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*Tax incentives for higher education*

## Monetizing Clean Energy Tax Credits from the Inflation Reduction Act



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# IRA Snapshot

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

IRS portal launched in Dec. 2023 → registration is live

Treasury and IRS have released some guidance, but more to come



# Refundable/Transferable Credits

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§30C Alternative fuel vehicle refueling property credit

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§45 Electricity produced from certain renewable resources, etc.

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§45Q Credit for carbon oxide sequestration

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§45U Zero-emission nuclear power production credit

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§45V Credit for production of clean hydrogen

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§45W Credit for qualified commercial clean vehicles (elective pay only)

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§45X Advanced manufacturing production credit

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§45Y Clean electricity production credit

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§45Z Clean fuel production credit

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§48 Energy credit

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§48C Advanced energy project credit

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§48E Clean electricity investment credit



# Opportunities for Higher Ed



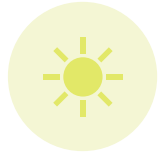
New building construction and renovations



Fleet electrification and charging infrastructure



HVAC improvements



Solar panel installations



Battery storage



Capital project forecasting

# 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
- Combined heat and power systems
- Microgrid controllers
- Electrochromic glass



# Section 30C Alternative Fuel Refueling Credit

## Credit Amount

- 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



# 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 45W Clean Vehicle Credit



Applies to clean commercial vehicles and mobile machinery acquired or leased after 2022 and before 2033



Credit equals the lesser of:

- 15% of the vehicle's basis (30% if fully electric) or
- Incremental cost of the vehicle



Max credit is:

- \$7,500 for vehicles less than 14,000 GVWR, and
- \$40,000 for all others



# Bonus Credits



# 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  
produced from the US

At least 40% of  
manufactured  
components produced in  
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 Monetization



# Claiming Direct Payments

## Pre-filing registration

- Must be completed prior to filing the tax return where a direct pay election is made
- IRS is advising a minimum of 120 days to process registrations
- 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

## Making the election on a tax return

- Must be made on a timely filed return (including extensions) → cannot be made on an amended return
- Must be filed on Form 990-T by due date along with:
  - Form 3800 (General Business Credit)
  - Applicable credit form and registration info from above
  - State and local governments that do not file a tax return will need to file a Form 990-T for this limited purpose





*Thank you!*

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