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CACUBO

The Inflation Reduction Act

Direct Pay Tax Credits for Higher Education

CACUBO

Nov. 17, 2023



CACUBO

- This webinar is part of our monthly webinar series to bring programming of interest to our members.
- The webinar is eligible for CPE. If you are interested in receiving CPE credit for this webinar, please e-mail me (Marty Mickey) at mmickey@nl.edu now. During the webinar, there will be three check-in questions for you to answer. **In order to receive CPE, you must answer all three of these questions.**
- Copies of the slides for this presentation and a recording of the webinar will be available on the CACUBO website in a couple of days.
- We will send out a survey afterwards to solicit thoughts and topics for future webinars. If you would be willing to present in a future webinar, please e-mail me at mmickey@nl.edu.
- Save space on your calendars for the 2024 CACUBO Annual Conference which is September 29-October 1 in Indianapolis. Great networking and CPE opportunities. Concurrent session proposals are now being accepted at <https://cacubo.memberclicks.net/am-concurrent-session-proposal-topics>.
- Our next webinar will be December 11 on Insurance Trends.



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IRA Snapshot

Creates and modifies a number of renewable energy credits as well as loan and grant programs

Creates new monetization options for tax-exempt entities beginning Jan. 1, 2023

IRC Section 6417 provides an elective/direct pay option (i.e., cash refund) for:

- Tax-exempt organizations
- State and local governments
- Tribal governments
- Rural electric cooperatives

Higher education institutions will be large beneficiaries of the IRA

- State and private institutions qualify

Programs are still being established → expected in late 2023

Treasury has released some guidance, including temporary and proposed regulation re: monetization



Opportunities for Higher Education



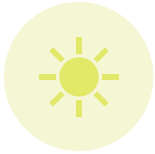
New building construction and renovations



Fleet electrification and charging infrastructure



HVAC improvements



Solar panel installations



Pricing leverage for Section 179D allocations



Capital project forecasting

Direct Pay Credits

§30C Alternative fuel vehicle refueling property credit

§45 Electricity produced from certain renewable resources, etc.

§45Q Credit for carbon oxide sequestration

§45U Zero-emission nuclear power production credit

§45V Credit for production of clean hydrogen

§45W Credit for qualified commercial clean vehicles

§45X Advanced manufacturing production credit

§45Y Clean electricity production credit

§45Z Clean fuel production credit

§48 Energy credit

§48C Advanced energy project credit

§48E Clean electricity investment credit



CPE Check-in

- What clean energy investments are you considering:
 - a. Solar
 - b. Geothermal
 - c. Electric fleets
 - d. All of the above





Specific Credit Opportunities



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
- Microgrid controllers
- Electrochromic glass



Section 45 Production Credit

Per kWh credit for the production of electricity from renewable sources

Rates vary depending upon energy source

Prevailing wage and other bonus credits available

Applies to:

- Solar
- Wind
- Municipal solid waste
- Geothermal
- Biomass
- Hydroelectric



Section 30C Alternative Fuel Refueling Credit

Credit Amount

- **Non-Depreciable property**
 - 30% of the cost of any qualified property, up to \$1,000
- **Depreciable Property**
 - 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



Section 30C Cont'd

Qualified property

- Property used for the storage or dispensing of alternative fuel into the fuel tank of a motor vehicle propelled by that fuel
- Includes fuel tanks, pumps, and other property used to transfer fuel

Alternative Fuels

- Electricity
- At least 85% of its volume consists of one or more of the following:
 - Compressed natural gas
 - Liquified natural gas
 - Liquified petroleum gas
 - Natural gas
 - Hydrogen
 - Ethanol



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 GVW, and
- \$40,000 for all others



CPE Check-in

- Does refundability under the IRA make a clean energy investment more likely for your institution:
 - a. Yes
 - b. No
 - c. Not sure, show me the numbers!





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
sourced from the US

At least 40% of
manufactured
components sourced from
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%

CPE Check-in

- Do you currently maintain prevailing wage documentation?
 - a. Yes
 - b. No
 - c. I'm not sure



Credit Rate Tables

Category	Amount* for Projects less than 1MW _{AC} (Cumulative)	Amount* for Projects greater than 1MW _{AC} (Cumulative)
Base Tax Credit	ITC: 30% PTC: 2.75¢/kWh	ITC: 6% PTC: 0.5¢/kWh
Wage & Apprenticeship Requirements (Requires a percentage of total labor hours performed by qualified apprentices)	ITC: N/A PTC: N/A	ITC: +24% PTC: +2.25¢/kWh



Credit Rate Tables Cont'd

Category	Amount* for Projects less than 1MW _{AC} (Cumulative)	Amount* for Projects greater than 1MW _{AC} (Cumulative)
Domestic Content Minimums (% attributable to U.S. Manufactured Products)	ITC: +10% PTC: +0.3¢/kWh	ITC: +10% PTC: +0.3¢/kWh
Siting in Energy Community ex. Brownfield site, area related to mining operations)	ITC: +10% PTC: +0.3¢/kWh	ITC: +10% PTC: +0.3¢/kWh
Siting in Low-Income Community or on Indian Land (<5 MW _{AC})	ITC: +10% PTC: N/A	ITC: +10% PTC: N/A
Qualified Low-Income Residential Building Project or Economic Benefit Project	ITC: +20% PTC: N/A	ITC: +20% PTC: N/A

www.epa.gov/green-power-markets/summary-inflation-reduction-act-provisions-related-renewable-energy





Credit Monetization



Claiming Direct Payments

Pre-filing registration

- Must be completed prior to filing the tax return where a direct pay election is made
- 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
- IRS has indicated that more information regarding pre-filing registration will be available when the process is released later in 2023

Making the election on a tax return

- Must be filed on Form 990-T by due date (including extensions) along with
 - Form 3800 (General Business Credit)
 - Applicable credit form



Section 179D Energy Efficient Building Deduction

How it works

- Per square foot deduction for the construction or renovation of energy efficient buildings
- Sliding scale up to \$5.00 per sq. ft. if prevailing wage/apprenticeship requirements are met
- Based on ASHRAE energy efficiency standards
- Buildings must be modeled and certified by third-party engineer

Opportunity for higher education

- Deduction can be allocated by institutions to designers of building systems (often this will be the architect)
- Allocation process is simple (standard letter template)
- Could mean indirect benefit to institutions through pricing negotiations
- Plan for it during bid and proposal phase of projects



CPE Check-in

- Do your architects/designers ask for Section 179D deduction allocations?
 - a. Yes
 - b. No
 - c. I'm not sure



Thank you!

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