



Inflation Reduction Act Tax Incentives

Panel Discussion

November 3, 2023

Agenda

Introductions

Overview of the Inflation Reduction Act

Direct Pay and Transferability

Panel Discussion

Audience Questions

Our Panel



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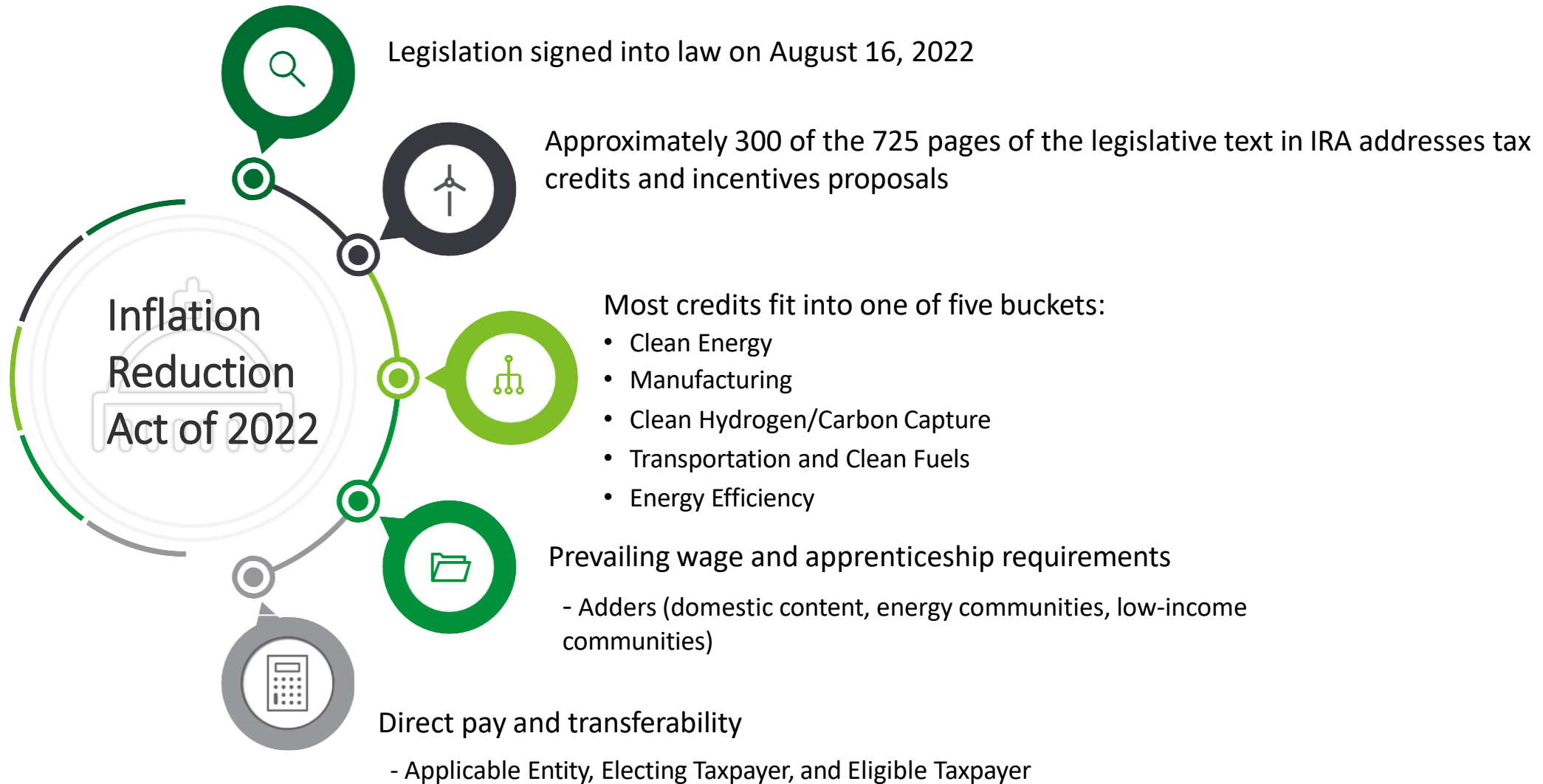


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Inflation Reduction Act of 2022



Tax Credit and Incentive Provisions Under IRA

Clean Energy

- Section 45 – Renewable Electricity Production Credit Modification and Extension
- Section 48 – Energy Credit Modification and Extension
- Section 45Y – Clean Electricity Production Credit
- Section 48E – Clean Electricity Investment Credit
- Section 45U – Zero Emission Nuclear Power Production Credit

Transportation and Vehicles

- Section 45W – Qualified Commercial Clean Vehicle Credit
- Section 30C – Alternative Fuel Refueling Property Credit Modification and Extension
- Section 25E – Previously-Owned Qualified Clean Vehicles Credit
- Section 30D – Clean Vehicle Credit Modification and Extension

Clean Fuels

- Section 40B – Sustainable Aviation Fuel Credit
- Section 45Z – Clean Fuel Production Credit
- Sections 6426, 40(b), 40A - Alternative Fuel Credits Extension

Manufacturing

- Section 48C – Advanced Energy Project Credit
- Section 48D – Advanced Manufacturing Investment Credit
- Section 45X – Advanced Manufacturing Production Credit

Carbon Capture and Clean Hydrogen

- Section 45Q – Carbon Oxide and Sequestration Credit Modification and Extension
- Section 45V – Clean Hydrogen Production Credit

Energy Efficiency

- Section 179D – Energy Efficient Commercial Buildings Deduction
- Section 25C – Energy Efficient Home Improvement Credit
- Section 25D – Residential Clean Energy Credit
- Section 45L – New Energy Efficient Home Credit

Other

- Section 6417 – Limited Elective Payment Option
- Section 6418 – Transfer of Certain Eligible Credits
- Section 38 and 59A – 15% Corporate AMT and General Business Credits Utilization Modifications

Note: items in blue font are newly created

Administrative Guidance and Regulations

Prevailing Wage and Apprenticeship

- Notice 2022-61 (11/30/22)
- Corrected Notice 2022-61 (12/7/22)
- Proposed Regs. (8/20/23)

Energy Communities

- Notice 2023-29 (7/17/23)
- Notice 2023-45 (7/17/23)
- Notice 2023-47 (7/17/23)

Domestic Content

- Notice 2023-38 (05/30/23)

Low- Income Communities

- Notice 2023-17 (3/6/23)
- Proposed Regs. (6/1/23)
- Final Regs. (8/15/23)
- Rev. Proc. 2023-27 (8/28/23)

Advanced Energy Project Credit

- Notice 2023-18 (3/6/23)
- Notice 2023-44 (6/20/23)

Advanced Manufacturing Investment Credit

- Proposed Regs. (6/21/23)
- Proposed Regs. Elective Payment (6/21/23)

Clean Vehicle Credit

- Rev. Proc. 2022-42 (12/27/22)
- Notice 2023-01 (01/17/23)
- Notice 2023-16 (02/21/23)
- Proposed Regs. (04/17/23)
- Proposed Regs. (10/10/23)

Commercial Clean Vehicle

- Rev. Proc. 2022-42 (12/27/22)
- Notice 2023-09 (01/17/23)

Credit Transfer and Elective Payment

- Temp. Regs. Registration for Elective Payment and Transfer Election (06/21/23)
- Proposed Regs. Elective Payment (06/21/23)
- Proposed Regs. Transfer Election (06/21/23)

Open Projects on the Treasury and IRS Priority Guidance Plan

1. Guidance under §30C on the alternative fuel vehicle refueling property credit
2. Guidance under §40B on the sustainable aviation fuel credit
3. Regulations under §45(b)(9) on the domestic content bonus credit.
4. Regulations under §45(b)(11) addressing the energy community bonus credit.
5. Guidance under §45Q on the credit for carbon oxide sequestration.
6. Guidance under §45U on the zero-emission nuclear power production credit.
7. Guidance under §45V on the credit for production of clean hydrogen.
8. Guidance under §45W on the credit for qualified commercial clean vehicles.
9. Regulations under §45X on the advanced manufacturing production credit.
10. Guidance under §45Y on the clean electricity production credit.
11. Guidance under §45Z on the clean fuel production credit.
12. Regulations under §§ 46 through 50 to update regulations to reflect statutory changes, remove obsolete rules, and revise certain reporting procedures related to claiming the rehabilitation credit.
13. Regulations under §48 on the energy credit.
14. Guidance under §48C addressing subsequent allocation rounds for the qualifying advanced energy project credit.
15. Guidance under §48E on the clean electricity investment credit.
16. Guidance under §48E(h) on the low-income communities bonus credit.
17. Guidance on public utility property under §168(i)(10) for purposes of normalization.
18. Guidance under §179D on the energy efficient commercial buildings deduction.
19. Final regulations regarding the elective payment of applicable credits under §6417.
20. Final regulations regarding the transfer of certain credits under §6418.
21. Final regulations to implement the general provisions of the advanced manufacturing investment credit under §48D
22. Final regulations regarding the elective payment of the advanced manufacturing investment credit under §48D

Tax Credit Monetization

Direct Pay

Elective Payment Election – Section 6417 allows an **applicable entity** or **electing taxpayer*** to elect to be treated as having made a payment of tax equal to 100% of the value of the **applicable credit determined** for the taxable year. Section 48D(d) applies to certain qualifying taxpayers.

Direct Pay Election: Applicable Credits
Section 30C alternative fuel vehicle refueling property credit
Section 45 renewable electricity production tax credit
Section 45Q carbon oxide sequestration credit*
Section 45U zero-emission nuclear power production credit
Section 45V clean hydrogen production credit*
Section 45W qualified commercial vehicles (tax-exempt entity)
Section 45X advanced manufacturing production credit*
Section 45Y electricity production credit
Section 45Z clean fuel production credit
Section 48 energy investment tax credit
Section 48C qualifying advanced energy project credit
Section 48E clean electricity investment credit

***Electing taxpayer** – For the section 45V clean hydrogen production credit and the section 45Q carbon oxide sequestration credit, any taxpayer can elect direct pay for the first five years of the credit period. For the section 45X advanced manufacturing credit, any taxpayer can elect direct pay for any consecutive five years within the credit period. During these periods, the electing taxpayer engaged in these tax credit qualified activities is treated as an applicable entity.

Timing – Generally, the election must be made by the applicable entity no later than the due date of the tax return for the taxable year for which the election is made (including extensions), but in no event earlier than February 13, 2023. The payment is generally treated as made on the later of (1) the due date (determined without regard to extensions) of the tax return, or (2) the date that the tax return is filed.

Direct Pay Election: 48D(d)
Section 48D Advanced Manufacturing Investment Credit

Tax Credit Monetization

Transferability

Transferability Election – Section 6418 allows an eligible taxpayer to elect to transfer all (or any portion specified in the election) of an eligible credit determined to an unrelated taxpayer for cash consideration. Such consideration is not includible in gross income of the transferor and is not deductible by the transferee. The transferee is not able to transfer the credit. This provision applies to the following eligible credits:

Transferability Election: Eligible Credits

Section 30C alternative fuel vehicle refueling property credit

Section 45 renewable electricity production tax credit

Section 45Q carbon oxide sequestration credit

Section 45U zero-emission nuclear power production credit

Section 45V clean hydrogen production credit

Section 45X advanced manufacturing production credit

Section 45Y electricity production credit

Section 45Z clean fuel production credit

Section 48 energy investment tax credit

Section 48C qualifying advanced energy project credit

Section 48E clean electricity investment credit

Partnerships or S Corporations – With respect to a transferor that is a partnership or S corporation, any amount received as consideration is treated as tax-exempt income for purposes of sections 705 and 1366. Each partner's distributive share of such tax-exempt income is based on such partner's distributive share of the otherwise eligible credit for each taxable year. Similar rules apply in the case of S corporations and their shareholders.

Timing – Elections to transfer the credit must be made not later than the due date (including extensions) for the tax return for the taxable year for which the credit is determined, but in no event earlier than February 13, 2023. The credit is taken into account in the first taxable year of the transferee taxpayer ending with, or after, the taxable year of the transferor with respect to which the credit was determined.

Ineligible Credits

- Section 30D Clean Vehicle Credit
- Section 45W Credit for Qualified Commercial Clean Vehicles
- Section 48D Advanced Manufacturing Investment Credit

Panel Discussion



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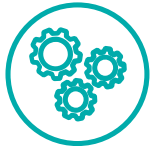
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Appendix



Clean Energy



Credit

Credit Summary

Considerations

**Section 45 -
Production Tax Credit**
(existing)



Provides a 10-year tax credit for a variety of renewable energy technologies to incentivize electricity generation to be sold to a third party. New qualified energy resources include solar. Base credit is 0.55 cents per kWh and bonus credit is 2.75 cents per kWh for 2023 (eligible for adders).

If the company plans to invest in renewable energy technology to generate and sell electricity to a third party.



**Section 48 -
Investment Tax Credit**
(existing)



Provides a tax credit based on capital investment in a variety of renewable (e.g., solar, wind) and conventional (e.g., combined heat and power) energy technologies to incentivize investment in new energy resources and adopting more efficient use of fuel. New technologies include: energy storage technology, qualified biogas property, microgrid controllers, linear generators and dynamic or electrochromic glass. Base credit is 6% (or 2%) and bonus credit is 30% (or 10%) (eligible for adders).

If the company plans to invest in energy efficient technology.

The company generates their own electricity for use or sells the electricity to another party.



**Section 45U - Zero
Emission Nuclear
Power Product Credit**

(new)






Provides a PTC for the production of electricity from a nuclear facility (other than a facility in 45J), the base amount is 0.3 cents/kWh of electricity produced and sold (subject to an inflation adjustment), which exceeds the reduction amount (subject to an inflation adjustment) for the taxable year. The associated base credit (after reduction amount) is multiplied by five if certain wage requirements are met.

If the company plans to or has already invested in nuclear energy.

- Direct pay eligible
- Direct pay eligible—tax exempt only
- Direct pay eligible—5 years
- Transferability—non-tax exempt only

Clean Energy

Credit	Credit Summary	Considerations
	<p>Section 45Y - Clean Electricity Production Credit <i>(new)</i></p> <p>● ●</p> <p>Provides a 10-year technology-neutral PTC, equal to the kWh of electricity produced by the taxpayer times an applicable amount (base of \$0.003/kWh up to \$0.015 kWh) for the production of clean electricity produced at a qualifying facility for which the GHG emission rate is not greater than zero and electricity is sold, consumed or stored.</p>	<p>Applies after 2024. If the company plans to invest in the generation of clean or sustainable electricity. This can include the installation of property for electricity generation at a qualified facility with net zero emissions.</p>
	<p>Section 48E - Clean Electricity Investment Tax Credit <i>(new)</i></p> <p>● ●</p> <p>Provides a technology-neutral ITC of between 6% (or 2%) to 30% (or 10%) (additional adders available) for qualified capital investments in an electric generating facility or energy storage property for which GHG rate is not greater than zero.</p>	<p>Applies after 2024. If the company plans to invest in clean or sustainable electricity. This can include the installation of property for electricity generation at a qualified facility with net zero emissions.</p>
	<p>Section 45Z – Clean Fuel Production Credit <i>(new)</i></p> <p>● ●</p> <p>Provides a production tax credit based on the product of the applicable amount (\$0.20 - \$1.75) per gallon (or gallon equivalent) with respect to any transportation fuel produced by the taxpayer at a qualified facility and sold to an unrelated person. Transportation fuel means a fuel which is suitable for use as a fuel in a highway vehicle or aircraft, has an emissions rate which is not greater than 50 kilograms of CO₂e per mmBTU, and is not derived from coprocessing an applicable material (or materials derived from an applicable material) with a feedstock which is not biogas.</p>	<p>Applies after 2024. The taxpayer needs to be registered as a producer of clean fuel at the time of production.</p> <p>Aviation fuel needs to be certified by an unrelated party.</p> <p>Must satisfy the prevailing wage and apprenticeship requirements.</p> <p>Does not apply to transportation fuels sold after December 31, 2027.</p>

● Direct pay eligible
 ● Direct pay eligible—tax exempt only
 ● Direct pay eligible—5 years
 ● Transferability—non-tax exempt only

Manufacturing

Credit

Credit Summary

Considerations



Section 48C - Qualified Advanced Energy Project (reenacted)

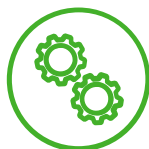


Provides an investment tax credit (ITC) through a competitive application process administered through the Department of Energy equal to 6% or 30% of the investment with respect to any advanced energy project.

\$10 billion of tax credits to be allocated with \$4 billion reserved for projects located in census tracts within an energy community where no prior allocation of 48C credits has been awarded and certified for a project.

If the company plans to make an investment in any of the following types of projects:

1. Clean energy manufacturing and recycling projects: Re-equip, expand, or establish an industrial or manufacturing facility for the production or recycling of certain types of specified advanced energy property.
2. Greenhouse gas emission reduction projects: Re-equip an industrial or manufacturing facility with equipment designed to reduce greenhouse gas emissions by at least 20%.
3. Critical material projects: Re-equip, expand, or establish an industrial facility for the processing, refining, or recycling of critical materials (as defined in section 7002(a) of the Energy Act of 2020).



Section 45X - Advanced Manufacturing Production (new)



Provides a production tax credit (PTC) for the production of certain eligible components sold to an unrelated person (exceptions apply). The credit amount varies based on the eligible component, which includes solar components, wind energy components, inverters, qualifying battery components, and critical minerals.

If the company manufactures or fabricates certain energy components, including for solar, wind, inverters, qualifying battery, or critical minerals.



Section 48D - Advanced Manufacturing Investment (new)



Provides an ITC equal to 25% of the investment in an advanced manufacturing facility for which the primary purpose is the manufacturing of semiconductors or semiconductor equipment.

If the company manufactures semiconductors or semiconductor manufacturing equipment.



Direct pay eligible

Direct pay eligible—tax exempt only

Direct pay eligible—5 years

Transferability—non-tax exempt only

Clean Hydrogen and Carbon Sequestration

	Credit	Credit Summary	Considerations
	<p>Section 45V - Clean Hydrogen (new)</p> <p>● ●</p>	<p>Provides a PTC of up to \$3 per kg of clean hydrogen over a 10-year credit period for the production of clean hydrogen at a qualified facility in the U.S. Taxpayers may elect to claim an ITC in lieu of the PTC of up to 30%.</p>	<p>If the company produces or plans to produce clean hydrogen in the U.S.</p> <p>For credit purposes, clean hydrogen means hydrogen produced through a process that results in a lifecycle GHG emission of not greater than 4 kg of CO₂-e per kg of hydrogen.</p>
	<p>Section 45Q - Carbon Capture Sequestration (existing)</p> <p>● ●</p>	<p>Provides a credit ranging from \$12-\$17 or \$60-\$85 per metric ton (MT) based on the amount of carbon oxides captured from a qualified facility over a 12-year period. The captured carbon must be put to an end use (disposal, injection in EOR projects, or utilized). For direct air capture facilities, the credit ranging from \$26-\$36 or \$130-\$180 per MT.</p>	<p>If the company plans to invest in carbon capture equipment, or they use captured carbon in their products.</p>




● Direct pay eligible

● Direct pay eligible—tax exempt only

● Direct pay eligible—5 years

● Transferability—non-tax exempt only

Transportation and Clean Fuels

Credit	Credit Summary	Considerations
 <p>Section 45W - Qualified Commercial Clean Vehicles (new)</p>	<p>Provides an ITC equal to the lesser of 15% (30% for vehicles not powered by gasoline or internal combustion engine) of the vehicle or the incremental cost of a qualified commercial clean vehicle, limited either \$7,500 or \$40,000 per vehicle based on gross vehicle weight (over or under 14,000 lbs.).</p>	<p>If the company plans to acquire commercial electric/fuel cell vehicles or certain types of mobile machinery.</p>
 <p>Section 30C - Alternative Refueling Property (existing)</p>	<p>Provides an ITC equal to either 6% or 30% of costs for qualified alternative fuel vehicle (QAFV) refueling property, up to \$100,000 with respect to any single item of QAFV property placed in service in certain low-income census tracts or non-urban areas.</p>	<p>If the company plans to install alternative fueling stations (e.g., hydrogen, EV chargers).</p>
 <p>Section 30D – Clean Vehicle (reenacted)</p>	<p>Tax credit equal to \$3,750 or \$7,500 per vehicle if final assembly occurs in North America and the manufacturer satisfies <u>critical mineral requirements</u> and/or <u>battery component requirements</u>. Maximum MSRP is \$80,000 for vans, SUVs, trucks, and \$55,000 for other vehicles. Modified Adjusted Gross Income limitation applies of \$300,000 (MFJ or Surviving Spouse), \$225,000 (HOH), \$150,000 (Single, MFS). Beginning in 2024 the dealer may receive direct payment from IRS if dealer discloses credit and reduces purchase price to buyer.</p>	<p>If the individual plans to acquire electric/fuel cell vehicles.</p>

● Direct pay eligible (Dealers)
 ● Direct pay eligible—tax exempt only
 ● Direct pay eligible—5 years
 ● Transferability—non-tax exempt only



Transportation and Clean Fuels



Credit	Credit Summary	Considerations
Various - Alternative Fuels Credits (new and existing)	Provides various income and excise tax credits for alternative fuel production and usage. Includes provisions for alcohol fuels and second generation biofuels (40), biodiesel and renewable diesel (40A), alcohol fuel, biodiesel, and alternative fuel mixtures (6426), and sustainable aviation fuel (40B). Credits range from \$0.20/gallon to \$1.75/gallon depending on the application and type of fuel produced or used.	If the company plans to produce certain fuels for sale or use.

- Direct pay eligible
- Direct pay eligible—tax exempt only
- Direct pay eligible—5 years
- Transferability—non-tax exempt only

Energy Efficiency

Credit	Credit Summary	Considerations
 <p>Section 45L –New Energy Efficient Home Credit (existing)</p>	<p>Provides a credit to an eligible contractor that constructs a new energy efficient home and sells or leases to a person for use as a residence. For a single-family home, the credit is \$2,500 if meets certain Energy Star Single-Family New Homes National Program Requirements, or \$5,000 if certified as a zero energy ready home. For a multifamily house, the credit is \$500 and \$1,000, respectively; the credit is increased to \$2,500 and \$5,000 if prevailing wage requirement is met. A certification as zero energy ready home will be provided by IRS, in consultation with Department of Energy.</p>	<p>Applies to homes acquired after 2022. Treasury guidance will provide procedures and methods of calculating energy and cost savings and for certification.</p>
 <p>Section 179D – Energy Efficient Commercial Building Deduction (existing)</p>	<p>Deduction is increased to a maximum of \$5 per sq ft. (previously \$1.80 per sq. ft.) for new and existing buildings that reduce their energy and power costs by at least 25% (previously 50% prior to IRA). Taxpayers making energy-efficient retrofits that are part of a qualified retrofit plan on a building that is at least 5 years old may qualify to deduct their adjusted basis in the retrofit property (so long as that amount does not exceed a per-square foot value determined on the basis of energy usage intensity). Tax-exempts are allowed to allocate the deduction to the designer of the building or retrofit plan (previously just governmental entities).</p>	<p>Applies to taxable years beginning after December 31, 2022. Previously, only retrofits to interior lighting generally qualified. Now other energy efficient improvements to the heating, colling, ventilation, hot water system, or the building envelop may qualify as well.</p>

● Direct pay eligible

● Direct pay eligible—tax exempt only

● Direct pay eligible—5 years

● Transferability—non-tax exempt only