

IIJA and IRA Funding Opportunities

Issue Area – Clean Energy & Climate Financing

Clean Electricity Investment Tax Credit

The Inflation Reduction Act created a technology neutral investment tax credit (ITC), which provides a 6% tax credit for investments in eligible energy facilities placed in service in 2025. The credit will phase out beginning in 2032 or when U.S. electric sector greenhouse gas (GHG) emissions are at least 25% below 2022 levels.¹

Eligible Uses

Electric generation and storage facilities with a GHG emissions rate no greater than zero.¹

Projects are only eligible for either the ITC or the production tax credit (PTC).

Multipliers

- x5 for meeting apprenticeship and wage requirements;
- +10% for meeting domestic content requirements;
- +10% for projects sited in an energy community,* and
- +10-20% for projects located in or benefitting low-income or tribal communities.²

*New guidance issued by the IRS defines three categories of energy communities: brownfield sites, coal communities, and communities with a certain mix of unemployment rates and tax revenue dependence on fossil fuels.^{3,4}



IRA Section 13702



Tax Code: [26 U.S. Code § 48E](#)



Base credit: 6% of qualified investment



Direct Pay? Yes
Transferable? Yes



Expiration Date – See description



Links –

- [IRS – Inflation Reduction Act of 2022](#)
- [The White House – Clean Energy Tax Provisions in the Inflation Reduction Act](#)

State Legislative Opportunities to Support

- Instruct the utility commission to require a re-evaluation of all IRPs and other long-term utility plans in the context of the new clean and zero-carbon resource tax credits.
- Direct the utility commission to work with utilities, members of the public, and other state energy planning agencies to identify opportunities for energy communities to host clean and zero-carbon generation.

References

¹The White House. n.d. “Clean Energy Tax Credit Provisions in the Inflation Reduction Act.” The White House. <https://www.whitehouse.gov/cleanenergy/clean-energy-tax-provisions/>

²U.S. EPA. 2023. “Summary of Inflation Reduction Act Provisions Related to Renewable Energy.” <https://www.epa.gov/green-power-markets/summary-inflation-reduction-act-provisions-related-renewable-energy>

³DiGangi, Diana. 2023. “IRS Guidance Clarifies ‘Energy Community’ Definition for IRA Tax Credit Eligibility.” Utility Dive. <https://www.utilitydive.com/news/irs-guidance-energy-community-ira-renewables-coal-brownfield/646840/>

⁴IRS. 2023. “IRS Issues Guidance on Eligibility Requirement for Energy Communities for the Bonus Credit Program Under the Inflation Reduction Act.” <https://www.irs.gov/newsroom/irs-issues-guidance-on-eligibility-requirement-for-energy-communities-for-the-bonus-credit-program-under-the-inflation-reduction-act>