

INFLATION REDUCTION ACT (IRA) CLEAN ENERGY TAX CREDITS FOR LOCAL GOVERNMENTS AND NONPROFITS

The Inflation Reduction Act of 2022 established a **new type of tax credit, known as elective pay or direct pay**, to incentivize local governments and certain tax-exempt entities to develop and deploy renewable energy projects. A local government that qualifies for a clean-energy investment tax credit notifies the Internal Revenue Service (IRS) of their intent to claim the credit and files an annual tax return using a new form, 990-T to claim elective pay for the full value of the credit. The IRS then pays the local government the value of the credit.

Scan QR codes for more information

Information about
Elective Pay, developed
by the IRS



Information about
Elective Pay, developed by
The White House



IRA Elective Pay Tax Credits,
compiled by the National
Association of Counties (NACO)



Flip over to see a list of some available tax credits.



TAX CREDIT	DESCRIPTION
Investment Tax Credit (ITC)	Upfront subsidy of up to 30% of project construction costs on government-owned energy production facilities, starting base credit of 6% of the investment; bonus credits available for qualified low-income economic benefit projects.
Production Tax Credit (PTC)	Available to governments that own energy producing-facilities, including solar, wind, biomass, geothermal, hydropower, small irrigation and certain landfill and trash energy facilities. Base credit amount is 3 cents/kw.
Clean Electricity Investment Tax Credit and Production Tax Credit for Power Facilities	Available to governments to choose between an investment (ITC) or production tax credit (PTC) associated with power facilities that operate at zero emissions; governments can choose to either apply the credit to the construction (up to 6% of facility investment) or a 10 year production credit of 5 cents for each kilowatt produced; PTC bonus of 2.5 cents and ITC up to 30% if fair wages and follow apprenticeship guidelines.
Carbon Capture and Sequestration Credit	Available to governments that own carbon capture and sequestration facilities. Credit lasts for 12 years and base credit dependent on level of carbon capture, presence of electricity generating facilities, and if it is direct air capture.
Alternative Fuel Refueling Property Tax Credit	Available for the costs associated with installation of alternative fuel vehicle refueling properties; a 6% credit of costs with the credit limit set at \$100,000; 30% bonus for fair wage and if following apprenticeship requirements.
Alternative Fuel Excise Tax Credit	Credit covers 5 cents per gallon of alternate fuel purchased by local government and \$1 per gallon for diesel fuels.
Advanced Energy Project Credit	Available for facilities that equip, expand, or establish qualifying clean energy manufacturing facilities.
Advanced Manufacturing Production Tax Credit	Credit for the production and sale of solar and wind parts and components.
Commercial Clean Vehicle Direct Credit	Provides up to a \$40,000 subsidy for large vehicle replacements under 7 tons.
Clean Fuel Production	Available for clean fuel produced by government-owned facilities.
Zero-Emission Nuclear Tax Credit	Available for nuclear energy produced by government-owned nuclear power plants; base credit is 3 cents per kilowatt hour; 5x bonus for facilities that pay fair wages and follow apprenticeship requirements.
Clean Hydrogen Tax Credit	Available for government-owned clean hydrogen production facilities; credit amount is .60 multiplied by the amount of carbon produced per year; a \$3.00 bonus to a facility paying fair wages and following apprenticeship guidelines.
Energy Efficient Building Incentives	Available for offsetting costs of energy efficiency systems installation in government-owned buildings. Credit formula is \$2.50 per square foot of the building being updated.

