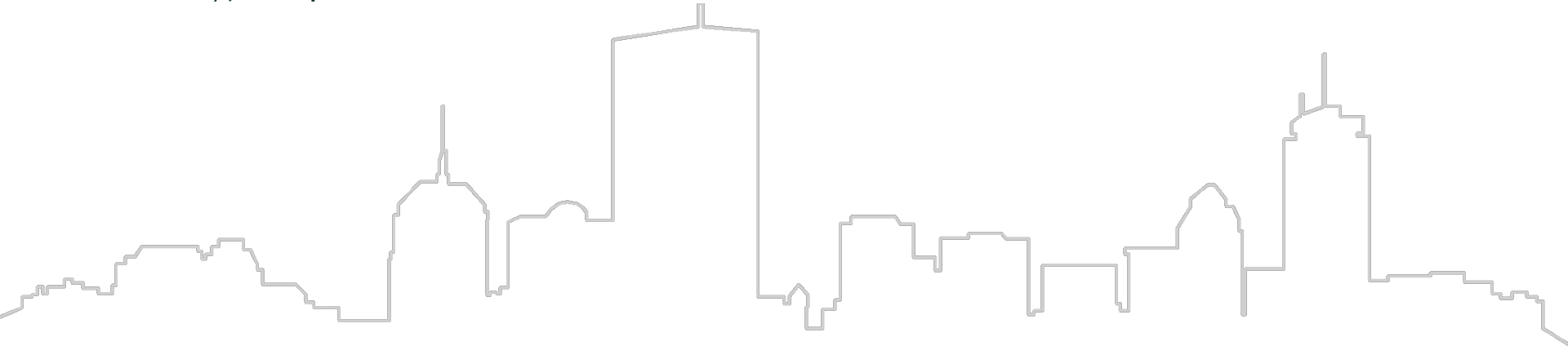


Leveraging the IRA Direct Pay Provisions to Advance Campus Sustainability



Presented by the Boston Green Ribbon Commission Higher Ed Working Group and Campus as Lab Community of Practice

March 27, 2024



Agenda

11:00 Introductions

11:15 Overview of the IRA

11:30 Case Study: SUNY

11:45 Q/A and Discussion

Panelists



Carter Strickland
Chief Sustainability Officer and
Executive Director of Climate
Action
SUNY



Steven Bloom
Assistant Vice President,
Government Relations
American Council on Education

Boston Green Ribbon Commission Higher Education Working Group

Steven Bloom

Assistant Vice President, Government Relations

American Council on Education

March 27, 2024



Overview

Inflation Reduction Act (IRA) –

- **Introduction**
- **Elective Pay (or “Direct Pay”)**
- **Applicable Tax Credits**
- **Potential projects using tax credits**
- **Requirements and Bonuses – Impact on Tax Credit Values**
- **Resources**

Inflation Reduction Act

- With **\$369 billion** in climate and energy provisions, the IRA signifies the largest climate investment in US history and has the potential to reduce carbon emissions by approximately 40 percent by 2030. Much of that investment is delivered via tax incentives.
- As the federal agency responsible for administering the tax code, the Treasury Department is central to implementation of the IRA's green energy tax incentives.
- The IRA's tax incentives cover a broad range of activities that support building a clean energy economy, as well as bonuses that apply to multiple incentives increasing the cost savings.

IRA – Elective or “Direct” Pay

- For the first time, tax-exempt and governmental entities that do not owe federal income taxes are to receive a payment equal to the full value of tax credits for building qualifying clean energy projects or making qualifying investments.
- The mechanism is called “elective pay” (also called “Direct pay”). Analogous to “refundable” tax credits for low-income individuals.
- Unlike competitive grant and loan programs, elective pay allows entities to get their payment if they meet the requirements for both elective pay and the underlying tax credit.

<https://www.whitehouse.gov/cleanenergy/directpay/#other>

IRA – Elective or “Direct” Pay

Final regulations adopted proposed regulations for the most part with some modest exceptions:

- In its proposed and final regs, Treasury specified that all private nonprofit and public colleges and universities, even those defined as “instrumentalities,” are eligible to use the elective pay mechanism.
- The final regulations prevent an applicable entity from obtaining an “excess benefit.” As a result, while entities will be able to combine grants and forgivable loans with tax credits - the credit plus ‘restricted tax-exempt amounts’ cannot exceed the cost of the investment.
- Entity may not “chain” an election of credits under Sec. 6417 (Direct Pay) with other sources e.g. Sec. 6418 (Transfer of Certain Credits).

<https://www.govinfo.gov/content/pkg/FR-2024-03-11/pdf/2024-04605.pdf>

Applicable Tax Credits for Elective Pay

Energy Generation & Carbon Capture

Tax Provision	Description
Production Tax Credit for Electricity from Renewables (§ 45, pre-2025)	For production of electricity from eligible renewable sources, including wind, biomass, geothermal, solar, small irrigation, landfill and trash, hydropower, marine and hydrokinetic energy. Credit Amount (for 2022): 0.55 cents/kilowatt (kW); (1/2 rate for electricity produced from open loop biomass, landfill gas, and trash); 2.75 cents/kW if Prevailing Wage and Apprenticeship (PWA) rules are met ^{1,2,3,7}
Clean Electricity Production Tax Credit (§ 45Y, 2025 onwards)	Technology-neutral tax credit for production of clean electricity. Replaces § 45 for facilities that begin construction and are placed in service after 2024. Credit Amount: Starts in 2025, consistent with credit amounts under section 45 ^{1,2,3,6,7}
Investment Tax Credit for Energy Property (§ 48, pre-2025)	For investment in renewable energy projects including fuel cell, solar, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties Credit Amount: 6% of qualified investment (basis); 30% if PWA requirements met ^{1,4,5,6,8}
Clean Electricity Investment Tax Credit (§ 48E, 2025 onwards)	Technology-neutral tax credit for investment in facilities that generate clean electricity and qualified energy storage technologies. Replaces § 48 for facilities that begin construction and are placed in service after 2024 Credit Amount: 6% of qualified investment (basis); 30% if PWA requirements met ^{1,4,5,6}
Low-Income Communities Bonus Credit (§ 48(e), 48E(h)) Application required	Additional investment tax credit for small-scale solar and wind (§ 48(e)) or clean electricity (§48E(h)) facilities (<5MW net output) on Indian land, federally subsidized housing, in low-income communities, and benefit low-income households. Allocated through an application process. Credit Amount: 10 or 20 percentage point increase on base investment tax credit ⁷
Credit for Carbon Oxide Sequestration (§ 45Q)	Credit for carbon dioxide sequestration coupled with permitted end uses in the United States. Credit Amount: \$12-36 per metric ton of qualified carbon oxide captured and sequestered, used as a tertiary injectant, or used, depending on the specified end use; \$60-\$180 per metric ton if PWA requirements met.^{1,7}
Zero-Emission Nuclear Power Production Credit (§ 45U)	For electricity from nuclear power facilities. Facilities in operation prior to August 16, 2022. Credit Amount (for 2023): 0.3 cents/kWh (reduced rate for larger facilities); 1.5 cent/kWh if PW req's met ^{1,7}

<https://www.irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022>

Applicable Tax Credits for Elective Pay (Continued)

Manufacturing	Advanced Energy Project Credit (§ 48C) Application required	For investments in advanced energy projects. A total of \$10 billion will be allocated, not less than \$4 billion of which will be allocated to projects in certain energy communities. Credit Amount: 6% of taxpayer's qualified investment; 30% if PWA requirements are met ¹
	Advanced Manufacturing Production Credit (§ 45X)	Production tax credit for domestic clean energy manufacturing of components including solar and wind energy, inverters, battery components, and critical materials. Credit Amount: Varies by component
Vehicles	Credit for Qualified Commercial Clean Vehicles (§ 45W)	For purchasers of commercial clean vehicles. Qualifying vehicles include passenger vehicles, buses, ambulances, and certain other vehicles for use on public streets, roads, and highways. Credit Amount: Up to \$40,000 (max \$7,500 for vehicles <14,000 lbs) ⁹
	Alternative Fuel Vehicle Refueling Property Credit (§ 30C)	For alternative fuel vehicle refueling and charging property, located in low-income and non-urban areas. Qualified fuels include electricity, ethanol, natural gas, hydrogen, and biodiesel. Credit Amount: 6% of basis for businesses and can increase to 30% if PWA is met.
Fuels	Clean Hydrogen Production Tax Credit (§ 45V)	For producing clean hydrogen at a qualified, U.S.-based clean hydrogen production facility. Credit Amount: \$0.60/kg multiplied by the applicable percentage (20% to 100%, depending on lifecycle greenhouse gas emissions), amount increases if PWA is met ^{1,7}
	Clean Fuel Production Credit (§ 45Z, 2025 onwards)	Technology neutral tax credit for domestic production of clean transportation fuels, including sustainable aviation fuels, beginning in 2025* Credit Amount: \$0.20/gallon (\$0.35/gal for aviation fuel) multiplied by CO2 "emissions factor"; \$1.00/gallon (\$1.75/gal for aviation fuel) multiplied by CO2 "emissions factor" if PWA is met ^{1,7}

<https://www.irs.gov/pub/irs-pdf/p5817g.pdf>

IRA –Institutions of Higher Education (IHEs)

- With significant infrastructure and vehicles, direct pay can help IHEs advance their campus climate and sustainability by defraying up to 50-60% of installation costs for clean energy technologies.
 - Available until 2032+
 - Non-competitive
 - Uncapped (unlimited # of institutions can participate)
- Also, IHEs may be able to use the enhanced Sec. 179D energy efficiency tax deduction for construction or retrofitting of campus buildings with energy efficient technology (e.g. lighting, HVAC, hot water systems).

IRA –Institutions of Higher Education (IHEs)

- **Potential projects include:**
 - **Solar panel farms or rooftop solar**
 - **Wind farms**
 - **Battery storage projects**
 - **Ground-source heat pumps (“geothermal”)**
 - **Electric vehicle charging stations**
 - **Commercial clean vehicles for transportation, facilities maintenance, and other purposes**

IRA – Increase value of tax credit with bonuses

- **Prevailing Wage and Apprenticeship Requirements**
 - Five times base credit (6%) for projects that meet requirements for paying prevailing wages and using registered apprentices.
- **Domestic Content**
 - Projects or facilities that meet “Made in America” content requirements eligible for 10% increase to the Production Tax Credit (PTC) or up to a 10% to the Investment Tax Credit (ITC).
- **Energy Communities**
 - Projects located in historical energy communities, including areas with closed coal mines or coal-fired power plants, eligible for 10% increase in the PTC and up to 10 % increase in the ITC.
- **Low Income Communities**
 - 10-20% increase for certain wind and solar investments in low-income communities, Indian lands, federal housing projects, or serving low-income households.

Resources

- [ACE – Webinar on IRA and Higher Education](#)

More Information on Direct Pay

- [IRS.gov/ElectivePay](#)
 - [Pre-filing Registration User Guide](#);
 - [Permission Management User Guide](#)
 - [FAQs](#)

- [CleanEnergy.gov/DirectPay](#)

More information on the IRA

- [IRS.gov/IRA Credits and Deductions](#)
- [www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/](#)



Thank You



Questions? Reach out to Azanta Thakur
azanta@greenribboncommission.org

