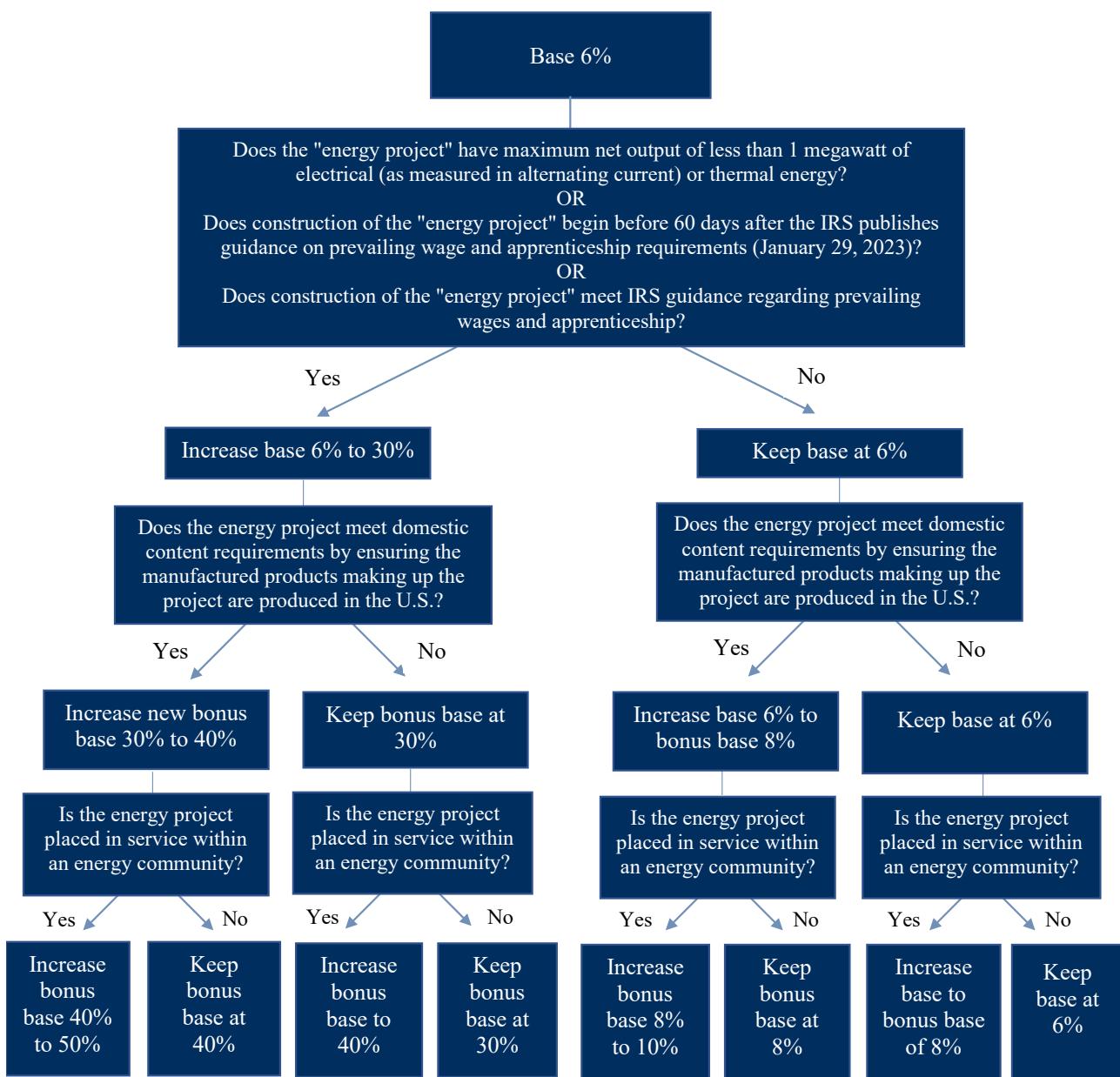




Inflation Reduction Act of 2022 Clean Energy Federal Tax Credits Quick Sheet

In August of 2022, President Biden signed to law the **Inflation Reduction Act of 2022** ("IRA") which, among many other things, extended the investment tax credit (ITC) with respect to energy property. This tax credit allows a taxpayer to claim a federal tax credit for the cost of the energy property as follows:



Solar & Wind Adders

- Additional 10% increase for solar and wind facilities in low-income communities **OR**
- 20% increase for a qualified low-income residential building project or a qualified low-income economic benefit project

Transferability

- Taxpayers may elect to transfer the: ITC, PTC, clean electricity production credit, clean electricity, investment credit, carbon capture and sequestration credit, advanced manufacturing production credit, clean fuel production credit, zero-emission nuclear power production credit, and other energy related credits covered in the Act to an unrelated taxpayer.
- The transferred credit must be exchanged for cash that is not included in the transferor's income, nor deducted by the transferee. The Transferee also cannot further transfer any credits it received in a transfer.
- "Applicable entities" (tax-exempt entity such as a state or local government, the Tennessee Valley Authority, an Indian tribal government, or any Alaska Native corporation) may not transfer credits.
- The election to transfer the credits must be made by the due date of the return (including extensions) for the taxable year for which the credit is determined.

Direct Pay

- A tax-exempt entity such as a state or local government, the Tennessee Valley Authority, an Indian tribal government, or any Alaska Native corporation (an "applicable entity"), may elect a direct pay option for the ITC, PTC, clean electricity production credit, clean energy investment credit, carbon capture and sequestration credit, advanced manufacturing production credit, clean fuel production credit, zero-emission nuclear power production credit, clean hydrogen production credit, and other energy related credits covered in the Act.
- The direct pay option treats the tax credits as a payment.
- The direct pay option for ITCs allows certain tax-exempt and governmental entities to claim ITC amounts as a tax refund.

Energy Property Under IRA Includes:

Qualified fuel cell property	Small wind energy property	Energy storage technology	Waste energy recovery property	Biogas property
Microgrid controllers	Solar equipment	Geothermal equipment	Electrochromic glass	Combined heat and power system property

