



Inflation Reduction Act

The Inflation Reduction Act of 2022 (IRA) is the largest energy incentive legislative effort in U.S. history, providing unique opportunities for public sector organizations. For the first time, state and local governments, schools, tribes, and other tax-exempt entities can obtain tax credits through direct payments or tax credit transfers for qualifying clean energy projects. These tax credits can total as much as 50% or more of the qualifying project costs.

What Types of Credits can apply?

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| Ground or ground water to thermal energy property | Manufacturing energy equipment/components |
| Combined heat and power property | Energy efficient buildings |
| Waste energy recovery property | Biomass to power Facilities |
| Property used within the renewable energy industry | Solar panels |
| Equipment that reduces greenhouse gas emissions | Waste water treatment/biogas property |

For the first-time public-sector energy projects will have access to Direct Pay Tax Credits.

Over 70 separate tax credits available with up to 70% direct cost reimbursement.

Most entitlements are good through 2033.

Direct Pay Tax Credits

“Base Credit” + “Bonus Criteria” is the overriding theme of new the credit regime
Base Credit – e.g. 6% - for qualifying energy projects – Not all credits apply to all projects

* Base Credit with prevailing wage and apprenticeship (5x multiplier)	30% or if you meet “Begun Construction” within 60 days of publication of applicable guidelines
+ Domestic Content	10%
+ Energy Community	10%
+ Environmental Justice (For Solar and Wind)	10% or 20%
- Use of tax-exempt funding for project – tax credit	Max 15%* *Max 15% of total tax credit for tax-exempt Example 40% tax credit total 15% = - 6%

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IRA Energy Credits

What is meant by credit?

The IRA allows for public sector organizations access to the funds through a direct payment in the form of cash payments from the IRS. These include state and local governments, not-for-profit, tribes, and other tax-exempt entities who previously had no access to these funds. The payment can be received through an Investment Tax credit, based off the project cost, or a production tax credit, which is based off the clean energy produced by the project. Essentially the Act is enabling all entities to utilize the legislation regardless of tax status.

Eligible Entities for Qualifying Energy Project Tax Credits

Colleges and Universities	Healthcare and Life Sciences	Individual Households	Manufacturers
Fuels and Refineries	Housing	Local Governments	Not-for-Profits
			Real Estate

Tax Credit Property Types

Section 48 – Investment

Base Credit 6% Property Types

- Biogas property
- Combined heat and power
- Energy storage technology
- Fiber-optic solar property
- Fuel cell property
- Ground water to thermal
- Geothermal property
- Microgrid controllers
- Small wind property
- Solar energy property
- Waste energy recovery property

Base Credit 2% ITC Property Types

- Clean hydrogen
- Electrochromic glass
- Interconnection property
- Linear generators
- Microturbine property

Section 45 – Production

PTC Property Types

- Wind facilities
- Closed loop biomass facilities
- Open loop biomass facilities
- Geothermal or solar facilities
- Small irrigation power
- Municipal solid waste facilities
- Qualified hydropower production facilities
- Marine and hydrokinetic facilities

These base credits can be increased by a 5x multiplier, up to 30%, if certain parameters of the project are achieved. Additionally, there are several “bonus” credits available, that could increase the credit by 2-40% if certain criteria is met.