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An overview of energy tax credits under the *Inflation Reduction Act of 2022*

Want to find potential tax savings over the next decade?

Read this overview of energy tax credits – and who can take advantage of them.

The *Inflation Reduction Act of 2022* (IRA) included several new provisions and updates relating to energy tax credits. In fact, estimates have suggested that if these and other climate portions of the law are all implemented and used during the next 10 years, they could decrease greenhouse gas emissions in the United States by up to 40%.

Businesses of all kinds should explore ways to optimize their tax strategies in light of these credits – some of which will be able to provide tax savings into the next decade. Explore our high-level credits summary to learn if your organization might be eligible to take advantage of some of the new and updated energy tax credits from the IRA, including:

- Production of electricity through clean and renewable energy sources
- Sales of technologies and materials that facilitate clean energy production
- Sale and usage of biodiesels and alternative fuels





SECTION 45

Clean energy production credit

WHO'S ELIGIBLE: Businesses that produce renewable energy from solar, wind, geothermal, biomass, hydropower, and other eligible sources.

WHAT IT IS: Production tax credit (PTC) available until the end of 2024, after which the credit will transition to a technology-neutral credit under Section 45Y.

WHAT IT'S WORTH: Amount of credit is 0.3 cents per kWh of electricity produced and sold.

KEY DATES: Takes effect for qualified facilities placed in service after Dec. 31, 2024.

BONUS INFO: Bonus credit rate of 10% available for qualifying facilities that have a maximum output of less than 1 megawatt or that meet the prevailing wage and apprenticeship requirements.





SECTION 48

Clean energy investment tax credit

- WHO'S ELIGIBLE:** Organizations that invest in renewable energy property that generates solar, wind, geothermal, fuel cells, waste energy recovery, energy storage, and microgrid controllers.
- WHAT IT IS:** Investment tax credit (ITC) available until the end of 2024, after which the credit will transition to a technology-neutral credit under Section 48E.
- WHAT IT'S WORTH:** Amount of the base credit is 6% of the qualified energy property invested with an increased credit rate of a maximum 30% if prevailing wage and apprenticeship requirements are met.
- KEY DATES:** Takes effect for qualified investments placed in service after Dec. 31, 2022, and before Dec. 31, 2024. The credit will transition to a technology-neutral credit under Section 48E after 2024.
- BONUS INFO:** Bonus credit rate of 10% available for qualifying facilities that have a maximum output of less than 1 megawatt or that meet the prevailing wage and apprenticeship requirements. Additional credit rates of 10% may be achieved if materials are sourced domestically and if the project is located in a designated energy community.



SECTION 45X

Advanced manufacturing production credit

- WHO'S ELIGIBLE:** Businesses that produce components related to clean energy such as solar photovoltaic (PV) cells, wind energy components, and battery cells.
- WHAT IT IS:** Energy tax credit for the production of components relating to clean energy such as solar PV cells, wind energy components, and battery cells; must be produced within the U.S. by a taxpayer and sold to an unrelated person or party.
- WHAT IT'S WORTH:** A credit amount per weight or unit of clean energy components or 10% of the cost of production for applicable critical minerals produced.
- KEY DATES:** Applies to components produced and sold after Dec. 31, 2022; credit is reduced to 75% of otherwise determined credit amount for eligible components sold in 2030, 50% for sales in 2031, 25% for sales in 2032, and 0% for sales in 2033 and later years.
- BONUS INFO:** This credit will be available for direct pay for the first five years under broad conditions and the credit is transferable. The credit cannot be used in addition to Section 48C – Advanced Energy Project Credit.





SECTION 45Q

Carbon oxide sequestration credit

WHO'S ELIGIBLE: Businesses that invest in carbon capture and sequestration equipment.

WHAT IT IS: Energy tax credit to incentivize carbon capture and sequestration including the use of direct air capture (DAC) and carbon use in enhanced oil recovery (EOR).

WHAT IT'S WORTH: Base credit amounts range from \$12 to \$36 per metric ton of qualified carbon oxide captured by the taxpayer for EOR or DAC. The credit rates increase to a range of \$60 to \$180 of carbon captured if the taxpayer uses prevailing wage and apprenticeship labor for the construction of the qualified facility.

KEY DATES: Generally applicable to facilities or equipment placed in service after Dec. 31, 2021; extended to qualified facilities that begin construction between Dec. 31, 2022, and Dec. 31, 2032.

BONUS INFO: Increased credit amount if the qualified facility meets prevailing wage and apprentice requirements.



SECTION 48C

Advanced energy project credit

WHO'S ELIGIBLE: Organizations that invest in manufacturing facilities that produce equipment used to produce clean energy.

WHAT IT IS: Energy tax credit that allows a qualified facility to claim an investment tax credit on the qualified investment in new or upgraded factories to build specified renewable energy components.

WHAT IT'S WORTH: Amount equal to 6% percent of the qualified investment within a taxable year with respect to any qualifying advanced energy project of the taxpayer. The base credit can be increased to 30% if the qualified project meets the prevailing wage and apprenticeship labor requirements.

KEY DATES: Effective Jan. 1, 2023.

BONUS INFO: \$10 billion allocated for the program, with at least \$4 billion to be allocated to projects within specified census tracts.



SECTION 45L

Energy efficient home credit

WHO'S ELIGIBLE: Businesses that construct energy efficient homes.

Energy tax credit available for qualified new-construction or substantially

WHAT IT IS: renovated or reconstructed energy-efficient homes.

WHAT IT'S WORTH: A \$2,500 credit for qualifying single-family homes.

KEY DATES: Generally applicable to dwelling units acquired through Dec 31, 2032.

BONUS INFO: Credit increases to \$5,000 if home meets requirements of the Department of Energy Zero Energy Ready Home program.



SECTION 30C

Alternative fuel vehicle refueling property credit

WHO'S ELIGIBLE: Organizations that invest in alternative fuel vehicle refueling equipment in defined designated areas. A credit also will be available to individuals.

WHAT IT IS: Energy tax credit for a percentage of the cost of any qualified alternative fuel vehicle refueling property placed in service by the taxpayer during the taxable year.

WHAT IT'S WORTH: An amount equal to 6% of the property's cost with a maximum credit of \$100,000. Increased credit percentage is available if the prevailing wage and apprenticeship requirements are met for businesses. The credit for individuals is 30%, but the maximum credit is \$1,000.

KEY DATES: For vehicles placed into service after Dec. 31, 2022, and before Jan. 1, 2033.

BONUS INFO: 30% credit rate is available if the qualified project meets prevailing wage and apprentice requirements.



SECTION 45W

Qualified commercial clean vehicles credit

WHO'S ELIGIBLE: Businesses and taxpayers that purchase clean fuel commercial vehicles.

WHAT IT IS: Energy tax credit for purchases of qualified commercial clean vehicles.

WHAT IT'S WORTH: Lesser of 15% of the vehicle's cost or the incremental cost of the vehicle with a maximum credit of \$7,500 for vehicles with a gross weight of 14,000 pounds and \$40,000 for all others.

KEY DATES: Applies to vehicles acquired between Dec. 31, 2022, and Dec. 31, 2023.

BONUS INFO: Though there is no limit on the number of times a business can claim this credit, it also is nonrefundable, meaning an organization can't get back more on the credit than it owes in taxes.



SECTION 40A

Biodiesel and renewable diesel used as fuel

WHO'S ELIGIBLE: Producers of biodiesel and renewable diesel of an organization that uses the biodiesel fuel in its trade or business.

WHAT IT IS: Energy tax credit for biodiesel and renewable diesel used as fuel.

WHAT IT'S WORTH: \$1.00-per-gallon credit.

KEY DATES: Credits extend to production before Jan. 1, 2025.

BONUS INFO: Eligible small agri-biodiesel producers also can receive a tax credit of 10 cents for each gallon of qualified agri-biodiesel production.



SECTION 40B

Sustainable aviation fuel credit

WHO'S ELIGIBLE: Organizations that sell or use a qualified fuel mixture in their trade or business.

WHAT IT IS: Energy tax credit for certain fuel mixtures containing sustainable aviation fuel.

WHAT IT'S WORTH: \$1.25 per number of gallons sold plus the applicable supplementary amount.

KEY DATES: Credit applies to fuel sold or used after Dec. 31, 2022, but before Jan. 1, 2025.

BONUS INFO: Alternative excise tax credit is allowed to reduce the tax under Section 4081 related to the removal-at-terminal tax liability or can result in an excise tax refund.



SECTION 45Z

Clean fuel production credit

WHO'S ELIGIBLE: Businesses that produce clean fuel for transportation.

WHAT IT IS: Energy tax credit for fuel produced at a qualified facility and sold to an unrelated party for use either in production of fuel mixture or in a trade or business, or for fuel sold at retail to another person and placed in such person's fuel tank.

WHAT IT'S WORTH: Credit base amount is 20 cents per gallon multiplied by applicable emissions factor.

KEY DATES: Applicable to transportation fuel produced after Dec. 31, 2024, but not available for transportation fuel sold after Dec. 31, 2027.

BONUS INFO: If prevailing wage and apprenticeship requirements are met, a higher base amount of \$1.00 per gallon applies. The Sustainable Aviation Fuel credit under Section 40B will transition to the Section 45Z credit beginning in 2025.



SECTION 6426, SECTION 6427

Biodiesel, renewable diesel, and alternative fuel incentives

WHO'S ELIGIBLE: Organizations that sell or use a qualifying fuel in their trade or business.

WHAT IT IS: Energy tax credit for sale and use of biodiesel, renewable diesel fuel, biodiesel fuel mixtures, alternative fuel, and alternative fuel mixtures.

WHAT IT'S WORTH: Per-gallon amounts vary widely based on fuel sources and mixtures.

KEY DATES: Applicable to fuel sold or used after Dec. 31, 2021.

BONUS INFO: Credit can be claimed on fuel sold or used on or before Dec. 31, 2024.



Discover how you can take advantage of energy tax credits

Our team of tax specialists can help you understand how you can benefit from an array of energy tax credits and incentives. Connect with us to start exploring your options.



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