



H.R. 5376: Inflation Reduction Act of 2022

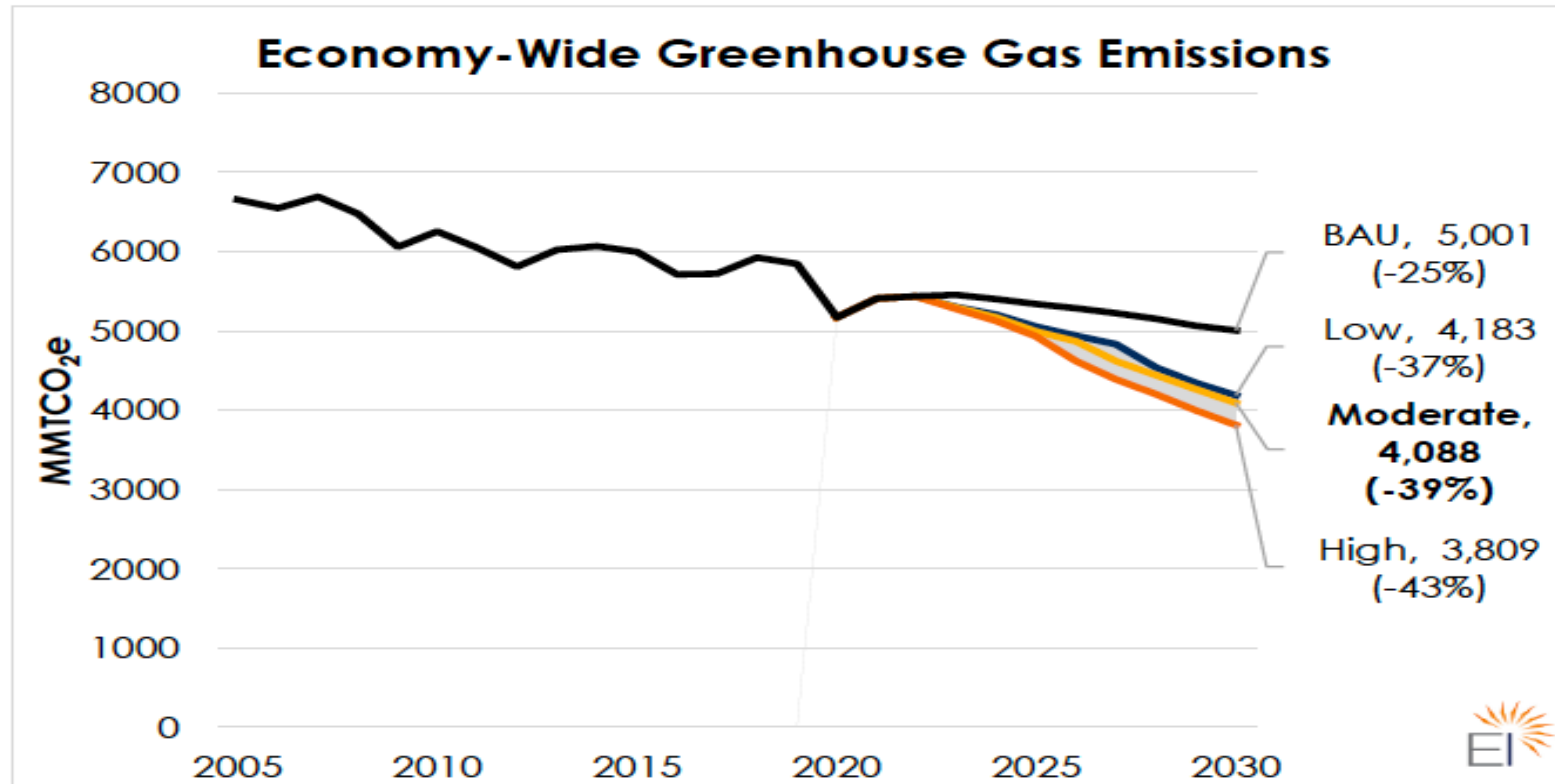
Commercial & Institutional Opportunities



**WHY IS EVERYONE TALKING ABOUT
THE INFLATION REDUCTION ACT??**

Significant Reduction in GHG Emissions

Under a business-as-usual (BAU) scenario (i.e., including all enacted federal and state policies to date) our modeling forecasts the U.S. would reduce emissions 25 percent compared to 2005 levels by 2030.



In other words, the IRA would enable the U.S. to close 49 to 71 percent of the emissions gap between BAU and the NDC in 2030.

Historic Levels of Investment!

Over the past 2 years, we have seen historic investment in federal climate spending. Over the next decade, spending on climate will more than triple historic levels



Notes:

Average annual spending, adjusted for inflation. Note that time periods shift from 2000-2008 to 2009-2017. This is to 1) consolidate the impact of the American Recovery and Reinvestment Act to one bar and 2) address missing data between 2018-2019.

Values are based on RMI estimates using agency spending data from the Government Accountability Office (GAO), tax expenditure data from the Joint Committee on Taxation (JCT), and internal analysis on 2021-2022 legislation (Infrastructure Investment and Jobs Act, CHIPS and Science Act, Inflation Reduction Act). Spending from the American Recovery and Reinvestment Act is based on a White House memo on clean energy spending from 2010.

The averages for the Infrastructure Investment and Jobs Act, CHIPS and Science Act, and Inflation Reduction Act include both appropriations and authorizations. Note that CHIPS funding estimates are based on authorizations.

We do not include agriculture, land, or resilience appropriations from the Inflation Reduction Act in this figure because they do not directly target clean energy technology supply chains.

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**WHAT'S in the IRA?
(pronounced eye-raa)**

Inflation Reduction Act of 2022

Figure 1. Energy supply receives about half of IRA resources, with significant investments in clean manufacturing and housing (billions of dollars)

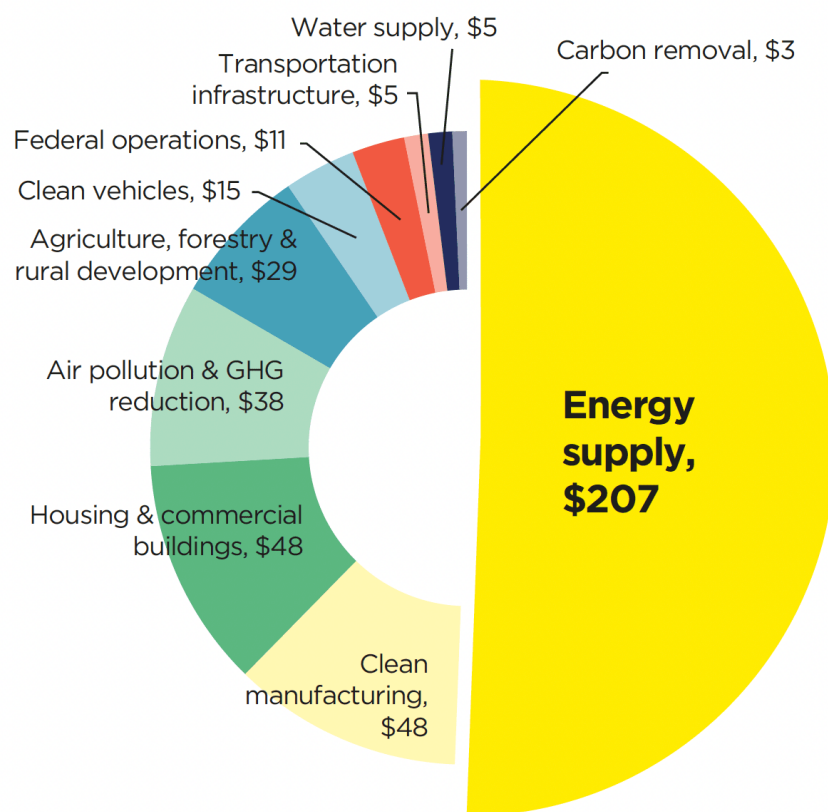
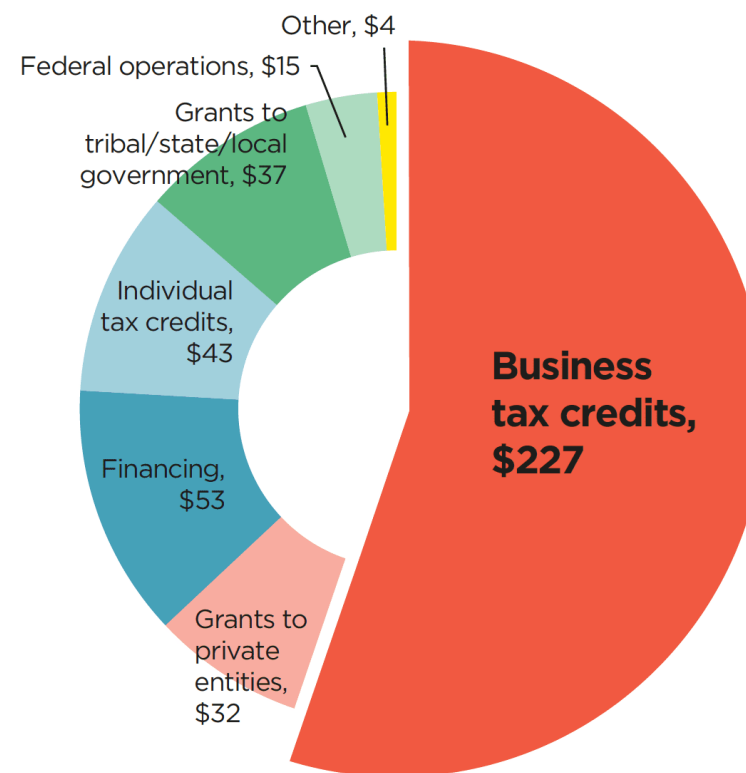


Figure 2. The largest share of IRA funding will be available as tax credits to businesses (billions of dollars)



IRS Asks for Comments on Energy Guidance – due November 4, 2022

<https://www.irs.gov/newsroom/irs-asks-for-comments-on-upcoming-energy-guidance>

Renewable Energy and Energy Storage

Renewable Energy Tax Credit for Businesses

- **Investment Tax Credit (ITC, Sec. 48):** tax credit on a percentage of the investment cost of renewable energy and energy storage systems (for example, solar, battery storage, wind, etc.)
- **Production Tax Credit (PTC, Sec. 45):** per kilowatt-hour (kWh) tax credit for electricity generated by solar and other qualifying technologies for the first 10 years of a system's operation. It reduces the federal income tax liability and is adjusted annually for inflation.
- Generally, project owners cannot claim both the ITC and the PTC for the same property, although they could claim different credits for co-located systems, like solar and storage.
- **Prevailing wage/apprenticeship requirement only in place for systems > 1 MW in size.**

Summary of Investment Tax Credit (ITC) and Production Tax Credit (PTC) Values Over Time

			Start of Construction						
			2006 to 2019	2020 to 2021	2022	2023 to 2033	The later of 2034 (or two years after applicable year ^a)	The later of 2035 (or three years after applicable year ^a)	The later of 2036 (or four years after applicable year ^a)
ITC	Full rate (if project meets labor requirements ^b)	Base Credit	30%	26%	30%	30%	22.5%	15%	0%
		Domestic Content Bonus				10%	7.5%	5%	0%
		Energy Community Bonus				10%	7.5%	5%	0%
	Base rate (if project does not meet labor requirements ^b)	Base Credit	30%	26%	6%	6%	4.5%	3%	0%
		Domestic Content Bonus				2%	1.5%	1%	0%
		Energy Community Bonus				2%	1.5%	1%	0%
	Low-income bonus (1.8 GW/yr cap)	<5 MW projects in LMI communities or Indian land				10%	10%	10%	10%
		Qualified low-income residential building project / Qualified low-income economic benefit project				20%	20%	20%	20%

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PTC for 10 years (\$2022)	Full rate (if project meets labor requirements ^b)	Base Credit			2.6 ¢	2.6 ¢	2.0 ¢	1.3 ¢	0.0 ¢
		Domestic Content Bonus				0.3 ¢	0.2 ¢	0.1 ¢	0.0 ¢
		Energy Community Bonus				0.3 ¢	0.2 ¢	0.1 ¢	0.0 ¢
	Base rate (if project does not meet labor requirements ^b)	Base Credit			0.5 ¢	0.5 ¢	0.4 ¢	0.3 ¢	0.0 ¢
		Domestic Content Bonus				0.1 ¢	0.0 ¢	0.0 ¢	0.0 ¢
		Energy Community Bonus				0.1 ¢	0.0 ¢	0.1 ¢	0.0 ¢

a “Applicable year” is defined as the later of (i) 2032 or (ii) the year the Treasury Secretary determines that there has been a 25% or more reduction in annual greenhouse gas emissions from the production of electricity in the United States as compared to the calendar year 2022.

b “Labor requirements” entail certain prevailing wage and apprenticeship conditions being met.

Renewable Energy Tax Credit for Businesses

- **Sample calculations and examples of depreciation and accelerated depreciation available at:**

https://www.energy.gov/eere/solar/federal-solar-tax-credits-businesses#_edn19

- Eligible for direct pay for non-profits and gov't entities

Building Energy Efficiency and Electrification

Energy Efficient Commercial Building Tax Deduction (Section 179D)

1. Effective January 1, 2023
2. Permanent Tax Deduction – reduces *taxable income*
3. Tax Deduction in \$/square foot for energy efficient new buildings and retrofits that exceed ASHRAE 90.1 Energy Standard by a certain percent
4. Applies to new and existing commercial buildings

Energy Efficient Commercial Building Tax Deduction (Section 179D)

- **Standard deduction:**
 - \$0.50/SF for **25%+** energy savings
 - An additional \$0.02/SF deduction for every 1% energy savings
 - Up to \$1.00/SF for **50%+** energy savings
- **Bonus deduction:**
 - \$2.50/SF for **25%+** energy savings
 - An additional \$0.10/SF deduction for every 1% of energy savings above 25%, up to \$5.00/SF for buildings that achieve **50%+** energy savings.
 - This Bonus deduction is available for projects where specific prevailing wage and apprenticeship requirements are met.

Example: 100,000 sq ft Building (Retrofit or New)

- **If no prevailing wage/apprenticeship requirements met:**
 - Built 30% more efficient than ASHRAE: $(\$0.50/\text{SF}) * 100,000$
= **\$50,000**
 - Built 60% more efficient than ASHRAE: $(\$1.00/\text{SF}) * 100,000$
= **\$100,000**
- **If prevailing wage/apprenticeship requirements met:**
 - Built 30% more efficient than ASHRAE: $(\$3.00/\text{SF}) * 100,000$
= **\$300,000** [Note: $(\$2.50 + \$0.50)/\text{sq ft}$]
 - Built 60% more efficient than ASHRAE: $(\$5.00/\text{SF}) * 100,000$
= **\$500,000** [Note: $(\$2.50 + \$2.50)/\text{sq ft}$]

Energy Efficient Commercial Building Tax Deduction (Section 179D)

- **Non-taxable entities are eligible:**
 - Assign deduction to building designers (not contractors)
- **Same building can recertify as new improvements are made**
 - Every 3 years (private)
 - Every 4 years (government/tax-exempt)

*The U.S. Secretary of the Treasury and Secretary of Energy are charged with developing guidance on the implementation for the expanded tax deduction, including the **prevailing wage** and **apprenticeship requirements**, and details about **which version of ASHRAE 90.1 Standard** is the baseline standard.*

Zero Emissions Vehicles

Commercial Vehicle Charging Infrastructure Tax Credits

Re-instates [IRC Section 30C tax credit](#) for EV charging stations.

- Maximum tax credit for EV charging* increasing from \$30,000 to \$100,000 effective 1/1/2023.
 - 30% tax credit subject to prevailing wage and apprenticeship requirements. Same rules as for ITC.
- Tax credits require that installations are in certain census tracts:
 - Population census tracts where poverty rate is at least 20%OR
 - Census tract where median family income is less than 80% of state median family income

*not limited to EV charging – *Alternative Fuel Vehicle Refueling*

Commercial Clean Vehicle Tax Credit

- [Section 45W-Commercial Clean Vehicle Tax Credit](#)
- Tax credit of 30% of the **incremental cost** for an EV or fuel cell vehicle
 - Capped at \$7,500 for a vehicle of less than 14,000 lbs.
 - Capped at \$40,000 for vehicle of more than 14,000 lbs.
- No domestic content requirements, unlike the residential EV tax credit
- Tax credit can be transferred to seller of vehicle
- Eligible for direct pay for non-profit and gov't entities

Additional Funding for Clean Vehicle Fleets

- 2 significant programs can improve vehicle and mobile source emissions along the Wasatch Front through EPA
- \$1 Billion appropriated for grant/rebate program for clean heavy-duty vehicles (Sec. 60103)
 - \$400 million set aside to replace vehicles serving communities in non-attainment areas for any pollutant.
 - Up to 100% of the cost for Class 6 or Class 7 heavy-duty vehicles
 - Eligible recipients: state and municipal gov'ts, tribes, non-profit school assn.
- \$3 Billion for zero-emission port equipment and technology and GHG reduction planning for ports (Sec. 60102)
 - \$750 million set aside for non-attainment areas
 - Port authorities, agency w/jurisdiction over port, private entities w/in port

Clean Energy Fund

Green Bank and Financing

- Congress created a \$27 billion [“Greenhouse Gas Reduction Fund”](#) at EPA to support state and local emissions reductions initiatives, esp. aimed at low-income and “disadvantaged” communities (Section 60103 of I.R.A.)
 - \$7 billion available for competitive grants to deploy low and zero-emissions technologies in low-income and disadvantaged communities.
 - \$20 billion to “support new or support existing public, quasi-public, not-for-profit, or nonprofit entities that provide financial assistance to qualified projects at the State, local, territorial, or Tribal level” i.e., a “Green Bank”
 - \$11.97 billion for technical assistance and seed capital for any financing entity
 - \$8 billion for funds focused on financing for emissions reduction activities in low-income and disadvantaged communities
- Funds expected to flow through a national non-profit “clean energy accelerator”, which will then be sent out to states, local, and tribal entities

What is a “Green Bank”?

- Non-profit, independent non-depository entity seeking to provide affordable financing and lending for energy efficiency, resiliency, and energy-related infrastructure, and emissions reducing projects
- Way to overcome upfront cost barriers to adoption of emissions reducing technology and hesitancy by traditional banks to provide capital to energy improvements
- Focus on markets that can reduce emissions where there is a lack of affordable private financing and has the potential for a financial return.
 - Residential energy efficiency, solar, and storage
 - Backing Commercial PACE Loans
 - “Green” elements of affordable housing or public projects

Clean Energy Fund Opportunities for Utah

- Large potential pool of funds: 1% of \$20 billion is \$200 million dollars
- Utah is unique given interest in clean energy, energy economy, and financial expertise
- Funds are expected to be transferred from the U.S. EPA to a single national non-profit accelerator in February, whose mission it is to help support state and local clean energy funding entities. Competitive grants expended by **September 2024**.
- Need to create or identify eligible entity, staff, and implementation coalition
- **Opportunity: Comments to EPA for Greenhouse Gas Reduction Fund due December 5.**