No credit allowed for a project beginning construction after December 31, 2025 that receives material assistance from a prohibited foreign entity (PFE)

Other Energy Projects (not solar or wind)

- Examples are geothermal heat pumps, COGEN etc.
- Construction must begin before 2034 to claim the full credit
- Phase down of credit in 2034 with complete elimination in 2036

Transferability still allowed

- Only change is cannot transfer to a foreign prohibited entity

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The One Big Beautiful Bill Act

Clean Energy Credits

Prohibited Foreign Entity Guidance

- AKA Foreign Entity of Concern (FEOC) rules
- Relates to solar, wind and energy storage technologies
- No credit allowed for projects started after December 31, 2025 that receive material assistance from a PFE
- Solar/wind requirement starts at 40% of costs to non-PFE for 2026 (55% for energy storage), increases annual, capped at 60% in 2030
- PFE countries currently include China, North Korea, Iran & Russia

Notice 2026-15

- Guidance for determining if energy projects are receiving material assistance from a PFE & for calculating the Material Assistance Cost Ratio (MACR)
- Supply-chain depth – “how far up the chain?”
    - Safe harbor allows similar depth as domestic content safe harbor tables
    - Manufactured products (MP) & manufactured product components (MPC) only

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The One Big Beautiful Bill Act

Clean Energy Credits



Notice 2026-15 (continued)

- Proposed regulations to come, including official definitions of a PFE and material assistance…
- Can rely on notice guidance for 60 days after formal proposed regulations are issued

Planning Tip!

- If already sourcing 40%+ of materials to non-PFE, consider sourcing 50%+ to US manufacturers to claim 10% domestic content bonus credit

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IRA Case Studies



IRA Tax Credit Case Study #1

Organization Facts

- Large city – population over 1M
- Installed multiple rooftop solar systems (all below 1 MW) – $3M spend
- Installed multiple electric vehicle charging stations – $140K spend
- Purchased 50+ commercial clean energy vehicles – $3M spend

Credit Calculation

- Section 48 ITC – $1.2M (energy community)
- Section 30C – $42K
- Section 45W – $412.5K
- Total Credits – $1,654,500

Claim & Monetize

- Direct Pay Registration
- Returns, Elections, Special Forms
- Tax Return Preparation & Filing

Date Construction Began	Project Placed in Service	Pre-Registration Completed	Filing of Form 990-T & Applicable Forms	Direct Payment Received
January 2024	Before September 30, 2024	January 2025	By August 15, 2025	Early 2026

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IRA Tax Credit Case Study #2

Organization Facts

- Community college
- Solar Panel Farm installed in August 2024
- Total cost basis of project – $2,000,000

Credit Calculation

- System capacity less than 1 megawatt
- Located in an Energy Community
- Full repayment of capital spend within 5 years

Five Times Bonus Credit Only

$2,000,000 x 30% = $600,000

Energy Community Bonus

$2,000,000 x 10% = $200,000

Total Section 48 Tax Credit

$800,000

Net Project Cost

$2,000,000 x 60% = $1,200,000

Anticipated Energy Cost Reduction

$20,000 per month

Annual Savings = $240,000

Repayment Calculation

$1,200,000 / $240,000 = 5 Years

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IRA Tax Credit Case Study #3

Organization Facts

- Midwest City
- Installed geothermal heat pump in 2024
- Total cost basis of project – $1,500,000

Credit Calculation

- System capacity less than 1 megawatt
- Located in an Energy Community
- Full repayment of capital spend within 10 years

Five Times Bonus Credit Only

$1,500,000 x
30% = $450,000

Domestic Content Bonus

$ $1,500,000 x 10%
= $150,000

Total Section 48 Tax Credit

$600,000

Net Project Cost

$2,000,000 x
60% = $900,000

Anticipated Energy Cost Reduction

$8,000 per month

Annual Savings
= $96,000

Repayment Calculation

$900,000 /
$96,000 = 9.375 Years

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Investment/Production Tax Credit

	Section 48/48E – Investment Tax Credit	Section 45/45Y – Production Tax Credit
How is it calculated?	• Credit is a % of cost	• Credit is dependent on energy produced
How much is the credit?	• 6% base • Bonus credits eligible (50% possible)	• 0.3 cents/kWh • Bonus credit eligible (1.8 cents/kWh possible) • Adjust for inflation
When can I take the credit?	• Taken when property placed in service • Construction to begin before 1/1/25 for some property (then Section 48E)	• Credit over 10-year period • Construction to begin before 1/1/25 for some property (then Section 45Y)
Examples	• Battery storage • Heating/cooling equipment using ground or ground water • Combined heat and power system • Dynamic glass • Solar panels	• Closed or open-loop biomass facilities • Qualified hydropower facilities • Gas or trash facilities • Wind facilities • Solar or geothermal facilities

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Investment/Production Tax Credit

- Section 48 Regulations
  - Updated definitions of each eligible property category now available
  - Components included in energy property if functionally interdependent and an integral part of energy property
  - Retrofitted energy property – “80/20 Rule”
  - Dual use property – “50 percent cliff”
  - Interconnection property:
    - Included if net output not greater than 5 megawatts
    - Specific property types may *not* include interconnection property as eligible basis, for example:
      - Microgrid controllers, electrochromic glass property, fiber optic solar energy, among others

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Credit Summary (Not All-Inclusive)

Credit	Credit Description	Eligible Property/Project
48/45/ 48E/45Y	Investment/Production Tax Credits	Clean energy property, for, e.g., Solar panels, energy storage, heat & power systems, dynamic glass (transitioned to 48E/45Y 1/1/2025)
30C	“Charging Station” Credit	Refueling property located within either a low-income community or non-urban area. Electric charging stations, bidirectional charging equipment, clean-burning fuel storage & dispensing
45W	Qualified Commercial Electric Vehicle	Electric vehicles or mobile machinery
45X	Advanced Manufacturing Production	Eligible solar or wind energy component, inverter, battery component, or critical mineral produced in the year & sold to an unrelated party
48C	Qualifying Advanced Energy	Project that re-equips, expands, or establishes an industrial or manufacturing facility for the production or recycling of certain clean energy property
45Q	Carbon Capture	Carbon capture equipment that either captures & sequesters or utilizes/injects carbon dioxide

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Credit Summary

Credit	Max Credit	x5	Domestic Content	Energy Community	Low-Income	Transferable	Ending Date
48	50%	•	•	•	•	•	12/31/24 (change to 48E)
45	1.8 cents/kWh	•	•	•		•	12/31/24 (change to 45Y)
48C	30%	•		$ earmarked for ECs			Limited by allocations
45Q	$130 or $180 per metric ton	•				•	1/1/2033 construction commencement
30C	30%	•				•	12/31/32
45W	$7,500 or $40,000						1/1/33
45X	Varies					•	12/31/33

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Questions?



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