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Overview of Inflation Reduction Act Clean Energy-Related Tax Incentives

U.S. Department of the Treasury

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Treasury's Role in IRA Clean Energy Implementation

- The Inflation Reduction Act makes the **largest investment in clean energy** in our nation's history, and much of that investment is **delivered via tax incentives**
- The Treasury Department is the federal agency responsible for **administering the tax code** and is **proud to be playing a central role** in implementing the Inflation Reduction Act's clean energy tax incentives
- The Inflation Reduction Act's **tax incentives cover a broad range** of activities
- The Inflation Reduction Act also includes **certain cross-cutting provisions, bonuses, and new credit monetization mechanisms** that apply to multiple incentives



Treasury's IRA Clean Energy Implementation Activities

- 1 Quickly **developing and issuing tax guidance** to provide clarity and certainty around how the law's tax incentives will operate in practice
- 2 Working with the Internal Revenue Service to put in place **modern, streamlined processes** for taxpayers to claim the clean energy incentives
- 3 Conducting **stakeholder engagement and outreach** to inform our approach and to educate the public about the benefits that are now available

Overview of IRA Clean Energy-Related Provisions

- Incentives for:
 - Energy Generation
 - Manufacturing
 - Vehicles
 - Efficiency
 - Fuels & Carbon Capture
- Cross-Cutting Provisions / Bonuses

Ground Rules: 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 temporarily regulations before issuing final rules.



Incentives for Energy Generation

Tax Provision	Description
Production Tax Credit for Electricity from Renewables (§ 45, <i>pre-2025</i>)	For production of electricity from eligible renewable sources , including wind, biomass, geothermal, solar, landfill and trash, hydropower, marine and hydrokinetic energy.
Clean Electricity Production Tax Credit (§ 45Y, <i>2025 onwards</i>)	Technology-neutral tax credit for production of clean electricity. Replaces § 45 for facilities that begin construction and are placed in service after 2024. To qualify, the facility must have a greenhouse gas emissions rate of not greater than zero.
Investment Tax Credit for Energy Property (§ 48, <i>pre-2025</i>)	For investment in renewable energy projects including fuel cell, solar, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties.
Clean Electricity Investment Tax Credit (§ 48E, <i>2025 onwards</i>)	Technology-neutral tax credit for investment in facilities that generate clean electricity and qualified energy storage technologies. Replaces § 48 for facilities that begin construction and are placed in service after 2024. To qualify, the facility must have a greenhouse gas emissions rate of not greater than zero.
Zero-Emission Nuclear Power Production Credit (§ 45U)	For electricity from existing nuclear power facilities. Facilities in operation prior to August 16, 2022.

Incentives for Manufacturing

Tax Provision

Description

Advanced Manufacturing Production Credit
(§ 45X)

Production tax credit for domestic clean energy manufacturing of components including solar and wind energy, inverters, battery components, and critical minerals.

Advanced Energy Project Credit
(§ 48C)
Application required

For investments in advanced energy projects. A total of \$10 billion will be allocated, not less than \$4 billion of which will be allocated to projects in certain energy communities. First round of concept papers due submitted this summer totaled \$42 billion in funding requests

Incentives for Vehicles

Tax Provision

Description

Credit for New Clean Vehicles
(§ 30D)

For purchasers of new clean vehicles that meet certain critical mineral and battery component requirements, as well as buyer income and manufacturer's suggested retail price limits. Learn more and see eligible vehicles at [FuelEconomy.gov](https://www.fueleconomy.gov).

Credit for Previously-Owned Clean Vehicles
(§ 25E)

For purchasers of certain previously-owned clean vehicles sold by a dealer for less than \$25,000. Subject to buyer income limits. Learn more and see eligible vehicles at [FuelEconomy.gov](https://www.fueleconomy.gov).

Credit for Qualified Commercial Clean Vehicles
(§ 45W)

For purchasers of commercial clean vehicles. Qualifying vehicles may include passenger vehicles, buses, ambulances, and certain other vehicles, as well as certain mobile machinery.

Alternative Fuel Vehicle Refueling Property Credit
(§ 30C)

For alternative fuel vehicle refueling and charging property located in low-income and non-urban areas. Qualified fuels include electricity, ethanol, natural gas, hydrogen, and biodiesel.



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).		

Incentives for Fuels and Carbon Capture

Tax Provision	Description
Extension of Pre-IRA Fuel Incentives (Multiple §§)	For Biodiesel, Renewable Diesel, Alternative Fuels, Second-Generation Biofuel.
Sustainable Aviation Fuel Credit (§ 40B, 6426(k))	For the sale or use of certain fuel mixtures that contain sustainable aviation fuel (SAF) that achieve a lifecycle greenhouse gas emissions reduction of at least 50% as compared with petroleum-based jet fuel. The mixture must be produced and placed in aircraft in the U.S. prior to 2025.
Clean Fuel Production Credit (§ 45Z, 2025 onwards)	Technology neutral tax credit for domestic production of clean transportation fuels, including sustainable aviation fuels, beginning in 2025.
Credit For Production Of Clean Hydrogen (§ 45V)	Credit for qualified clean hydrogen production at a U.S.-based qualified clean hydrogen production facility.
Credit for Carbon Oxide Sequestration (§ 45Q)	Credit for carbon dioxide sequestration coupled with permitted end uses (e.g., sequestration, use as a tertiary injectant, or utilization) in the United States.



Cross-Cutting Provisions / Bonuses

Tax Provision	Description
Prevailing Wage and Apprenticeship (PWA) Requirements	For a number 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.

IRS and Treasury Resources

Newly-launched [Treasury.gov/IRA](https://www.treasury.gov/IRA) website

- ✓ [Lowering costs for small businesses](#)

[IRS.gov/CleanEnergy](https://www.irs.gov/CleanEnergy)

- ✓ [Clean Energy Tax Incentives for Individuals](#) - 2 Page Printable Summary
- ✓ [Clean Energy Tax Incentives for Businesses](#) - 2 Page Printable Summary

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Thank You



Appendix



IRS Resources

IRS.gov/PWA

INFLATION REDUCTION ACT



Prevailing Wage & Registered Apprenticeship Overview

The information in this document may be subject to change as guidance is issued or finalized. For all IRA clean energy tax credits, please see [IRS.gov/CleanEnergy](https://www.irs.gov/CleanEnergy) for further details and eligibility requirements.

Q2. Where do I find a general wage determination? (added August 29, 2023)

A2. General wage determinations are published by the Wage and Hour Division of the US Department of Labor's (DOL) [System for Award Management](#). If a taxpayer, contractor or subcontractor would like more information on wage determinations, the Wage and Hour Division has published a [guide to understanding wage determinations](#). For more information, please visit DOL's [Prevailing Wage and the Inflation Reduction Act](#).

Q1. Where can I learn more about finding apprentices? (added August 29, 2023)

A1. The Department of Labor's Office of Apprenticeship, as well as state apprenticeship agencies, routinely provide technical expertise on registered apprenticeship program matters, including identifying registered apprenticeship programs, and assisting employers seeking to register their own programs. More information on finding apprentices is available at [ApprenticeshipUSA](#).

Overview:

To qualify for increased credit or deduction amounts of certain clean energy tax incentives, taxpayers generally need to ensure that laborers and mechanics employed in the construction, alteration, or repair are paid no less than applicable prevailing wage rates and to employ apprentices from registered apprenticeship programs for a certain number of hours. By meeting the necessary Inflation Reduction Act (IRA) prevailing wage and apprenticeship requirements, taxpayers can increase the base amounts of many clean energy tax incentives by 5 times. There are limited exceptions, for certain small facilities that produce clean energy under one megawatt and for facilities beginning construction before January 29, 2023, where taxpayers may be eligible to claim the 5 times increase without meeting the prevailing wage and apprenticeship requirements.

Prevailing Wage:

The Department of Labor (DOL) determines the prevailing wage rates for each classification of laborers and mechanics ("labor classification") in a predetermined geographic area for a particular type of construction. In general, taxpayers claiming an increased credit or deduction amount must ensure that laborers and mechanics employed by the taxpayer or its contractors or subcontractors are paid the prevailing wage, which includes the basic hourly wage rate and any fringe benefits rate, established by the Secretary of Labor when performing construction, alteration, or repair of a qualified facility, project, property, or equipment (hereafter a facility). These wage rates are found in general wage determinations on sam.gov/content/wage-determinations. A general wage determination reflects wage rates determined by DOL to be prevailing in a specific geographic area, typically a county, for a particular type of construction. In the absence of an applicable general wage determination, taxpayers may request a supplemental wage determination from DOL.

More Information

For more details please also see irs.gov/pwa and [Inflation Reduction Act Department of Labor](#). See page 2 for a list of which tax incentives can be increased by meeting the prevailing wage and apprenticeship requirements.

IRA Registered Apprenticeships:

Each taxpayer (or contractor or subcontractor) who employs four or more workers to perform construction, alteration, or repair work on a facility must employ one or more qualified apprentices when the apprenticeship requirements apply. In addition, a minimum percentage of the total labor hours of the construction, alteration, or repair work must be performed by qualified apprentices from a registered apprenticeship program. This percentage is 12.5 percent for facilities beginning construction in 2023 and it rises to 15 percent for facilities beginning construction in 2024 or after. Taxpayers (or contractors or subcontractors) must also ensure that any applicable ratios of apprentices to journey workers established by the registered apprenticeship program are met. An exception may apply when a taxpayer (or contractor or subcontractor) has requested qualified apprentices from a registered apprenticeship program and no apprentices are available. For more information or to learn about finding apprentices, see [Inflation Reduction Act Apprenticeship Resources](#).

Recordkeeping Requirements:

Taxpayers claiming an increased amount for a particular tax incentive by meeting the prevailing wage and apprenticeship requirements are subject to specific recordkeeping requirements. Taxpayers must maintain and preserve records related to the employment of laborers, mechanics, and apprentices, including the records of any contractor or subcontractor. Examples include each laborer or mechanic's hourly rates, hours worked, deductions from wages, and actual wages paid, among other records.

Corrections and Penalties:

Taxpayers who fail to meet the prevailing wage and apprenticeship requirements may still be able to claim the increased tax incentive amounts by making certain correction and penalty payments. For failures of the prevailing wage requirements, taxpayers must make correction payments for any underpaid or missing wages, plus interest, to the affected laborers and mechanics, and taxpayers may also owe a penalty payment to the IRS. For the apprenticeship requirements, taxpayers must make a penalty payment to the IRS. Enhanced correction and penalty amounts apply when the taxpayer's failure is due to intentional disregard.

Project Labor Agreements:

Penalties for failures to meet prevailing wage and apprenticeship requirements may not apply to taxpayers employing laborers, mechanics, and apprentices under a qualifying project labor agreement that meets certain requirements.

