



Getting Cashback for Clean Energy: Direct Pay Tax Credits for Nonprofits

May 21, 2024

*Renew America’s Nonprofits Program
DOE Office of State and Community Energy Programs*



Agenda

Welcome from DOE Renew America's Nonprofits

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Using Elective Pay and Complementary IRA Programs (USGBC)

Putting the Pieces and Team Together (EESI)

Audience Q&A

Introductions



Gretchen Gigley

Nonprofits Program Lead
Schools & Nonprofits Program

DOE Office of State and
Community Energy Programs
(SCEP)



Alex Kate Halvey

AAAS Science and
Technology Policy Fellow

DOE Office of Policy



Dan Bresette

President

Environmental and
Energy Study Institute
(EESI)

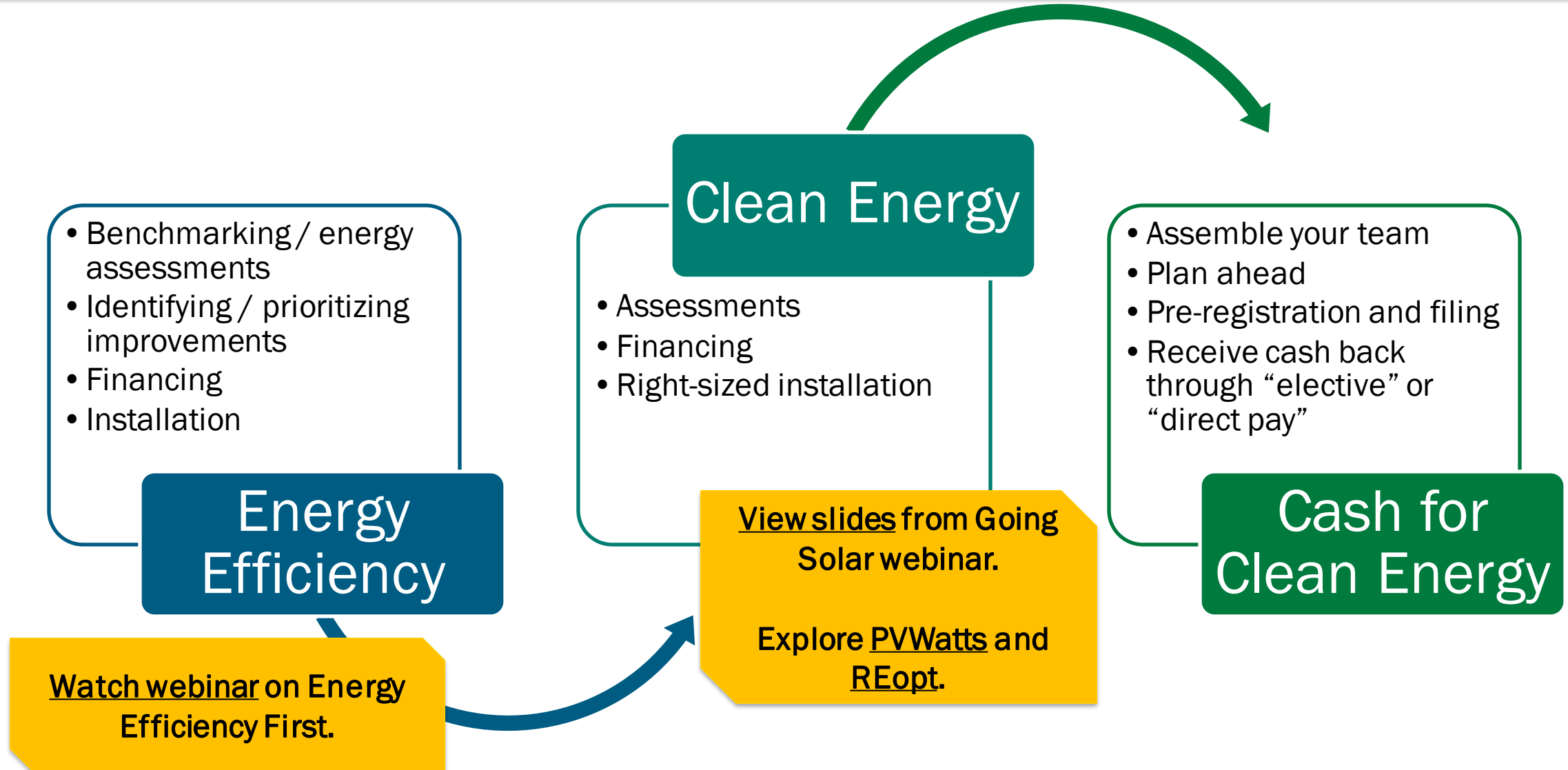


Ben Evans

Federal Legislative
Director

U.S. Green Building
Council

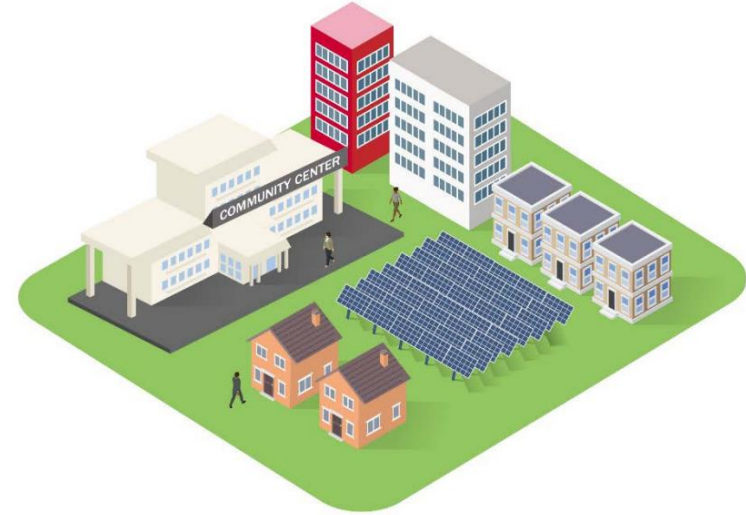
Roadmap for Energy Improvements



Elective Pay – Cash for Clean Energy

Elective pay allows eligible **nonprofits** to **receive a cash payment** from the IRS for eligible clean energy investments.

- Example: A 501(c)(3) nonprofit invests \$1,000,000 in tax-credit eligible solar, battery storage, and EV chargers.
- Cash-back: Through elective pay, the nonprofit receives a **\$300,000 cash payment from the IRS** if it qualifies for relevant 30% investment tax credits.



More Details

- [IRS.gov/ElectivePay](https://www.irs.gov/ElectivePay)
- [IRS Elective Pay FAQ](#)
- [CleanEnergy.gov/DirectPay](https://www.CleanEnergy.gov/DirectPay)
- [Publication 5817-G \(6-2023\) \(irs.gov\)](#)

Elective Pay Overview

Stakeholder Engagement



U.S. DEPARTMENT OF
ENERGY

Disclaimer

- This deck provides an overview of certain Inflation Reduction Act tax provisions for general informational purposes only and **is not itself tax guidance**.
- The content in this presentation is based on proposed and temporary regulations and other tax guidance on IRS.gov.
- This deck relies on simplifications and generalizations to convey high-level points about Inflation Reduction Act tax provisions. Please **refer to guidance** issued by the IRS for detailed information on the rules associated with Inflation Reduction Act tax provisions.
- Treasury and the IRS will **carefully consider feedback submitted** during the public comment periods for proposed and temporary regulations before issuing final rules.

Elective Pay Summary



Tax-exempt and governmental entities that do not owe income taxes can now receive a **payment equal to the full value of clean energy tax credits.**



Tax credits earned through Elective Pay **can be combined with DOE grants and loans** with some limitations.



Eligible entities must complete a **pre-filing registration** and then claim the credit by filing a tax return with the IRS after the project or property is placed in service.

Who is eligible under Treasury/IRS regulations?

Category	Eligible Entities
Tax-Exempt Organizations	<p>Any organization exempt from income taxes under §501-530, including §501(c) and §501(d) organizations. Examples include:</p> <ul style="list-style-type: none">• Social welfare organizations• Labor organizations and business leagues• Houses of worship and religious organizations• Colleges and Universities• Hospitals• Homeowners associations exempt under Section 523
State, Local Governments	States including DC, political subdivisions such as cities and counties, and agencies and instrumentalities of state and local governments such as school districts.
U.S. Territories	U.S. territories and their political subdivisions and agencies and instrumentalities
Tribes	Indian Tribal governments, Alaska Native Corporations, Tribal agencies and instrumentalities.
Public Power	Examples: Municipal electric utilities, rural electric cooperatives, and the Tennessee Valley Authority.

Partnerships

- **Partnerships and S corporations are not eligible for elective pay**, whether or not the partners or shareholders would themselves be eligible
- However, these partnerships are generally eligible for credit transfer which allows selling tax credits to other taxpayers in exchange for cash
- An eligible entity that is a co-owner of eligible property through an ownership arrangement with an undivided ownership interest may receive elective payment for its share in the underlying property.

See regulations at <https://www.federalregister.gov/d/2024-04604> for more details

Which tax credits are eligible?

- **12 of the Inflation Reduction Act clean energy tax credits** are eligible for elective pay including:
 - Investment tax credit (ITC) for clean electricity, storage, and certain energy efficiency technologies such as geothermal heat pumps (§48 and §48E)
 - Credit for clean commercial vehicles (§45W)
 - Credit for EV chargers installed in low-income or non-urban areas (§30C)
 - Production tax credit (PTC) for clean electricity (§45 and §45Y)
- See the full list of elective pay eligible credits in the Tax Credit Overview section or at: <https://www.irs.gov/pub/irs-pdf/p5817g.pdf>

How to claim and receive elective pay?

Identify Project

- Identify and pursue the qualifying project or activity.
- You will need to know what applicable credit you intend to earn and use elective pay for.

Complete Project

- Complete project or purchase qualifying property and place it into service.
- Determine your tax year, if not already known, to determine when your tax return will be due.

Register

- Complete pre-filing registration with the IRS at <https://www.irs.gov/credits-deductions/register-for-elective-payment-or-transfer-of-credits>.
- IRS will provide you with a registration number for each applicable credit property.

File

- File your tax return by the due date (or extended due date)
- Provide registration number(s) on your tax return.
- Use Form 990-T and the appropriate form for the underlying credit.

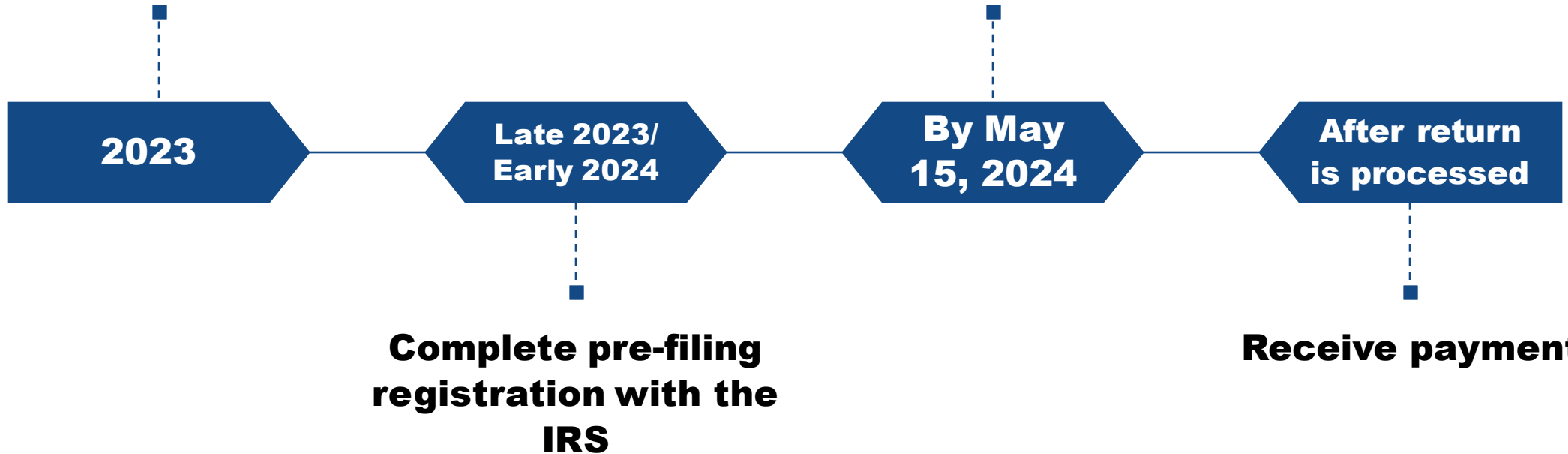
Receive Payment

- Payment will be received after the return is processed.

Example Timeline: Project Placed Into Service in 2023*

**Clean energy project
goes into service**

**Deadline to file tax
return****



*If the nonprofit has a tax year that is the calendar year

** 6-month extensions are available to filing deadline

How are credits different than other DOE grants?

- **Tax credits are generally not competitively awarded.*** There is no review, ranking, or selection and rejection of specific applications. A project only needs to meet the criteria for the specific credit to be eligible.
- Tax credits generally **can be combined** with other sources of DOE and federal financial assistance under Treasury/IRS proposed regulations**
- **Tax credits are earned after the project is complete.** Unlike grants, tax credits are not issued up front

*The 48C and 48(e) tax credits have limited allocations and are administered by DOE in coordination with IRS through an application process

**The combined value of a grant and tax credit cannot exceed the total cost of a project

Cross-Cutting Provisions / Bonuses

Tax Provision	Description
Prevailing Wage and Apprenticeship (PWA) Requirements	For several of the tax credits created or modified by IRA, the base credit amount is increased by five times for projects that meet requirements for paying prevailing wages and using registered apprentices.
Energy Communities Bonus	Projects located in historical energy communities, including areas with closed coal mines or coal-fired power plants, are eligible for a 10 percent increase in the Production Tax Credit (§ 45, 45Y) and an up to 10 percentage point increase (if PWA requirements are met) in the Investment Tax Credit (§ 48, 48E). The bonus is also available to brownfield sites and to areas that have significant employment or local tax revenues from fossil fuels and higher than average unemployment.
Low Income Communities Bonus Credit Program <i>Application required</i>	Provides an 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 to benefit low-income households. Additional credit is 10 or 20 percentage point increase on base Investment Tax Credit (§ 48, 48E). You must apply and receive a capacity allocation, and then place your facility in service to claim this bonus.
Domestic Content Bonus	Projects or facilities that meet domestic content requirements are eligible for a 10 percent increase to the Production Tax Credit (§ 45, 45Y) or up to a 10-percentage point increase (if PWA req's met) to the Investment Tax Credit (§ 48, 48E). For projects or facilities beginning construction starting in 2024 or later, for taxpayers using elective pay, the domestic content requirement can also result in a reduction of the Production Tax Credit or Investment Tax Credit if it is not met.

Example: Investment Tax Credit Stacking

Tax credit bonuses can stack with the underlying tax credit creating significant opportunity for eligible projects.

Example: 1 MW community solar facility costing \$1 million could earn a **70% tax credit** worth \$700,000 if eligible for all applicable tax credit and bonuses

If it is owned by an applicable tax-exempt entity, this could be a **direct cash payment** from the IRS

Up to 70% total tax credit!

Low Income Communities Bonus

10-20% increase in ITC**

Domestic Content Bonus

10%* increase in ITC

Energy Communities Bonus

10%* increase in ITC

Base ITC

30%*

(*meets prevailing wage and apprenticeship criteria)

*Credit is 5x lower if not meeting prevailing wage and apprenticeship criteria

**48(e) tax credits are limited and allocated by DOE in coordination with IRS through an application process

Domestic Content and Elective Pay for Clean Electricity and Storage

Clean electricity and storage projects starting construction in 2024 or later **must meet one of these criteria to be eligible for the full value** of elective pay:

1. Capacity under 1 MW-ac
2. Meets domestic content criteria (same as for 10% bonus)
3. Qualifies for at least one of two exceptions:
 - a. Inclusion of domestically produced steel, iron, or manufactured products would increase project costs more than 25%; or
 - b. Such inputs are not produced in the United States in “sufficient and reasonably available quantities or of a satisfactory quality”

Begun Construction	Elective Pay value if domestic content not met
2023	100%
2024	90%
2025	85%
2026 and later	0%

Domestic Content	Criteria
Steel and Iron	100% domestic
Manufactured Products	40% domestic content* through 2024 growing to 55% in 2027

*20% for offshore wind

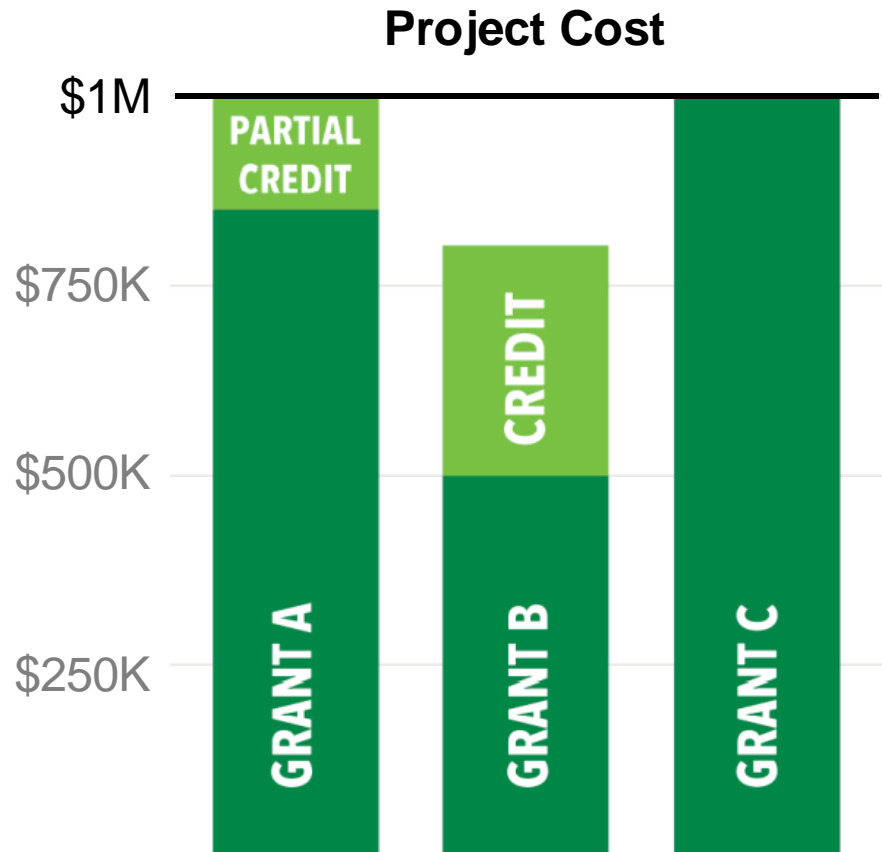
Special Rule: Grants and Forgivable Loans

The guidance also includes a special rule that enables applicable entities claiming elective pay to **combine grants and forgivable loans with tax credits**.

For investment tax credits, **the credit plus grants or forgivable loans cannot exceed the total cost of the investment**, otherwise the credit is reduced.

Section	Credit	Example Technologies
48, 48E	Investment Tax Credit (ITC)	Solar, storage, geothermal heat pumps
30C	Alt Fuel Vehicle Refueling Property Credit	Electric vehicle chargers
45W	Commercial Clean Vehicles Credit	Electric buses, electric fleet passenger EVs
48C	Advanced Energy Project Credit	Clean energy manufacturing facility

Example: Stacking Grants with Elective Pay



Applicable entity receives grant to support purchase of solar for \$1 million and is eligible for a 30% investment tax credit worth \$300,000 through elective pay.

Three scenarios:

- A. \$850,000 grant plus \$300,000 credit is more than purchase price. **Credit is reduced to \$150,000.**
- B. \$500,000 grant plus \$300,000 credit is less than purchase price. **No reduction in credit.**
- C. \$1,000,000 grant fully covers purchase cost. **Credit is reduced to zero.**

See Q41 in the [IRS Elective Pay FAQ](#) for more details

Incentives for Energy Efficiency

Tax Provision	Description	Elective Pay	Transferability
Energy Efficient Home Improvement Credit (§ 25C)	For energy efficiency improvements of residential homes by homeowners (and in some cases renters). Learn more at IRS.gov/HomeEnergy .		
Residential Clean Energy Credit (§ 25D)	For the purchase of certain residential clean energy equipment (including battery storage with capacity ≥ 3 kWh) by homeowners or renters. Learn more at IRS.gov/HomeEnergy .		
New Energy Efficient Home Credit (§ 45L)	For construction and sale/lease of new energy-efficient homes.		
Energy Efficient Commercial Buildings Deduction (§ 179D)	For energy efficiency improvements to commercial buildings (building owners, long-term lessees, or designers that have been allocated the deduction by certain tax-exempt building owners are eligible to claim the deduction).		

§179D Energy Efficient Commercial Building Tax Deduction

- Tax deduction expanded under IRA for new and retrofit commercial buildings achieving specified cost/energy savings
- Not available via elective pay
- However, certain tax-exempt entities may allocate the deduction to the designer of the building or retrofit
- See [IRS §179D website](#) for more information

Energy/Cost Savings**	Deduction if not meeting PWA* criteria	Deduction if meeting PWA criteria
25% minimum	\$0.50 per sqft	\$2.50 per sqft
Every +1%	+\$0.02 per sqft	+\$0.10 per sqft
50% maximum	\$1.00 per sqft	\$5.00 per sqft

- Eligible installations include:
 - Interior lighting
 - HVAC
 - Hot water systems
 - Building envelope

* PWA = Prevailing wage and apprenticeship

** Baseline for calculating savings depends on one of two pathways (new construction/retrofit).

Using Elective Pay and Complementary IRA Programs

Ben Evans, US Green Building Council

Sec. 179D Tax Deduction for Energy Efficient Commercial Buildings (IRA Sec. 13303)

Expanded tax deduction for commercial building efficiency improvements:

- Increases deduction from \$1.80/square foot to sliding scale of \$2.50-\$5.00.
- New construction must achieve 25%-50% better performance relative to model building energy code OR retrofits must demonstrate 25-50% energy use intensity improvement.
- Creates new pathway for nonprofit entities to access deduction by allocating it to project designer (as government entities have been able to do).
- Receiving full credit requires meeting prevailing wage and apprenticeship provisions. Deduction drops to \$0.50-\$1.00 if not met.
- IRS released new Form 7205 for claiming 179D. Awaiting guidance on filing.
- Unlike other incentives, 179D is permanent, and adjusts annually for inflation.



Southwest Library | Washington, D.C. | LEED Platinum
Photo: ©James Steinkamp Photography

Sec. 30C Alternative Fuel Vehicle Refueling Property Credit (IRA Sec. 13404)

Expanded Sec. 30C tax credit for EV charging systems and other alternative fuel vehicle infrastructure through 2032:

- Credit of 30% of expenses up to \$100,000 per charging/fueling unit on commercial properties, including retail, office, etc. (Past cap was \$30,000 per property.)
- Starting in 2024, eligible properties must be in defined rural or low-income census tracts. [See map here](#) for eligible tracts.
- Must meet [prevailing wage and apprenticeship program](#) requirements or credit is reduced to 6%.
- Includes [“direct pay”](#) and [transfer](#) provisions.
- Credit taken in year property placed in service (i.e. made operational)
- Awaiting guidance on specific charging unit investments that qualify (i.e. electrical upgrades or wiring shared across units).



City of Coral Gables | LEED Gold | Photo: © City of Coral Gables

Form 8911 (Rev. January 2024) Department of the Treasury Internal Revenue Service		Alternative Fuel Vehicle Refueling Property Credit Attach to your tax return. Go to www.irs.gov/Form8911 for instructions and the latest information.		OMB No. 1545-0123 Attachment Sequence No. 151
Name(s) shown on return			Identifying number	
Part I Total Cost of Refueling Property				
1 Total cost of qualified alternative fuel vehicle refueling property placed in service during the tax year			1	
Part II Credit for Business/Investment Use Part of Refueling Property				
2 Business/investment use part (see instructions)			2	
3 Section 179 expense deduction (see instructions)			3	
4a Subtract line 3 from line 2			4a	
b Enter any amount included on line 4a attributable to property placed in service as part of a project subject to project requirements that were not met (see instructions)			4b	
c Subtract line 4b from line 4a			4c	
5a Multiply line 4b by 6% (0.06)			5a	
b Multiply line 4c by 30% (0.30)			5b	
c Add lines 5a and 5b			5c	
6 Maximum business/investment use part of credit (see instructions)			6	
7 Enter the smaller of line 5c or line 6			7	
8 Alternative fuel vehicle refueling property credit from partnerships and S corporations (see instructions)			8	
9 Business/investment use part of credit. Add lines 7 and 8. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1s			9	



Tract Status

Eligible tract through 2024 (2011-2015
NMTC tracts)



Eligible tract through 2029 (2016-2020
NMTC tracts)

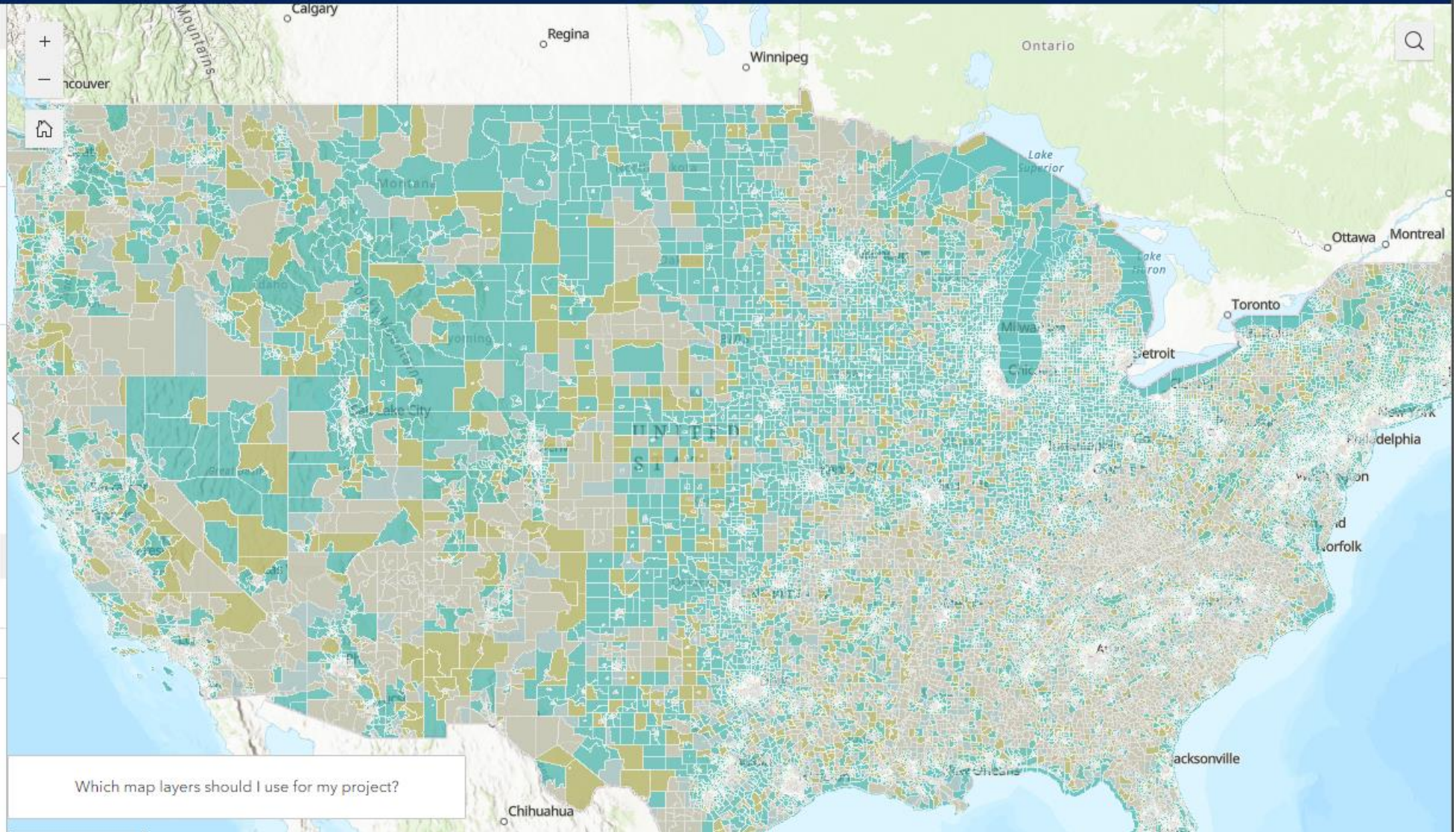


Eligible tract through 2030 (2020 Non-
Urban tracts)



Map Layers

- | | | |
|-------------------------------------|---|-----|
| <input checked="" type="checkbox"/> | Eligible tract through 2024 (2011-2015 NMTC tracts) | ... |
| <input checked="" type="checkbox"/> | Eligible tract through 2029 (2016-2020 NMTC tracts) | ... |
| <input checked="" type="checkbox"/> | Eligible tract through 2030 (2020 Non-Urban tracts) | ... |



EPA Greenhouse Gas Reduction Fund

\$27B in IRA funding to seed a national network of nonprofit financial institutions financing tens of thousands of clean energy and energy efficiency projects and create residential solar programs, with an emphasis on low-income and disadvantaged communities. Buildings projects are a priority area of investment in first two programs below, with a wide array of eligible projects from single-family residential improvements to commercial new construction and renovation.



\$14B National Clean Investment Fund

Funding awarded to three large national nonprofit financial institutions focused on scaling access to capital to execute clean technology projects nationwide.

\$6B Clean Communities Investment Accelerator

Funding awarded to five “hub” nonprofit financial institutions to provide funding and technical assistance to local green banks, credit unions, CDFIs and other community lenders working in low-income and disadvantaged communities.


\$7B Solar for All

Funding awarded to about 60 entities to invest in residential rooftop solar and community solar, with energy efficiency qualifying as an enabling upgrade.

USGBC Inflation Reduction Act Resources



[Our work](#) [LEED](#) [Professionals](#) [Education](#) [Membership](#)

[Resources](#) [FAQs](#) [Account](#) 

IRA and BIL

Incentives and policy support for green buildings



Fremont Office Building | LEED Gold | Photo: Built Work Photography

Green buildings and the Inflation Reduction Act (IRA) and Bipartisan Infrastructure Law (BIL)

The Inflation Reduction Act (IRA) and Bipartisan Infrastructure Law (BIL) are delivering unprecedented incentives and policy support for green buildings. USGBC was extensively engaged in the passage of these provisions and is committed to their successful implementation.

 [Help](#)



Ben Evans

Federal Legislative Director

U.S. Green Building Council

bevans@usgbc.org

Note: The information contained in this slide deck is provided solely for informational purposes and does not constitute tax or legal advice, nor should it be relied on exclusively in determining IRA program eligibility.



Putting the Pieces and Team Together

Dan Bresette, EESI

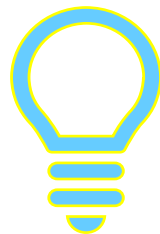
Realizing All the Benefits of Energy Efficiency



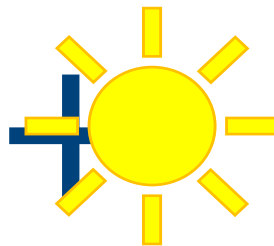
Energy efficiency is *always* a good thing:

30

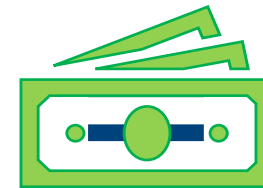
- Saves (previously wasted) money that can be reinvested to advance the core mission
- Enhances sustainability and productivity of facilities and operations
- Improves indoor air quality by replacing pollutant-generating fossil fuel combustion with cleaner, cost-effective electric appliances and equipment
- Contributes to community health, wellness, and resilience
- Sets a good example of environmental stewardship and community leadership
- Increases readiness for renewable energy, battery storage, and electric vehicles
- Reduces greenhouse gas emissions that contribute to climate change



↑
The more you
invest in this...



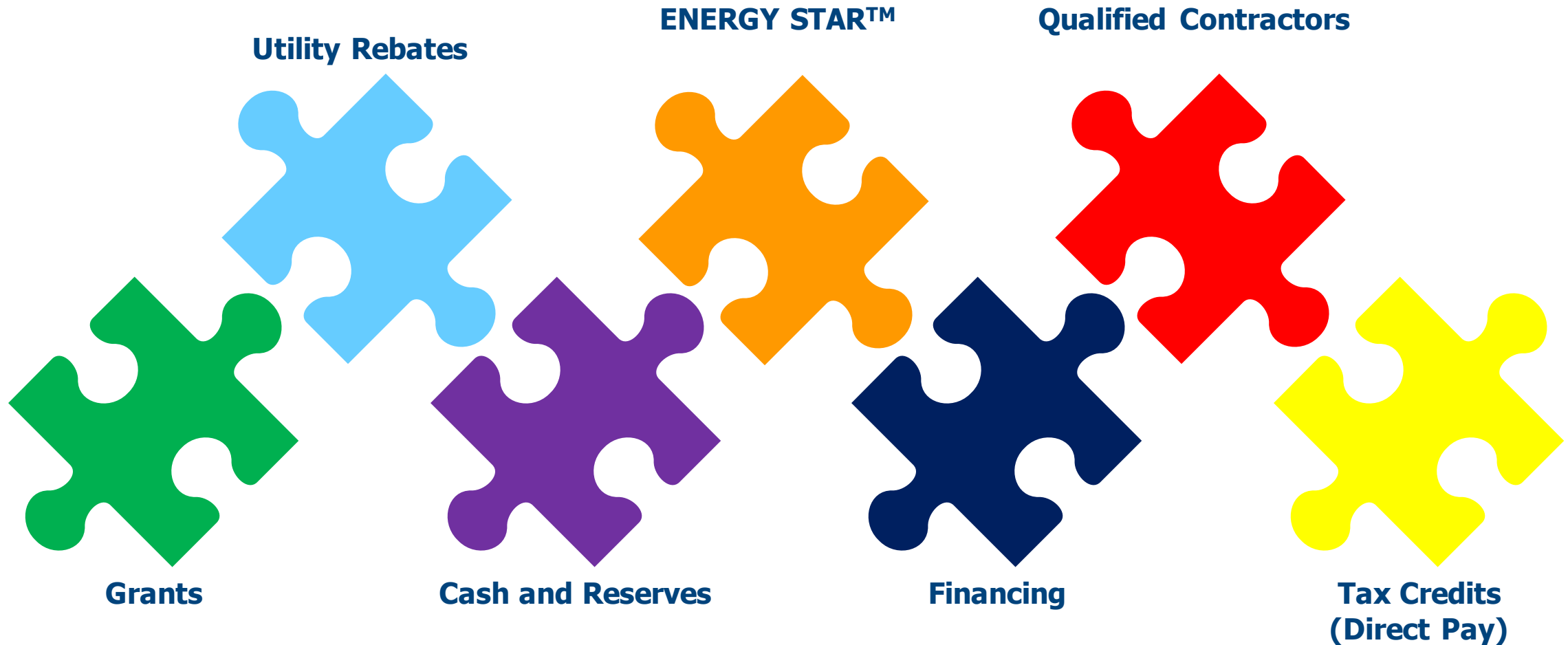
↑
The less you have to spend
on this...



↑
The more of this to spend
on other good stuff!



Putting the Pieces Together to Lower Costs

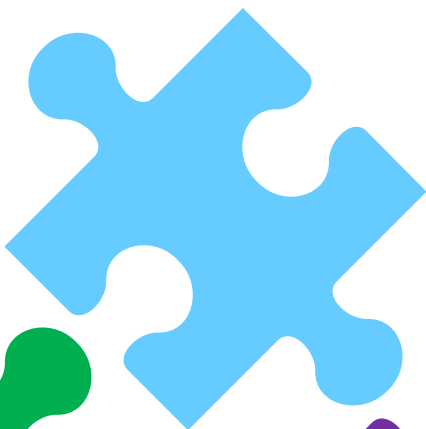


Putting the Pieces Together to Lower Costs

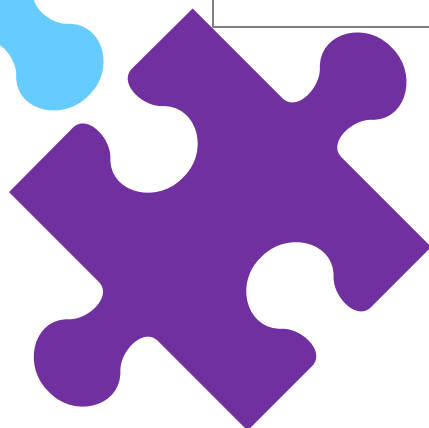
$$\text{ROI} = (\text{Total Savings} - \text{Total Costs}) \div \text{Total Costs}$$

All of these sources of leverage will help you lower costs and maximize project ROI!

Utility Rebates



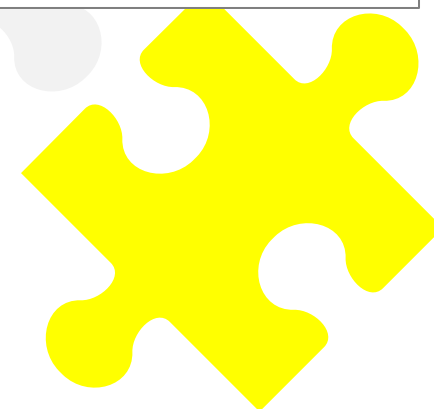
Grants



Cash and Reserves



Financing



Tax Credits
(Direct Pay)

Finding Accessible and Affordable Financing



Identify sources of funding and financing

- Contact your utility about rebates and non-financial incentives
- Research financing options offered by your state energy office, green bank, utility, local banks, and community development financial institutions
- Discuss lessons-learned with your peers who have successfully implemented projects



Summary of Potential Sources of Financing for Nonprofits

- **On-bill financing** programs allow repayments over time via a monthly utility bill line-item that is generally less the energy savings
- **Green banks** often target programs at underserved borrowers like nonprofits, including those in rural areas or that serve low-and medium-income communities
- Many states and local governments offer **property-assessed clean energy** programs to extend financing through tax bill assessments
- **Community development finance institutions (CDFIs)** and accredited **credit unions** expand access to financing in underserved communities

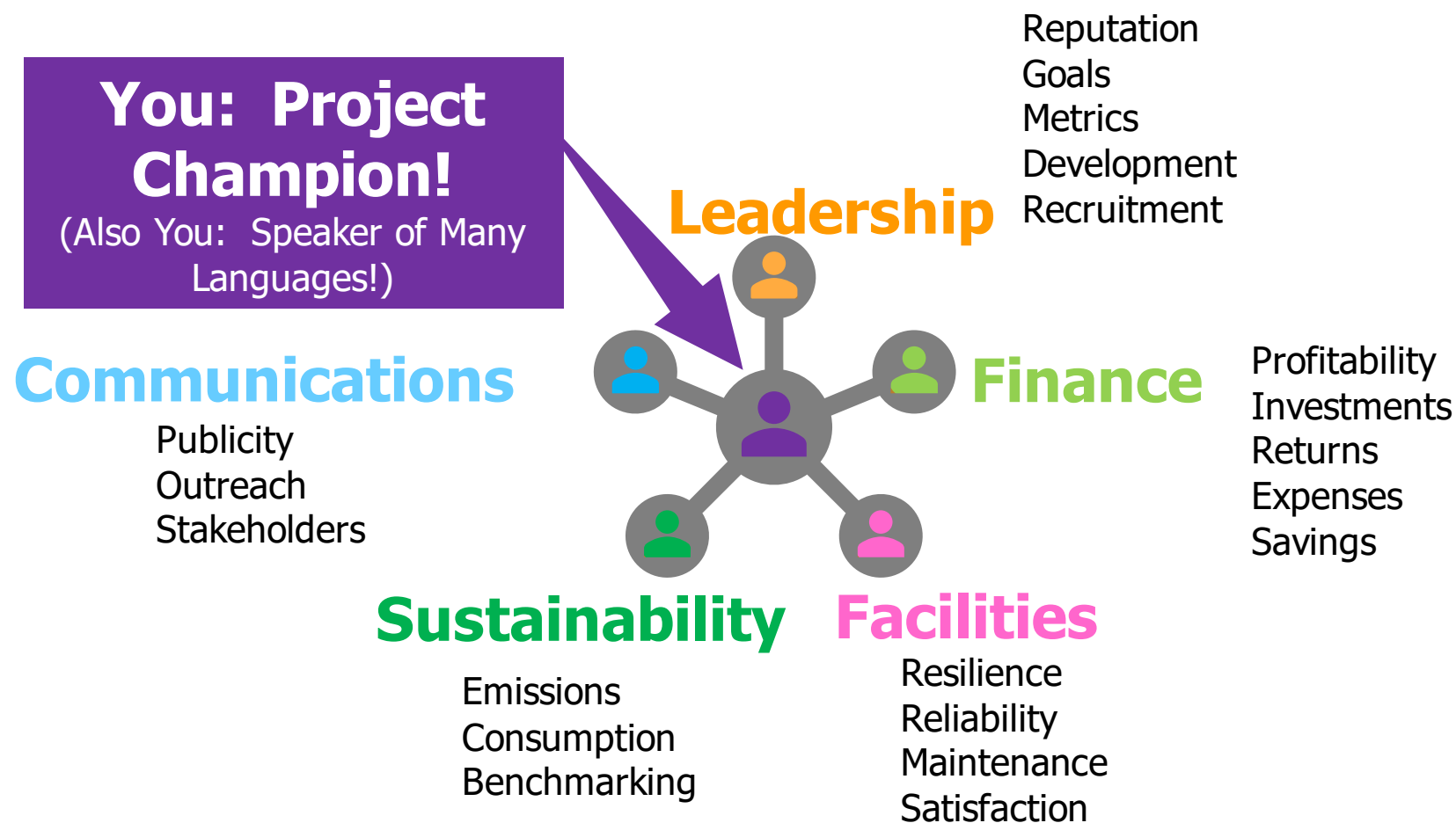
Looking for a great place to get started?

<https://betterbuildingsolutioncenter.energy.gov/financing-navigator>



Building a Supportive Team

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Educational Resources for Nonprofits



EESI Case Studies and Resources for Nonprofits

- [Why Energy Efficiency is Important for Nonprofits](#)
- [Financing Energy Efficiency Projects for Nonprofits](#)
- [Increasing Clean Energy Justice and Resilience for Faith Communities Through Solar Energy](#)
- [Presenting the Beneficial Electrification Toolkit!](#)
- [Justice40 The Path Forward for the Administration's Environmental Justice Initiative](#)
- [Connecticut Church Finds Big Savings Through Energy Efficiency](#)
- [To Help Care for the Earth, an Indiana Seminary Turned to Geothermal Energy and Efficiency](#)
- [How a Connecticut Theater Put Energy Efficiency in the Spotlight](#)
- [Ohio Churches Go Green](#)



EESI Coverage of *Inflation Reduction Act* Incentives and Investments

- [Fact Sheet: Direct Pay for Nonprofits and Tax-Exempt Entities](#)
- [Direct Pay: Nonprofits Can Now Benefit from Clean Energy Tax Credits](#)
- [The Latest on the Clean Energy Tax Incentives in the *Inflation Reduction Act*](#)
- [Clean Energy Tax Credits Get a Boost in New Climate Law](#)



Thank you.

Daniel Bresette
President
(202) 662-1881
dbresette@eesi.org

Miguel Yañez-Barnuevo
Senior Associate
(202) 662-1882
myanez@eesi.org

[**www.eesi.org**](http://www.eesi.org)

About EESI



Non-partisan Educational Resources for Policymakers

A bipartisan Congressional caucus founded EESI in 1984 to provide non-partisan information on environmental, energy, and climate policies



Direct Assistance for Equitable and Inclusive Financing Program

In addition to a full portfolio of federal policy work, EESI provides direct assistance to utilities to develop “on-bill financing” programs



Commitment to Diversity, Equity, Inclusion, and Justice

We recognize that systemic barriers impede fair environmental, energy, and climate policies and limit the full participation of Black, Indigenous, people of color, and legacy and frontline communities in decision-making



Sustainable Solutions

Our mission is to advance science-based solutions for climate change, energy, and environmental challenges in order to achieve our vision of a sustainable, resilient, and equitable world

Questions?

Where can I find more information?

Eligibility Information

- List of Elective Pay Eligible Tax Credits: <https://www.irs.gov/pub/irs-pdf/p5817g.pdf>
- Low Income Communities Bonus: <https://www.energy.gov/justice/low-income-communities-bonus-credit-program>
- Energy Communities Bonus and Map: <https://energycommunities.gov/energy-community-tax-credit-bonus/>

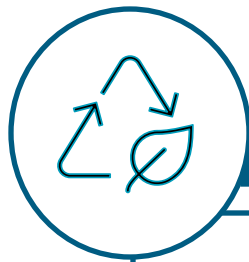
IRS Registration Tool and User Guide:

- <https://www.irs.gov/credits-deductions/register-for-elective-payment-or-transfer-of-credits>

IRS Elective Pay FAQ:

- <https://www.irs.gov/credits-deductions/elective-pay-and-transferability-frequently-asked-questions-elective-pay>

Resources

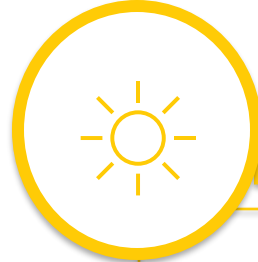


Energy Efficiency

BETTER

[EnergySTAR Portfolio Manager](#)

[View the webinar](#) and [read the slides](#) from our "Energy Efficiency First" webinar.

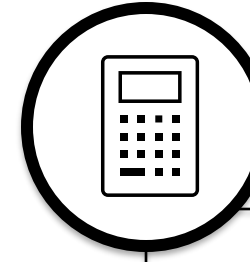


Going Solar

[PVWatts](#) (Solar)

[RE-OPT](#) (Clean energy and storage)

[Read the slides](#) from our "Going Solar" webinar.



Financing

[CleanEnergy.gov /DirectPay](#)

[State and Local Solution Center](#)

[Better Buildings Financing Navigator](#)

Contact Us: nonprofits@doe.gov





The DOE Renew America's Nonprofits Program is working to support nonprofits nationwide.

- ☐ **Sign up for updates!** Our email list receives notices of funding opportunities, resources, and events applicable to nonprofits.
- ☐ **Be on the lookout for our next webinar about community solar.**
- ☐ **We want to hear from you.** Give us your ideas or let us know what your needs are [here](#).

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