



Local Government Tailored Incentives Available Under the IRA

City EDvantage Webinar – Kentucky League of Cities - May 30, 2023

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Credits, Rebates, Direct Payments, Oh My!



\$369 Billion Dollars allocated over the next 10 years

Tax Credits, Rebates, Grants, Direct Payments, Loans, Credit Transfers

Prevailing Wage and Apprenticeship Requirements (PWAR)

A way to turbo-charge IRA tax incentives

Agenda

- Overview
- ITC, PTC, & Comparison
- Structural Options for ITC / PTC deals
- Additional IRA benefits

Overview - Inflation Reduction Act Tax Provisions

- Includes 24 specific tax provisions
 - Production Tax Credit for Electricity from Renewables
 - Investment Tax Credit for Energy Property
 - Low-Income Communities Bonus Credit
 - Zero-Emission Nuclear Power Production Credit
 - Clean Electricity Production Tax Credit
 - Clean Electricity Investment Tax Credit
 - Advanced Energy Project Credit
 - Advanced Manufacturing Production Credit
 - Clean Vehicle Credit
 - Credit for Previously-Owned Clean Vehicles
 - Credit for Qualified Commercial Clean Vehicles
 - Alternative Fuel Vehicle Refueling Property Credit
 - Extension of Incentives for Biodiesel, Renewable Diesel, and Alternative Fuels
 - Extension of Tax Credit for Alternative Fuels
 - Extension of Second-Generation Biofuel Incentives
 - Clean Fuel Production Credit
 - Sustainable Aviation Fuel Credit
 - Credit for Carbon Oxide Sequestration
 - Clean Hydrogen Production Tax Credit
 - Energy Efficiency Home Improvement Credit
 - Residential Clean Energy Credit
 - New Energy Efficient Homes Credit
 - Energy Efficient Commercial Buildings Deduction
 - Cost Recovery for Qualified Facilities, Qualified Property, and Energy Storage Technology

Overview - Opportunities

- Reduce energy load of government-owned facilities
 - Use solar, wind, or other renewables to offset energy costs of highest-users
- Upgrade or enhance existing energy-related technology within government facilities.
- Transition government-owned fleets (police, garbage, etc.)
- Install alternative fuel facilities (charging stations) and utilize alternative fuels (biodiesels and the like)
- Airport- and Port-specific incentives available

Overview - Opportunities (cont'd)

- Geography-based incentives
 - Attract new private businesses to your community
 - Upgrades to the infrastructure supporting electric vehicle usage
- Transition privately-owned commercial fleets to clean energy vehicles
- Clean Energy Component and Critical Mineral Manufacturers can benefit from resources in your communities

Direct Payments – Governmental and Tax-Exempt Entities

- Encourages ownership by entities traditionally excluded from utilizing tax credits
- File a return as directed by the Secretary of Treasury to receive eligible amount of credit
- Direct Payment - receive full amount of eligible credit if:
 - Domestic content requirement is met
 - Maximum output of less than 1 MW
 - Construction begins on or before December 31, 2023
- Direct payment for projects that do not meet 1 of those 3 criteria:
 - 90% of eligible credit if construction begins in 2024
 - 85% if construction begins in 2025
 - 0% if construction begins in 2026

Inflation Reduction Act Credits Available Via Direct Payment

- Advanced Energy Project Credit - §48C
- Advanced Manufacturing Production Credit - §45X
- Alternative Fuel Refueling Property Credit - §30C
- Clean Fuel Production Credit - §45Z
- Credit for Carbon Oxide Sequestration - §45Q
- Credit for Production of Clean Hydrogen - §45V
- Credit for Qualified Commercial Clean Vehicles – §45W
- Investment Tax Credit - §48
 - Technology Neutral Investment Tax Credit - §48E
- Production Tax Credit - §45
 - Technology Neutral Production Tax Credit - §45Y

Credit Transfer – Taxpaying Entities

- One time ability to transfer credit for cash
- Must be transferred to un-related taxpayer
- Credit cannot be subsequently transferred by the recipient
- Payments received from the sale are not included in gross income
- Credit buyer cannot deduct the price paid from its gross income
 - No double dipping

Overview - Prevailing Wage and Apprenticeship Requirements

- Prevailing Wage Requirements:
 - Must be in compliance with the terms of the Davis-Bacon Act
 - Applies to laborers and mechanics who work on the project, not clerical staff
 - Required during initial construction of project **PLUS** repairs and alterations during the credit period
- Apprenticeship Requirements:
 - Must Be in Compliance with:
 - Required Percentage of Labor Hours (12.5% in 2023; and 15% onward),
 - Ratio Requirements (as set by Department of Labor or a state agency), and
 - Participation Requirements (at least 1 apprentice for each subcontractor with 4 employees or more)

**RECORD KEEPING IS EXTREMELY IMPORTANT TO ENSURE RECEIPT OF THE
MAXIMUM AMOUNT OF CREDIT ELIGIBLE FOR A PROJECT**

Investment Tax Credit (ITC)

- History
- Based on the upfront costs of a project
 - Reimbursable or Transferable
- Base Rate
 - 6% of costs
 - 5x increase to 30% if PWAR are met
 - Additional incentives can increase amount up to **70%** of a project's costs
 - Vests over a 5 year period

Production Tax Credit (PTC)

- History
- 10-year credit based on the amount of energy produced each year
 - Reimbursable or Transferable
- Base Rate:
 - .005/kWh
 - 5x increase to .026/kWh if PWAR are met
 - Incentives are available to increase base rate by up to 20%

The current ITC and the PTC are available for projects that begin construction by December 31, 2024

ITC

- Energy storage
- Fuel cell
- Geothermal (heat pump and direct use)
- Combined Heat & Power
- Microturbines
- Interconnection property
- Microgrid controller

- Solar (multiple technologies)
- Municipal solid waste
- Wind (multiple technologies)
- Geothermal (electric)
- Tidal

PTC*

- Biomass
- Landfill gas
- Hydroelectric
- Marine and hydrokinetic

Category	Amount for Projects <1MW AC (Cumulative)		Amount* for Projects >1MW AC (Cumulative)	
	Investment Tax Credit	Production Tax Credit	Investment Tax Credit	Production Tax Credit
Base Tax Credit	30%	2.75¢/kWh	6%	0.5¢/kWh
Wage & Apprenticeship Requirements	N/A		+24%	+2.25¢/kWh
Domestic Content Minimums	+10%	+0.3¢/kWh	+10%	+0.3¢/kWh
Siting in Energy Community	+10%	+0.3¢/kWh	+10%	+0.3¢/kWh
Siting in Low-Income Community or on Indian Land (<5 MW AC)	+10%	N/A	+10%	N/A
Qualified Low-Income Residential Building Project or Economic Benefit Project	+20%	N/A	+20%	N/A
*The ITC amount is a percentage of the total qualifying project cost basis. For projects >1MW AC, Domestic Content and Energy Community adders also assume labor requirements are met for full value.				

Projects Funding: A Case Study

Example: \$100,000 Solar Farm seeking an ITC

Non-Tax-Exempt Funding Used:

- No credit reduction
- Does not meet PW&AR: **\$6,000 credit**
- Meets PW&AR: **\$30,000 credit**

Project Partially Financed by Tax- Exempt Bonds)

- 10% Deduction
- Does not meet PW&AR: **\$5,400 credit**
- Meets PW&AR: **\$27,000 credit**

Completely Financed by Tax- Exempt Bonds:

- Maximum 15% Deduction
- Does not meet PW&AR: **\$5,100 credit**
- Meets PW&AR: **\$25,500 credit**

Bonus Incentives for ITC and PTC

Domestic Content (2 or 10%)

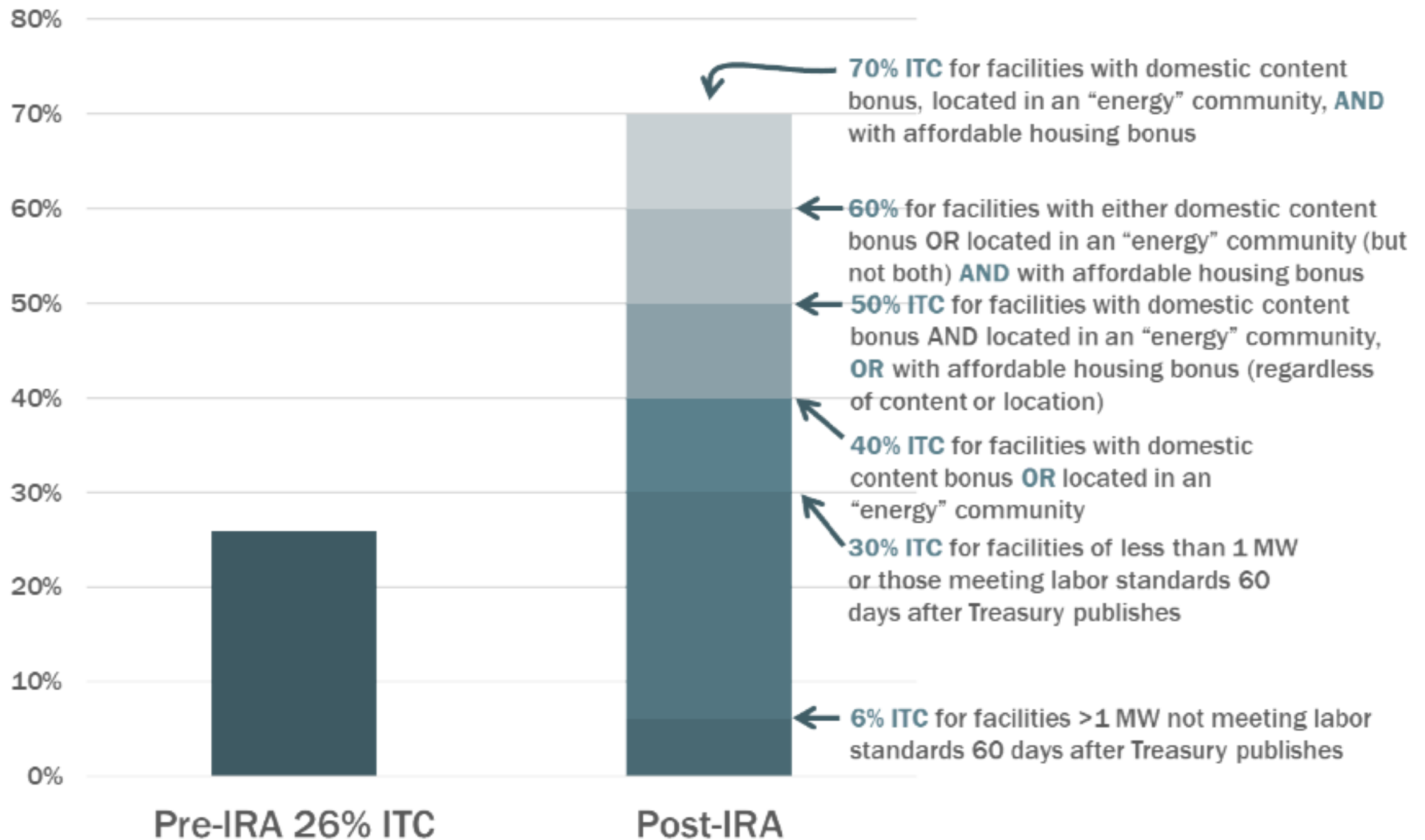
- All iron and steel used for project
- Percentage of costs of manufactured materials for projects
 - 2022-2024 = 40%;
 - 2025 = 45%;
 - 2026 = 50%;
 - 2027 = 55%
 - Exceptions available

Low-Income Community (up to 10-20%)

- 1.8 GW cap/year
 - 4 categories of projects
- Solar and Wind
 - Max output 5 MW
- ITC only
- See IRS Notice 2023-17 for further guidance on the application requirements

Energy Community (2 or 10%)

- A brownfield site
- area affected by **unemployment greater than the national average** and has had significant employment related to coal, oil, or natural gas
- (i) a census tract containing a coal mine that has closed since December 31, 1999, (ii) a census tract containing a coal-fired electric generating unit that was retired after December 31, 2009, or (iii) **a census tract that is adjacent to a tract described in (i) or (ii)**



Scenario 1

- **Completed Financed with Tax-Exempt Bonds**
- **Located in an Energy Community (2%)**
- **Meets Domestic Content Requirements (2%)**
 - Does not meet PWAR: **\$ 8,500 credit**

Scenario 2

- **No Tax-Exempt Financing**
- **Located in an Energy Community (2%)**
- **Meets Domestic Content Requirements (2%)**
- **Does not meet PWAR: \$10,000 credit**

Scenario 3

- **No Tax-Exempt Financing**
- **Located in an Energy Community (10%)**
- **Meets Domestic Content Requirements (10%)**
- **Meets PWAR:**
 - **\$50,000 credit**
- **Completely Financed by Tax-Exempt Bonds, meets PWAR**
 - **\$42,500 credit**

- Our discussion of structural options are based primarily around solar, but could be adopted to other technologies
- Ownership of asset by government entity; receive credit directly
- Partner with a 501(c) tax-exempt organization engaged in developing solar projects; tax-exempt organization receives direct pay credit and typically offers electricity through a PPA a subsidized costs
 - Receive less than full value of credits, but also avoid responsibility for operation and maintenance

Structure - National Green Bank

- \$27 Billion available in competitive grants
- Intended to mobilize financing and leverage private capital for clean energy and climate projects that reduce pollution
 - \$14 Billion **National Clean Investment Fund**- competition based fund 2-3 national nonprofits that will partner with private capital providers
 - \$6 Billion **Clean Communities Investment Accelerator**- Competition based fund 2-7 hub nonprofits to rapidly build clean financing capacity of public, quasi-public and non-profit community lenders (credit unions, green banks, housing finance agencies) to directly support disadvantaged communities
 - \$7 Billion **Solar For All Fund**- up to 60 grants to states, municipalities and nonprofits to expand disadvantaged communities access to solar energy
 - Notice of Funding opportunities to begin competitions in early summer 2023

Energy Efficient Commercial Vehicles

- Qualified Commercial Clean Vehicles – §45W
 - \$7,500 cap for vehicles UNDER 14,000 lbs
 - \$40,000 cap for vehicles OVER 14,000 lbs
 - Credit equals lesser of:
 - 15% of purchase price of hybrid vehicles or 30% of full alternative fueled vehicles
 - Increase in cost compared to a similar combustion vehicle (i.e. “incremental cost”)
- \$1 billion dollars to replace Class 6 and 7 Heavy-Duty Commercial Vehicles
 - Competitive grants and rebates
 - Incremental cost of replacement vehicles
 - Costs for planning activities, along with the
 - Costs for purchasing and operating any necessary infrastructure
 - Workforce development

Representative Vehicle Modeled	Representative of Vehicle Class	Gross Vehicle Weight Rating of Representative Vehicle Classes
Compact Car	Minicompact, Subcompact and Compact Cars	<14,000 lbs.
Midsize Car	Midsize and Large Car, All Station Wagons	<14,000 lbs.
Midsize SUV	Standard SUV, Small SUVs, Minivans	<14,000 lbs.
Pickup Truck	Pickup Trucks, including Classes 2/3	<14,000 lbs.
Class 4-6 Box	Classes 4 - 6	14,001 - 26,000 lbs.
Class 7 Daycab	Class 7	26,001 - 33,000 lbs.
Class 8 Longhaul	Class 8	>33,000 lbs.

Representative Vehicle Modeled	Conv	BEV	PHEV	FCEV
Compact Car	\$24,500	\$32,000	\$31,500	\$35,500
Midsize Car	\$28,500	\$37,000	\$36,500	\$43,500
Midsize SUV	\$33,500	\$47,500	\$43,000	\$52,500
Pickup Truck	\$36,000	\$55,500	\$50,000	\$71,500
Class 4-6 Box	\$72,500	\$107,000	\$100,500	\$113,500
Class 7 Daycab	\$117,500	\$211,000	\$183,500	\$198,000
Class 8 Longhaul	\$160,000	\$457,500	\$324,000	\$265,500

Representative Vehicle Modeled	BEV	PHEV	FCEV
Compact Car	\$7,500	\$7,000	\$11,000
Midsize Car	\$8,500	\$8,000	\$15,000
Midsize SUV	\$14,000	\$9,500	\$19,000
Pickup Truck	\$19,500	\$14,000	\$35,500
Class 4-6 Box	\$34,500	\$28,000	\$41,000
Class 7 Daycab	\$93,500	\$66,000	\$80,500
Class 8 Longhaul	\$297,500	\$164,000	\$105,500

Alternative Fuel Vehicle Refueling Property Credit - §30C

- Expanded to include bi-directional charging equipment and charging equipment for 2-wheeled and 3-wheeled electric vehicles
- Base Rate = 6% of cost of charging station
 - 30% of cost if meets PWAR
 - Max: \$100,000 per station
- Must be in low-income or rural area
- Direct Payments eligible to tax-exempt entities

Advanced Technology Vehicle Manufacturing Loan Program

- \$3 billion to Department of Energy
- Loans to incentivize and increase the domestic manufacturing of clean vehicles and vehicle components

Domestic Manufacturing Conversion Grants

- \$2 billion to Department of Energy
- Grants to fund the retooling of production lines to spur creation of more clean vehicles

Advanced Manufacturing Production Credit

- Meant to increase the domestic production and sale of components for clean energy projects
- Expands 5 years of direct payment to generally non-eligible entities if an election to receive the payments is properly made

Air Pollution at Ports

- \$3 billion dollars
 - Rebates and Competitive Grants
 - Port Authorities, Governments with jurisdiction over a Port, Air Pollution Control Agencies, and Limited Private Entities
- Available until September 30, 2027
 - Development of action plans to address air pollution at ports
 - Purchase and installation of zero-emission equipment and technology for use at or to directly service one or more ports
 - Covers costs of conducting relevant planning and permitting in connection with the purchase, installation, AND the development related to certain climate action plans

- Tax deduction for energy efficient improvements that reduce the overall energy consumption
 - Improvement types – lighting, heating/cooling and ventilation systems, hot water systems, and building envelopes (roof, windows, exterior)
- Available for new construction and building renovations
 - Minimum energy consumption decrease of 25% required
- Base rate: \$0.50/sqft; increases 5x to \$2.50/sqft if PWAR is met
 - For every additional % decrease (from 25% to 50%), the credit rises by \$0.02/sqft (or \$0.10/sqft)
 - Cap: \$1/sqft or \$5/sqft

Questions?

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