Elective Pay Blueprints

April 2025

Electrification Coalition

Government Finance Officers Association

LAWYERS FOR GOOD GOVERNMENT

World Resources Institute

Elective Pay Blueprints

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Under the Inflation Reduction Act (IRA), tax-exempt entities, including municipalities and community-based organizations, can receive clean-energy-related tax credits through a mechanism called elective pay.

Elective pay, sometimes called direct pay, is designed to make it more cost-effective for tax-exempt organizations to implement and benefit from clean energy and electrification projects. It applies to 12 tax credits; after completing a qualifying project, eligible entities can file for the corresponding credit(s) with the IRS and receive a portion of the capital investments made on the project back in the form of a cash refund.

These blueprints, created by the Electrification Coalition, the Government Finance Officers Association, Lawyers for Good Government, and World Resources Institute, will walk interested parties through the elective pay process.

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Frequently Used Acronyms

GENERAL

- **ACH:** Automated Clearing House
- **ASC:** Additional Selection Candidate
- **CDFI:** Community Development Financial Institutions
- **CO2e/kWh:** Carbon Dioxide Equivalent per Kilowatt-Hour
- **DOE:** U.S. Department of Energy
- **EECBP:** Energy-Efficient Commercial Building Property
- **EEBRP:** Energy-Efficient Building Retrofit Property
- **EIN:** Employer Identification Number
- **EV:** Electric Vehicle
- **GHG:** Greenhouse Gas
- **IRA:** Inflation Reduction Act
- **IRS:** Internal Revenue Service
- **ITC:** Investment Tax Credit
- **LICB:** Low-Income Communities Bonus
- **MW:** Megawatt
- **PTC:** Production Tax Credit
- **PWA:** Prevailing Wage and Apprenticeship
- **VIN:** Vehicle Identification Number

TAX CODES

- **30C:** Alternative Fuel Vehicle Refueling Property Credit
- **45 / 45Y:** Production Tax Credit / Clean Electricity Production Tax Credit
- **45W:** Credit for Qualified Commercial Clean Vehicles
- **48 / 48E:** Investment Tax Credit / Clean Electricity Investment Tax Credit
- **179D:** Energy Efficient Commercial Buildings Deduction

Blueprint 1: Project Development, Funding, and Financing

General Project Planning

TIMELINES

To successfully claim tax credits, it's crucial to identify projects well in advance of the tax filing deadlines. All tax credits eligible for elective pay are claimed for the year the project is placed into service (i.e., the purchase and installation are completed, and the facility/equipment is operating). Because of this, planning must be done in advance to ensure projects are eligible. One way to ensure success is to gather all involved teams and departments early and often to discuss the credits.

EDUCATION

Education is the initial step in getting teams on board to pursue credits. Since the elective pay process is a new concept for many tax-exempt entities seeking access to tax credits, having a "champion" advocate for the work is beneficial. This person should provide the necessary resources and education to ensure all stakeholders are engaged. The following are general resources to consider for this education:

- Internal Revenue Service (IRS) page on elective pay
- IRS frequently asked questions
- Department of Energy (DOE) fact sheets

PUTTING TOGETHER THE TEAM

It is important to identify the key stakeholders and personnel who will be involved in providing project details, completing necessary forms, and performing other iterative steps throughout the elective pay process. These stakeholder groups may vary depending on an organization's structure and the tax credits being claimed. The types of expertise that you want on your project should include:

- **Legal**: Legal teams can help with reviewing requirements and providing input on the filing process.
- **Finance and Tax**: Finance teams oversee the organization's fiscal operations, including budget and capital planning teams that provide insight into infrastructure planning for the organization in the short- and long-term. Finance teams oversee the tax function and provide audit controls around the process. Tax teams can provide insight, support, and oversight during the filing process.
- **Sustainability**: Given the nature of many of the projects eligible for elective pay, sustainability may be driving their implementation.
- **Fleet**: If pursuing the commercial clean vehicle tax credit or the alternative fuel vehicle refueling property credit, engaging with fleet management will be crucial to gathering the required vehicle information.
- **Energy and/or Building Managers**: Energy managers will have details needed for renewable energy or building credits.

NEXT STEPS

- Pre-file via online portal after eligible project is placed in service (see Blueprint 7, page 25).
- IRS issues registration number
- File Form 990-T annual return with appropriate attachments, i.e. tax credit specific forms
- IRS processes return and issues refund of credit

Funding and Financing

Entities will need to consider funding and financing options to ensure eligibility and make their projects viable. Municipal entities must ensure that any financing advice received regarding funding and financing of capital projects comes from a **registered municipal advisor**. In general, eligible projects often utilize various funding and financing sources for deployment.

UPFRONT CONSIDERATIONS

Entities should determine if the funding sources used are "restricted" or "non-restricted." When filing for elective pay, restricted funds may be used, but they cannot fund the entire project.

Restricted Funds	Non-Restricted Funds
Restricted funds are set in a reserve account and can only be used for specific purposes. They are restricted by use via conditions set by the grantor. Examples of restricted funding include federal, state, or nonprofit-sourced grants, forgivable loans that are restricted for specific purposes, or other funding originating from federal programming.	Non-restricted funds are financial resources that are not bound by specific conditions or limitations imposed by the source of the funds (i.e., the federal grantor). This includes revenue that comes from taxes and fees. Other non-restricted funding may consist of third-party financing or other funding sources that originate from a non-federal source.
The **No Excess Benefit Rule** applies when projects are funded by restricted funding. If the amount of restricted funding plus the potential credit exceeds the project's cost, then the amount of credit that can be received through elective payment is reduced. In this way, an entity cannot receive a combined amount through restricted funds *and* elective pay credits that exceeds the project's total cost.	Municipal bonds are also considered non-restricted funds and may be viewed as a viable financing option. Elective pay incorporates a reduction in the total credit amount (up to 15%) available, often referred to as a **"Municipal Bond Haircut,"** when tax-exempt bonds are used to finance the acquisition or construction of eligible energy property or facilities.

Some federal grants require a "cost share" component to implement funds. For example, a federal grant covers 80% of the project cost, while the grant awardee bears 20% of the remaining project cost. These cost-share totals often originate from non-restricted funds and can be eligible for credit filings. It is best practice to check with the grant organization to ensure they do not have any restrictions on claiming elective pay for the cost-share amount.

Beyond traditional federal resources, organizations may benefit from looking for resources available by geography, scope, or use. For example, entities should evaluate state and local incentives that may complement federal tax credits. Many states offer additional tax credits, rebates, or grants for projects, which may change the amount eligible for federal credit programs.

Furthermore, organizations should consider the potential impact of project size and scope on eligibility for various credits, as larger projects may qualify for a wider variety of credits than smaller ones, such as a project that incorporates energy generation and charging infrastructure.

This blueprint is updated as of April 25, 2025.

Blueprint 2: Investment Tax Credit for Energy Property (48) and Clean Electricity Investment Tax Credit (48E)

This blueprint includes a high-level overview of Section 48 and Section 48E clean investment tax credits (ITCs). It outlines regulatory updates, basic credit eligibility requirements, and how to claim these credits. It also provides key resources to help guide entities to success.

Description of Code Sections 48 and 48E

The Section 48/48E ITCs are two of the most used federal income tax credit incentives for offsetting the cost of developing clean energy facilities and clean electricity. They are intended as an incentive to purchase, install, and implement certain clean energy generation properties. Through elective pay, federal clean energy and electricity ITCs provide a critical pathway for cities, ports, and communities to invest in clean energy infrastructure. They enable the financial feasibility of impactful projects that might otherwise be cost-prohibitive. These projects not only promote sustainability but also bolster American energy security and economic development.

Section 48	Section 48E
Section 48, an ITC for energy property, is primarily for projects that began construction no later than December 31, 2024. It provides incentives for investments in certain specified renewable energy properties such as solar panels, wind turbines, hydropower facilities, ground-source heat pumps, and clean energy storage systems. Only the ground-source heat pump provisions remain available to projects that begin construction on or after January 1, 2025. See page 7 for more information on the credit phase-out.	Section 48E, a technology-neutral ITC, is available for projects placed in service on or after January 1, 2025. It applies broadly to any clean electricity generation property that meets the zero greenhouse gas (GHG) emissions requirement. Examples include wind farms (both land and offshore), solar farms, hydrogen-burning power plants, and nuclear power plants. This broad applicability makes Section 48E a versatile tool for promoting investment in energy property and helping the United States achieve energy independence.

Eligibility Requirements for Sections 48 and 48E

Only property specifically listed in Section 48 is eligible for the Section 48 ITC. The most common types of Section 48 property eligible for elective pay include solar panels, wind turbines, and ground-source heat pumps. While the list of potentially eligible property types is tightly defined, it is extensive and includes several other types of property as well.

Eligibility for the Section 48E ITC is based strictly on lifecycle GHG emissions rates. Any electrical generation property with a lifecycle GHG emissions rate no greater than zero (i.e., a property that is GHG-neutral or negative) is eligible for the Section 48E ITC. Certain technologies, such as solar, wind, and hydropower, have been deemed by the IRS to have compliant GHG emissions rates and are identified as eligible technologies without the need for owners to prove the specific property's GHG emissions rate.

OVERLAP BETWEEN 48 AND 48E

If a property that could be eligible under either Section 48 or Section 48E (e.g., solar panels, which are enumerated in Section 48 and are GHG neutral under Section 48E) *begins construction* before January 1, 2025, but is *placed in service* on or after January 1, 2025, the property's owner has the option to file for an ITC under 48 *or* 48E. It is *not* possible to claim both credits for projects that fall into this overlap period.

Amounts

The Section 48 and 48E ITCs start with a base credit rate: 6% of the project costs for the eligible property. The total credit value may increase if other conditions are met:

- **Prevailing Wage & Apprenticeship (PWA) Compliance:** Meeting this requirement brings the credit amount up to 30% of the project costs. Ensuring compliance is, therefore, quite significant. To qualify, projects must either comply with PWA requirements or be exempt due to having a nameplate capacity of less than one megawatt (MW).
- **Low-Income Communities Bonus (LICB) Credit:** This bonus credit provides an additional percentage—10% or 20%—for eligible facilities on Indian land, in federally subsidized housing or low-income communities, or in a location that benefits low-income households. This additional credit is allocated through an application process. It is available for any Section 48E property, but when used with the Section 48 credit, it can only be used for wind and solar projects.
- **Domestic Content Bonus Credit:** Projects that use U.S.-manufactured components may qualify for a 10% bonus credit. Entities claiming either ITC through elective pay must comply with the domestic content requirements on projects with nameplate capacities over one MW, or the available credit amount may be reduced (for projects beginning construction in 2025) or eliminated (for projects beginning construction in 2026 or later). Waivers to this requirement are available in cases where compliance is infeasible due to increased costs or if domestically sourced components are not available.
- **Energy Communities Bonus Credit:** An additional 10% credit increase is available for projects located in regions that have recently experienced the closure of coal mines or coal-fired power plants, brownfield sites, and areas with higher-than-average unemployment that derive significant employment or local tax revenues from fossil fuels.

DETERMINING PROJECT SIZE

Projects with nameplate capacities of less than one MW alternating current (AC) do not have to demonstrate compliance with the PWA or domestic content requirements to qualify for the 30% ITC under Code Sections 48 or 48E. It is, therefore, important to know a project's nameplate capacity to determine whether it can qualify for the 30% credit without the need to document compliance with the PWA or domestic content requirements.

When determining whether a project falls below the one MW nameplate capacity threshold, it is important to remember that multiple energy properties may be aggregated and considered a single project if the energy properties are owned by a single entity and *four or more* of the following attributes are present:

- The energy properties are constructed on contiguous pieces of land;
- The energy properties are described in a common power purchase, thermal energy, or other off-take agreement(s);
- The energy properties have a common intertie;
- The energy properties share a common substation or thermal energy off-take point;
- The energy properties are described in one or more common environmental or other regulatory permits;
- The energy properties are constructed under a single master construction contract; or
- The construction of the energy properties is financed under the same loan agreement.

Phase-Outs

SECTION 48 PHASE-OUT

In most cases, the property must begin construction on or before December 31, 2024, to be eligible for the Section 48 ITC. However, ground-source heat pumps remain eligible for the Section 48 ITC as long as their construction begins before January 1, 2035.

The tax credit percentage decreases over time for ground-source heat pumps whose construction begins on or after January 1, 2033. If construction starts between January 1, 2033, and December 31, 2033, the base credit is 5.2%. If construction starts between January 1, 2034, and December 31, 2034, the base credit is 4.4%. Property remains eligible for bonus credits and multipliers during the phase-out period.

SECTION 48E PHASE-OUT

To be eligible for the full Section 48E ITC amount, eligible property must begin construction before the end of the calendar year following the "applicable year," which is defined as the later of December 31, 2032, or the year following the calendar year in which U.S. GHG emissions from electricity generation fall to no more than 25% of the 2022 U.S. GHG emissions from the generation of electricity. Eligible property where construction begins during the three years following the applicable year is subject to reduced credit amounts (described below), and property where construction begins more than three years after the end of the applicable year is ineligible for the Section 48E ITC.

The Section 48E ITC phases out after the applicable year. The credit phase-out operates in the following manner, based on the year in which construction of the property begins:

- If construction begins in the first calendar year following the applicable year, 100% of the credit is available.
- If construction begins in the second calendar year following the applicable year, 75% of the credit otherwise calculated is available.
- If construction begins in the third calendar year following the applicable year, 50% of the credit otherwise calculated is available.
- If construction begins in any subsequent calendar year, no Section 48E ITC is available.

Pre-Filing

Once the project is placed in service, it must be pre-registered with the IRS (as described in Blueprint 7, page 25) before a credit can be claimed for the property through elective pay. Developers should meticulously track eligible costs and ensure compliance with PWA requirements to avoid potential penalties.

Forms

Key forms for the Section 48 and 48E ITCs include Form 3468 (Investment Credit), Form 3800 (General Business Credit), and Form 990-T (for tax-exempt organizations). Proper completion and timely submission of these forms are essential.

Key resources to support the claiming of Section 48 and Section 48E credits include **annotated tax forms** (Forms **3468**, **3800**, and **990-T**), **guidance regarding whether any applicable leases could be considered financing**, and the **Clean Energy Tax Navigator**—an interactive tool that walks through the process of determining eligibility for elective pay.

While state and governmental entities may file paper forms to claim the Section 48 and 48E ITCs through the elective pay process, other entities will need to file electronically through an e-filing provider.

Setting Up for Success

Successfully claiming the Section 48 and 48E ITCs through the elective pay process requires entities to plan. Key planning actions include:

- Establishing strong inter-team planning and communication with facilities, tax, sustainability, finance, and legal teams
- Implementing strategies that maximize additional credit, such as selecting locations in low-income or energy communities
- Implementing robust documentation practices, including setting up internal data-sharing mechanisms, to ensure sufficient tax records are retained and that all credits and bonuses can be substantiated
- Careful project selection—focusing on those with high feasibility and potential for maximum credit **eligibility**—is key to optimizing benefits
- Developing financing strategies to cover the upfront costs to account for the fact that credits will not be received until after a project has been placed in service

Elective Pay ITC worksheet

This blueprint is based on Treasury Regulation Section 1.48E. This blueprint is updated as of April 25, 2025.

Blueprint 3: Renewable Electricity Production Tax Credit (45) & Clean Electricity Production Tax Credit (45Y)

This section includes a high-level overview of the Section 45 Renewable Electricity Production Tax Credit (PTC) and Section 45Y Clean Electricity PTC. It outlines regulatory updates, the basic credit eligibility requirements, how to claim these credits, and provides key resources to help guide entities to success.

Description of Code Sections 45 and 45Y

Sections 45 and 45Y PTCs are based on the total amount of electricity generated from qualified energy sources and sold to an unrelated party in a year. These are volumetric tax credits awarded on a per-kilowatt-hour basis and must be filed annually.

Section 45	Section 45Y
The Section 45 credit applies to projects that begin construction before January 1, 2025. Entities that elect to claim the Section 45 credit can continue to claim the credit for 10 years after the project is placed into service, even after the Section 45Y credit comes into effect and new projects may no longer claim the Section 45 credit.	The Section 45Y credit applies to projects placed into service after January 1, 2025. It remains in effect at its current value until what is defined as the "applicable year," which is equal to the later of the year in which annual U.S. electric sector emissions are 25% of their 2022 levels or 2032. After that point, the credit value begins to decrease over three years: • 100% of credit value for projects that begin construction in the calendar year after the applicable year; • 75% of credit value for projects that begin construction two calendar years after the applicable year; • 50% for projects that begin construction three calendar years after the applicable year; • 0% for projects beginning construction in any subsequent year Similarly to Section 45, entities electing for Section 45Y can continue to claim the Section 45Y credit for the first ten years of a project's life, even if the credit value is reduced or eliminated for newer projects.

Eligibility Requirements for Sections 45 and 45Y

SECTION 45

The Section 45 PTC only applies to energy produced from qualifying facilities using specified qualifying renewable resources. As of 2024, these resources are:

- Wind
- Closed-loop biomass
- Open-loop biomass
- Geothermal energy

- Solar energy
- Small irrigation power
- Municipal solid waste
- Qualified hydropower production
- Marine and hydrokinetic renewable energy

The electricity used to calculate the amount of the tax credit under Section 45 must be sold to an unrelated taxpayer during the applicable tax year. Electricity that is produced and consumed or stored by the same entity cannot be used when calculating the amount of the Section 45 tax credit.

To qualify for the Section 45 credit, facilities must begin construction before January 1, 2025. A project is considered under construction if "physical work of a significant nature has begun" or at least 5% of the total project cost has been incurred; see **Notice 2013-29** and **Notice 2013-60** for more details.

SECTION 45Y

The Section 45Y PTC is a technology-neutral credit that applies to qualifying facilities that demonstrate a net GHG emission rate equal to or less than zero. This GHG rate is expressed in grams of carbon dioxide equivalent per kilowatt-hour of energy produced (CO_2e/kWh). The IRS released **final rules** on the Section 45Y credit on January 15, 2025.

Certain types of energy-generating facilities are categorically considered to have a GHG emissions rate equal to zero, meaning that they do not have to prove a net-zero emissions rate through a lifecycle assessment. These are:

- Wind power facilities, including small wind facilities
- Hydropower facilities, including retrofits adding power production to non-powered dams, conduit hydropower, hydropower using new impoundments, and hydropower using diversions such as a penstock or channel
- Marine and hydrokinetic power facilities
- Solar facilities, including both photovoltaic and concentrating solar power
- Geothermal facilities, including flash and binary plants
- Nuclear fission and nuclear fusion facilities
- Waste energy recovery property that derives energy from any of the sources previously listed

For facilities that use combustion or gasification to produce electricity (e.g., biomass), the facility's GHG emissions rate is equal to the net rate of GHG emissions released into the atmosphere during the production of electricity, taking into account lifecycle emissions. A facility's lifecycle emissions are determined through a lifecycle analysis that accounts for all direct and significant indirect emissions, from the extraction of raw materials to the point at which electricity leaves the generation facility to be delivered. The U.S. Department of Treasury will publish an annual table that lists emissions rates for different facility types.

Since they do not produce electricity by themselves, **energy storage facilities may not claim a Section 45Y tax credit.** However, an energy storage facility that is co-located with a qualifying facility may elect to claim a tax credit under section 48E.

To qualify for the Section 45Y credit, the electricity produced by a qualifying facility can either be sold to an unrelated taxpayer or, if the facility is equipped with a meter owned and operated by an unrelated party, consumed or stored by the claiming taxpayer themselves. This is a change from Section 45, which only allowed electricity sold to an unrelated taxpayer to be claimed.

Additionally, the Section 45Y credit is only available for projects that are placed in service after January 1, 2025. Projects that begin construction before 2025 but are not placed in service until afterward may claim either credit.

Amounts

For both Sections 45 and 45Y, the tax credit received is based on the amount of electricity produced by a qualifying facility within a given year. The tax credit value is normally awarded in cents per kWh of electricity produced. Both Section 45 and Section 45Y are adjusted for inflation each year, regarding base amounts originally specified in 1992 dollars.

The Section 45 credit value is different based on when a project is placed in service and what technology it uses. For the 2024 tax year, projects placed in service before January 1, 2022, can receive 2.9 cents per kWh if they generate electricity from wind, closed-loop biomass, and geothermal energy, and 1.5 cents if they generate electricity open-loop biomass, landfill gas, trash, qualified hydropower, and marine and hydrokinetic renewable energy. Projects placed in service after January 1, 2022, receive 3.0 cents per kWh regardless of technology if:

- The facility has a net output of less than one MW AC or
- The facility meets PWA requirements.

If these requirements are not met, the credit is decreased to 0.6 cents per kWh.

Under Section 45Y, the base amount of the credit is set by law at 0.3 cents per kWh in 1992 dollars. Like projects claiming Section 45 placed in service after January 1, 2022, the base amount of the credit can be increased to 1.5 cents per kWh in 1992 dollars if the project is under one MW AC in net output capacity or meets prevailing wage rules. As of April 2025, the inflation-adjusted values for 2025 PTC claims have not yet been published but will likely be similar to the 2024 Section 45 values.

Sections 45 and 45Y also provide for two bonus tax credits that increase the value of the credit. Similarly to Section 48 and 48E Clean Electricity Investment Tax Credits, Section 45 and 45Y can be increased through energy community and domestic content bonuses; however, unlike the ITCs, entities cannot claim the LICB credit under Sections 45 and 45Y.

If a project claiming either Section 45 or Section 45Y through elective pay is funded entirely or in part through municipal bonds, the amount of tax credit refund received will be reduced by the percentage of the project paid for through municipal bonds, up to 15%.

Filing for Sections 45 and 45Y

PRE-FILING

All projects seeking to claim the Section 45 or 45Y tax credits through elective pay must go through the **pre-filing registration portal** before filing.[1] This section will review information specific to filing elective pay claims for the Section 45/45Y credits; please see Blueprint 7 (page 25) for more information on the filing process.

It is important to note that when a tax credit election spans multiple years, entities must apply for and receive a new registration number each year as part of the annual filing process. **Therefore, when claiming the Section 45/45Y tax credits for each year during a facility's first 10 years of operation, entities will need to go through the pre-filing registration process each year before filing**.

[1] Helpful information for navigating the pre-filing process and ID.me account information can be found in **IRS Publication 5884, Pre-filing Registration Tool User Guide**. Other resources, including annotated tax forms, may be found on the Lawyers for Good Governance **website**.

FILING

To file for the Section 45 or Section 45Y credits, entities will need to fill out specific forms for each tax credit. These are:

- **Form 8835** for Section 45
- **Form 7211 (December 2024)** for Section 45Y (final form pending)

As with other elective pay filings, these forms must be sent to the IRS along with Forms 990-T and 3800.

TIPS FOR SUCCESS IN FILING AND PLANNING FOR SECTIONS 45/45Y

- Entities must choose whether to file for the Clean Electricity ITC (48/48E) or PTC (45/45Y); facilities can only claim projects under a single tax credit. Most renewable energy projects will be eligible for both 48/48E and 45/45Y tax credits due to significant overlap in qualifications for Sections 45 and 48 and nearly identical eligibility requirements under Section 45Y and 48E. Entities should determine at the beginning of project planning whether they intend to file for a 48/48E ITC or a 45/45Y PTC.
- When filing for a Section 45/45Y credit, entities must attest that they have not filed for a Section 48/48E credit for this taxable period or any prior taxable period.
- There are multiple considerations for choosing between the 48/48E ITCs and the 45/45Y PTCs beyond what can be covered here; **entities should consult their relevant tax and legal counsel.** As a general rule, however, filing for and planning around Section 45/45Y PTCs can be difficult for municipal and nonprofit entities.
- Unlike the Section 48/48E credits, the Section 45/45Y credits require entities to file annually for every taxable year the entity seeks to claim a credit for, up to the first 10 years of a system's life. These annual filings may present an administrative burden, especially for smaller entities with limited capacity.
- The 45/45Y PTCs have rules for whether the electricity must be sold or consumed by an unrelated taxpayer.
    - The Section 45 credit can only be claimed for electricity sold to an unrelated third party, and thus, energy generated to meet an entity's energy demand is not eligible.
    - The Section 45Y credit may be claimed for electricity sold to an unrelated third party OR consumed by the claiming taxpayer, as long as the facility is equipped with a meter owned and operated by an unrelated party.
- Since smaller projects often cost more per watt of capacity than larger projects and are generally less efficient than utility-scale projects, **the Section 48/48E ITCs may be more financially advantageous for the majority of municipal or nonprofit-led projects.**
- Energy storage is not eligible for the Section 45/45Y PTCs; however, energy storage is eligible under the Section 48/48E ITCs.
- Territories and associated governmental subdivisions are not able to claim the Sections 48/48E investment tax credits; for these entities, the 45/45Y PTCs may be the only available option for renewable energy projects.
- **Bring in all relevant internal partners.** Claiming a tax credit through elective pay requires significant internal coordination between departments or individuals who may not often work closely together. It is key to ensure that all relevant departments are aware of the process and understand what is needed to file for the credit each year. This is especially important for the PTCs since they require regular annual filings.
    - Key departments for municipalities include accounting/finance, legal, sustainability, public works, buildings/facilities management, and fleet management.

    - For nonprofits, key departments are legal, accounting, and any impacted departments that steward elective pay projects.
    - Please refer to Blueprint 1 (page 3) for more details related to bringing in internal partners.
- **Set up data-sharing mechanisms early.** Because the Section 45/45Y credit must be filed yearly and uses actual production data, entities should work to set up internal procedures in the first year of filing to share necessary data and documents. This will ease the process of filing in later years.
- Key data and information to track include, but are not limited to:[2]
    - The date construction began
    - The date the project was placed in service
    - Wage and payment information for all work, including subcontractors and apprenticeships
    - kWh of qualified electricity produced
- **Integrate tax credit considerations into planning from the beginning.** Eligibility for the Section 45/45Y credit should be considered for any new projects from the very beginning of planning. This will help with designing the project to maximize the amount of tax credit received. Additionally, planning for the tax credit from the beginning will help smooth administrative issues associated with working with a developer, including determining project eligibility and gathering documentation. Please reference Blueprint 1 (page 3) for more information on planning around elective pay tax credits.

*Find more information about integrating direct pay provisions into requests for proposals (RFPs) and contracts in **Lawyers for Good Government's guide**. This blueprint is updated as of April 25, 2025.*

[2] Other supporting information the IRS recommends including are:

- Permits to operate from a utility if connected to the grid. If not connected to the grid, electrical permits to operate from an authority having jurisdiction.
- A brief description of the facility/property signed by an executive-level representative of the taxpayer.
- Executive summary of an independent engineer or commissioning report.
- Executive summary of the interconnection agreement with the applicable utility, signed by an executive-level representative of the taxpayer.
- A document, signed by an authorized representative of the supplier of materials used for the manufacture of components, with regard to domestic content of such materials.

Blueprint 4: Credit for Qualified Commercial Clean Vehicles (45W)

The Commercial Clean Vehicle Tax Credit (45W) helps offset electric vehicles' (EVs') higher sticker prices when compared to equivalent internal combustion engine vehicles. It can be applied to fleet purchases, allowing municipalities and nonprofits to reap the fuel savings, lower maintenance costs, and public health benefits of EVs without the burdensome upfront capital investment often required to upgrade technologies. In addition to using less and running off cleaner energy than gas, EVs can increase operational uptime, generating significant cost savings over their lifetime.

Eligibility Requirements for Section 45W

To claim this credit, the vehicle(s) purchased must be:

- Fully electric or plug-in hybrid
- Owned by the entity claiming the credit
- Placed into service (i.e., in use) in the year the credit is claimed
- Made by a qualified manufacturer

View eligible leasing structures

View the list of qualified manufacturers

Fully electric vehicles run on 100% electricity. Plug-in hybrids run on electricity *and* gasoline; these vehicles have the option to be plugged into an EV charging station. For this tax credit, traditional hybrids (i.e. hybrids without a plug to charge the electric battery) are not eligible.

Amount

This credit provides up to $7,500 for fully electric light-duty vehicles and up to $40,000 for fully electric medium- and heavy-duty vehicles. For plug-in hybrids, the credit is up to half of the amount of the fully electric credit (15% of MSRP instead of 30%).

HOW TO CALCULATE CREDIT AMOUNT

Light-Duty EV	Light-Duty Plug-In Hybrid	Medium- and Heavy-Duty EVs
Calculate 30% of the purchase price + the incremental cost of the vehicle. Credit will be the lesser of those values, not to exceed the max of $7,500.	Calculate 15% of the purchase price + the incremental cost of the vehicle. Credit will be the lesser of those two values, not exceeding $7,000.	Calculate 30% of the purchase price + the incremental cost of the vehicle. Credit will be the lesser of those two values, not to exceed $40,000.

Pre-Filing

For comprehensive details on prefiling, please refer to Blueprint 7 (page 25). Specific to the 45W credit, the following documentation will be needed:

See page 50 of Publication 5884 for more information on pre-filing documentation.

- **Certificate of title**: This document proves ownership.
- **Time of sale documents**: This could be a bill of sale or a similar document.
- **Registration**: This proves the vehicle is registered and allowed for on-road use.

Forms

Specific to the Commercial Clean Vehicle Tax Credit are Schedule A and Form 8936. **Parts I and V of the Schedule A form** need to be filled out for every vehicle being claimed. Data required for this form includes the following for each vehicle:

- Vehicle year, make, and model.
- **Vehicle Identification Number (VIN)** This can be found under the windshield of the driver's side of the car or inside the driver's side door.
- **Date placed into service:** This is the date that the vehicle started being driven by the fleet, not the purchase date or delivery date.
- Incremental cost of the vehicle

Incremental cost = additional cost on the purchase price of an EV compared to a comparable internal combustion engine vehicle

Guidance for calculating incremental cost.

After completing Schedule A for each vehicle, move on to **Form 8936**. The purpose of this form is to aggregate the information from all Schedule As in one document. On this form, focus on **Part V:** the sum of the amounts figured in Part V of each Schedule A form. For example, if claiming the full $7,500 credit for three vehicles, Part V of Form 8936 will be $22,500 ($7,500 + $7,500 + $7,500).

Following Schedule A and Form 8936, fill out **Form 3800** and **Form 990-T**. For additional support on forms, annotated tax forms are available to walk the reader through each form line by line.

To ensure all relevant data for each required form is readily available, make a copy of this spreadsheet to use as a template.

Leasing Eligibility

The Commercial Clean Vehicle Credit (45W) requires the entity claiming the credit to own the vehicle. Entities using a lease scenario (e.g., EVs deployed within a fleet) may be considered essentially financing, but they **must consider key factors to determine eligibility**. The U.S. Treasury and IRS guidance emphasize three factors to determine if the lease can be counted as a "sale," allowing the lessee to be eligible for elective pay filing:

- If the lease term covers more than 80% of the property's expected economic useful life
- If the lessee is "economically compelled" to acquire the property at the end of the lease term, or if the lease contains a "bargain purchase option" at the end of the lease term
- If the risks and rewards of ownership fall primarily on the lessee rather than the lessor (e.g., if the lease contains a clause requiring the lessee to pay any difference between the property's actual and expected residual value, thereby insulating the lessor from any possibility of loss)

These three factors do not represent an exclusive list and do not guarantee that leases can be treated as sales. Consulting with the leaseholder and other relevant partners in the lease scenario can help ensure exact eligibility.

Setting Up for Success

Setting up an internal team early can help streamline the filing process. For the 45W tax credit specifically, engaging with whoever manages the fleet is crucial. This will help with picking eligible vehicles and ensuring easy data collection. It is also important to work closely with the tax, legal, finance, and sustainability teams where relevant.

Because the data and documentation needed to successfully apply for these credits are usually managed by multiple departments, we recommend setting up a file-sharing system to ensure that documents like titles, point-of-sale documents, and VINs are easily accessible during pre-filing.

This blueprint is updated as of April 25, 2025.

Blueprint 5: Alternative Fuel Vehicle Refueling Property Credit (30C)

The Alternative Fuel Vehicle Refueling Property Credit (30C) applies to infrastructure that is used to refuel alternative vehicles, including that which stores or dispenses clean-burning fuel or recharges EVs. Examples of qualifying fuels include electricity, ethanol, natural gas, hydrogen, and biodiesel.

This credit provides critical support for local governments and community-based organizations as they install infrastructure for their fleet, employees, or the public. Given the flexibility in who can use this infrastructure, the credit presents a great opportunity to support the buildout of a national EV charging network. As the transition to alternative fuel vehicles continues, this credit will remain essential to offset the costs associated with infrastructure installation.

Eligibility Requirements for Section 30C

To claim this credit, the basic eligibility is as follows:

- This credit applies to infrastructure that stores or dispenses any of the following fuels: electricity, ethanol, natural gas, hydrogen, or biodiesel.
- Eligible project costs include more than just the refueling station itself: anything directly attributable and traceable to the installed infrastructure is eligible, including:
    - Chargers, charging ports, connectors, wall mounts, electric panels, and conduit wiring for EV chargers
    - Storage tanks, cryogenic pumps, evaporators, electrical supply equipment, firewalls, piping, and hydrogen fuel dispensers for non-electric alternative fuel refueling stations
- The seller of the infrastructure or the organization installing it is eligible to claim the credit, so it is crucial to let the seller know in writing if you are planning to claim the credit. The credit cannot be claimed by both entities.
- Infrastructure must be in a low-income or non-urban census tract. This requirement supports building a geographically diverse and equitable national infrastructure network. Eligibility changes depending on the year the infrastructure was placed in service
- A key benefit of this credit is that the infrastructure can be installed for public or private use. Many grants and other funding mechanisms restrict eligible infrastructure to that which is used by the public, but this credit offers the opportunity to get cash back for chargers installed for private use. This is attractive to local governments and community-based organizations since they can use this credit for employee or fleet use.

Amount

The 30C tax credit offers varying amounts of cash back, up to 30% of the project cost.

- The base credit amount is 6% of eligible project costs up to $100,000 per single item of property, so per charging port, fuel dispenser, or storage property.
- The credit can be claimed for each single item of property (for each charging port, fuel dispenser, or storage property). For example, if an entity installs an EV charging station with more than one port, it can claim 6% for each port.

- Meeting PWA requirements raises the amount claimable under the credit to 30% of eligible costs, up to $100,000 per charging port.

Pre-Filing

For comprehensive details on prefiling, please refer to Blueprint 7 (page 25). Specific to the 30C credit, the following documentation will be needed:

See page 46 of Publication 5884 for more information on this documentation.

- **Construction permit:** This must directly tie the infrastructure to its physical location.
- **Purchase documentation:** This must identify the buyer and the seller.
- **Permit issued by a government authority** with jurisdiction over the area where the station is located.

Forms

After receiving a registration number, begin filling out the forms associated with the credit. Specific to the 30C credit are **Schedule A** for Form 8911 and **Form 8911.**

- **Schedule A** for Form 8911 guides applicants through the steps necessary to verify the eligibility of the charging station's location.
- **Form 8911** aggregates infrastructure purchases and asks whether the project complies with the PWA requirements, which are required to raise the value of the credit from 6% of project costs to 30%.

Following Schedule A and Form 8911, fill out **Form 3800** and **Form 990-T**. For additional support, **annotated tax forms** are available to walk the reader through each form line by line.

Setting Up for Success

Engaging across organizational departments is crucial to ensure success; for the 30C credit, it will be particularly important to engage with procurement/construction and engineering teams.

- Procurement/construction teams' involvement is critical to ensuring adherence to PWA requirements. By incorporating these requirements into requests for proposals (RFPs), procurement teams will be able to streamline receipt of the maximum.
- Engineering teams will help ensure projects are designed to be placed in eligible census tracts.

Conferring across departments early and often is key. To help with data management and internal alignment, use **this spreadsheet** to keep all credit information in one place throughout the year. This template will make the pre-registration process go much more swiftly.

This blueprint is updated as of April 25, 2025.

Blueprint 6: Prevailing Wage and Apprenticeship Requirements, Domestic Sourcing Requirements, and the Low-Income Communities Bonus Credit Program

While each of the elective pay tax credits has a base credit amount, some have opportunities to increase the credit amount by meeting certain **optional** requirements, described below.

Prevailing Wage and Apprenticeship (PWA) Requirements

PWA requirements are provisions designed to ensure that clean energy projects benefiting from federal tax incentives provide fair wages and training opportunities. Meeting these requirements increases the value of many elective pay eligible tax credits to five times their base value.

PREVAILING WAGE

- **Requirement:** Workers involved in the construction, alteration, or repair of a facility must be paid wages at least equal to the prevailing rates for similar work in the same geographic area.
- **Purpose:** This provision aims to ensure fair compensation for workers, maintain job quality, and prevent wage suppression in the construction sector. Aligning wages with local standards helps maintain a level playing field.
- **Implementation:** The U.S. Department of Labor determines prevailing wage rates based on comprehensive surveys of wages paid to workers in similar roles within specific regions. These surveys consider factors such as job classification, location, and type of work performed.

APPRENTICESHIP

- **Requirement:** Projects must employ a certain percentage of workers from registered apprenticeship programs, which provide a combination of on-the-job training and classroom instruction.
- **Purpose:** This requirement promotes workforce development by ensuring a steady pipeline of skilled labor for the clean energy sector. It helps workers gain valuable skills and experience, contributing to long-term career growth.
- **Implementation:** Registered apprenticeship programs are certified by the Department of Labor or by state apprenticeship agencies. These programs offer structured training to apprentices, including both practical experience and theoretical education.

AMOUNT

While there is some variation for specific tax credits, meeting PWA requirements generally increases base tax credit amounts according to the following scheme:

Project size	Less than one MW	Greater than/equal to one MW
Base Tax Credit	ITC: 30% PTC $.0275/KwH	ITC: 6% PTC: $.005/kWh
Wage and Apprenticeship Requirements Satisfied	ITC: N/A PTC: N/A	ITC: 30% PTC: $.0275/kWh

For 48E projects, the base credit is automatically increased to 30%, regardless of whether prevailing wage requirements have been met, if construction on the project began before January 29, 2023. Read more about **IRA PWA Final Rule**.

Domestic Sourcing Requirements and Bonus

The purpose of the domestic content bonus credit is to incentivize compliance with **American manufacturing and sourcing requirements**, which boost domestic manufacturing and supply chains, especially in the iron and steel sectors.

MINIMUM DOMESTIC SOURCING REQUIREMENTS

There are no minimum domestic sourcing requirements for small projects—those with capacity less than one MW. However, large projects—those with capacity greater than or equal to one MW—are subject to a minimum domestic sourcing requirement, referred to as the **adjusted percentage**. This percentage represents the minimum share (by cost) of project components that must be manufactured in the United States. Failure to comply results in a reduction, or "phase-out," of the base credit amount.

For most IRA credits, such as Section 45 (traditional PTC), Section 48 (traditional ITC), and Section 48E (clean electricity ITC), the minimum domestic content requirement is fixed at:

- **40%** for most projects.
- **20%** for offshore wind projects.

For these credits, the domestic content percentage does not change based on the construction start date.

For 45Y projects, the minimum domestic sourcing requirement is set to increase according to the following schedule:

Adjusted Percentage for Section 45Y PTC	
Construction start date	*Adjusted percentage*
Before January 1, 2025	40%
In calendar year 2025	45%
In calendar year 2026	50%
After December 31, 2026	55%

Adjusted Percentage for Section 45Y PTC (Offshore Wind)	
Construction start date	*Adjusted percentage*
Before January 1, 2025	20%
In calendar year 2025	27.5%
In calendar year 2026	35%
In calendar year 2027	45%
After December 31, 2027	55%

Large projects that cannot meet domestic content requirements may still qualify for full credit amounts if they obtain waivers for:

- Non-availability of compliant materials
- Excessive cost
- Public interest considerations
- **Safe harbor** satisfaction

Starting January 1, 2024, applicable entities that fail to meet domestic content requirements will face a **10% reduction in their base credit amount**.

BONUS ELIGIBILITY

In general, projects qualify for the domestic sourcing bonus by using:

- 100% U.S.-produced iron and steel for structural elements.

- Manufactured products that meet the required percentage of U.S. content, which varies by project type and year.

These requirements are based on direct labor, material costs, and the origin of components.

AMOUNT

Domestic Sourcing Bonus for ITC Projects		
	For a project eligible for the 6% base credit	**For a project eligible for the 30% increased credit (PWA requirement satisfied)**
Bonus	+2%	+10%
Total Credit	8%	40%

Domestic Sourcing Bonus for PTC Projects		
	For a project eligible for the $0.005/ kWh base credit	**For a project eligible for the $.025/ kWh increased credit (PWA requirement satisfied)**
Bonus	$0.0005/kWh	$0.0025/kWh
Total Credit	$0.0055/kWh	$0.0275/kWh

Low-Income Communities Bonus (LICB) Credit

The LICB credit program is an important component of delivering the benefits of a clean energy transition to low-income and historically disadvantaged communities. The clean energy LICB credit program provides an increase of 10% to the Section 48 ITC for qualifying facilities in low-income communities or on Indian land and an increase of 20% for those built as part of a Qualified Low-Income Residential Building Project or as part of a Qualified Low-Income Economic Benefit Project. **Note that a separate application must be completed to be considered for this credit.**

KEY POINTS

- This bonus credit is **not automatic** and is subject to annual capacity limits.
- Applicants must complete a **separate application** and secure allocation through the DOE/IRS portal.
- Eligibility is competitive and capped, meaning not all eligible projects will receive the credit.
- The bonus can be combined with other credit enhancements, such as the domestic sourcing bonus, provided all applicable requirements are satisfied.
- LICB is ***not*** available for projects using combustion or gasification technologies.

WHO CAN APPLY FOR THE LICB CREDIT?

- The LICB credit is available to entities seeking to claim the Section 48E ITC for new clean energy projects. To qualify for the bonus, developers must apply and obtain an allocation through the LICB program before the facility is placed in service or the 48E ITC is claimed.
- Only projects with an approved LICB allocation that meet all eligibility criteria—such as project type, size, and location—can add the 10% or 20% bonus to their 48E ITC.

ELIGIBLE TECHNOLOGIES AND PROJECT SIZES

- Section 48(e) of the IRA provides a bonus ITC for small renewable energy projects placed in service in 2023 or 2024. It applies to "qualified solar or wind facilities" (including energy storage) with a capacity under five MW AC. To prevent larger projects from being split up, multiple installations operating as one are aggregated under the five MW limit.
- Unlike the domestic content bonus adder, the LICB credit is a credit. Developers and/or owners of the applicable facilities must apply via the **applicant portal** to receive these credits. LICB credits are awarded from a limited pool.
- The LICB Program Capacity Limitation, i.e., the maximum amount of project capacity (measured in MWs or gigawatts [GW] of direct current) that the federal government will allocate for the LICB in a given calendar year. For 2025, the total national limit is 1.8 GW DC.
- Note that 50% of the capacity allocated to each category or Category 1 sub-category is reserved for additional selection candidates (ASC) applicants, described below.

In the LICB program, the bonus credit amount (10% or 20%) depends entirely on which of the four eligibility categories a project qualifies under. Each category also has a predetermined portion of the 1.8 gigawatt program capacity available for allocation in 2025.

Category	Eligibility Criteria	Bonus Credit	2025 Capacity Allocation
Category 1	Located in a Low-Income Community (per CDFI Fund)	+10%	600 MW total: 400 MW residential behind-the-meter, 200 MW front-of-the-meter & non-residential
Category 2	Located on Indian Land	+10%	200 MW
Category 3	Qualified Low-Income Residential Building Project (e.g. affordable housing)	+20%	200 MW
Category 4	Qualified Low-Income Economic Benefit Project (must benefit low-income households)	+20%	800 MW

To assist applicants in identifying qualifying locations for Category 1, the Treasury provides an official **interactive mapping tool**. To determine if a project is eligible:

- Select the **"New Markets Tax Credit (NMTC)"** program layer.
- Enter the project's address in the search bar.

The map will display eligibility information. If the address falls within a qualifying low-income census tract, it is considered eligible for Category 1 under the LICB program.

ADDITIONAL SELECTION CRITERIA

- **Geographic**: Located within particularly impacted areas.
    - Located in a census tract identified in the LICB map as a disadvantaged community. This is based on whether the tract is at least in the 90th percentile for energy burden and is at least in the 65th percentile for low-income (or at least in the 90th percentile for PM2.5 [particulate matter] exposure and at least in the 65th percentile for low-income).

- **Ownership:** The applicable facility is owned by
    - A Tribal enterprise,
    - An Alaska Native corporation,
    - A Native Hawaiian organization,
    - A renewable energy cooperative,
    - A qualified renewable energy company meeting certain characteristics, or
    - A qualified tax-exempt entity

IMPORTANT APPLICATION TIPS

- Choose the correct category. If it is a Category 1 Facility, select the appropriate sub-category.
- Remember to select the additional selection candidate (ASC) application option in each category or sub-category if applying as an ASC applicant.
- Use all applicable ASCs.
- ASC applications submitted during the initial 30-day period are prioritized over non-ASC applications.
- Have all documents ready when starting the application process using the applicant checklist.
- Use the correct facility size (this cannot be amended later; eligibility can be lost if the facility changes size by more than 25%).

APPLICATION PROCESS

1. **DOE and IRS Review:** The IRS may ask for more information or documentation during this review process.
2. **Allocation Request Approved or Denied:** When your application for allocation has been reviewed, and an allocation of capacity limitation has been approved by the IRS, your application status will update to allocation approved. You will receive a portal notification and an official IRS letter stating that your application for allocation has been approved.
3. **Placed in Service Submission:** After a project has received its allocation award and is placed in service, the **applicant** must complete the application with project details.
    - Go into the **applicant portal** and use the unique ID created with the initial application.
    - Confirm the date the project was placed in service, facility size, etc. The applicant must have supporting documentation.
4. **DOE and IRS Review:** The IRS may ask for more information or documentation during this review process.
5. **Allocation Awarded or Not Awarded:** When your placed-in-service submission has been reviewed and an allocation of capacity limitation has been awarded by the IRS, your application status will update to awarded. You will receive a portal notification and an official IRS capacity allocation award letter.
6. **Claim a 10-20% bonus on the correct tax return form:** Include the increased credit amount on the income tax return and retain all necessary documentation.

IMPORTANT: FINAL ELIGIBILITY AFTER PROJECT COMPLETION

Receiving an LICB allocation is the first step in claiming the bonus credit. To finalize eligibility, applicants must submit a placed-in-service report once the project is built and operational. At this stage, the IRS and DOE will verify that the project continues to meet the criteria under which the allocation was initially awarded.

Projects may lose eligibility for the bonus credit if certain changes occur after allocation but before the project is placed in service. Common disqualifying factors include:

- **Ownership Change:** Altered ownership structure that no longer meets requirements for the original category (e.g., community ownership, tribal, or nonprofit status).
- **Capacity Shift:** Project size is reduced by more than 25% from the approved capacity or exceeds the five MW limit, violating the size cap.
- **Location Change:** The facility is built in a census tract that no longer qualifies under the original category (e.g., outside low-income or tribal areas).
- **Financial Benefit Adjustments:** For categories 3 or 4, the project fails to deliver the proposed benefits to low-income households or residents.
- **Missed Deadline:** The project is not placed in service within four years of receiving the allocation.

To maintain eligibility, applicants should ensure the project's final design, ownership, location, and benefits align with the initial approval. Any significant changes should be reviewed with the program administrator before implementation.

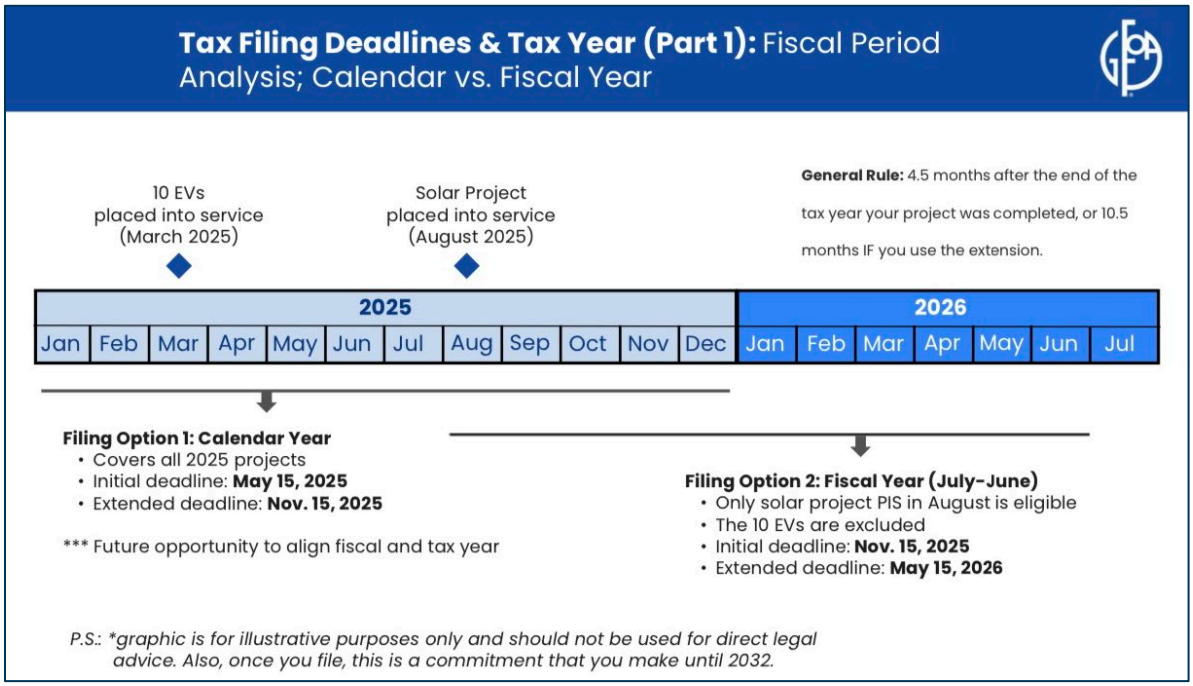
Additional Resources

- **IRS Guidance on Domestic Content Bonus**
- **DOE Low-Income Communities Bonus Website**
- **DOE Low-Income Communities Bonus Credit Program Applicant User Guide**

This blueprint is current as of April 25, 2025.

Blueprint 7: Pre-Filing Registration Process

Proper understanding and management of deadlines is one of the most critical elements of successfully claiming tax credits through elective pay. This is no strange concept for municipalities or nonprofits, as they already keep financial calendars with processes and procedures for budgets, fiscal years, audit processes, and capital programs. The requirement to file tax forms will simply add another type of fiscal year to the governmental entity: the tax year. For governmental entities, the tax year and the fiscal year may be different. The graphic below shows how a governmental entity may choose to pick a fiscal year or a calendar year for its tax year.



What is Pre-Filing?

After placing your project into service, the next step is pre-filing registration, which signals the intention to file a tax return. Pre-filing registration acts as a control for both the IRS and the eligible entity to ensure adherence to specific requirements tied to each credit, such as the PWA requirements, as discussed in Blueprint 6 (page 19). Prefiling also assists entities in compiling the necessary information to verify eligibility and linking project details to the tax forms required to claim and plan for compliance. Finally, having all the required information readily available simplifies the registration process and boosts the chances of success in filing.

Five Steps to Filing for Elective Pay

To place a project or facility into service means that the entity owns the project or facility, and it is operating or generating. It is important for entities to ensure proper documentation is retained to show procurement (such as purchase orders and receipts), ownership (such as title verification), and production or operation within the tax year.

STEP 1: DETERMINE TAX YEAR

Although municipalities and community-based organizations typically do not owe federal income taxes, they must identify which tax year the project falls under to claim elective pay. Unlike for individuals filing personal income tax forms, the tax year for tax-exempt entities may not have been previously established, meaning that they have the option to select either the calendar year or their fiscal year as the tax year. **To claim elective pay, all entities must file their tax form, the 990-T, and supporting tax forms by the 15th day of the fifth month after the end of their tax filing year.**

STEP 2: PRE-FILING REGISTRATION

IRS **Publication 5884** and **Publication 5902** are practical user guides to help entities register and file for elective pay.

Once the entity has selected its tax year, the **next step in the process is to complete a "pre-filing registration"—signaling the intention to file a tax return to claim a tax credit through elective pay.** After successfully pre-filing, the entity will receive a registration number for each project they are claiming from the IRS. This number is required to file a tax return by the deadline, so this step should be done well in advance. The IRS recommends that entities register at least 120 days before the due date (including extensions) for the return where you report the credits.

The first and most important part of the process is registering each individual who will be involved in the prefiling process with a clean energy account through **ID.me.**

Each clean energy account can be assigned one of two designations: a clean energy officer or a clean energy delegate. A clean energy officer has access to all the information that will be submitted, whereas a clean energy delegate's access to information is limited, allowing them to assist without revealing sensitive information, such as banking information. Importantly, the clean energy officer must be able to attest on behalf of the entity that all information submitted to the IRS is true to the best of their knowledge.

When the *clean energy account* is established, the first user must be a *clean energy officer*. That initial clean energy officer must add every additional user.

Information to keep on hand while moving through the tax portal includes:

- The entity's tax filing year
- Login credentials (see **ID.me help center** for questions)
- When the project was "*placed in service*." For example, for EVs, this means the day the fleet starts using the vehicle, and for power-generating facilities, that means when the facility starts production.
- The city's employer identification number (EIN) and banking information—aka the ***routing and transit information***. This is where the elective payments will be deposited.
- Evidence of the facility's location, including census tract information and latitude and longitude coordinates

Entities can save progress and edit information throughout the process of establishing a *clean energy account*, but once submitted, the account is finalized. The IRS recommends submitting the pre-filing registration no later than **120 days before** the return is due.

STEP 3: IRS ISSUES REGISTRATION NUMBER

While many entities have successfully pre-filed, errors and delays are common, given the newness of this mechanism. Some registration numbers are awarded as quickly as a few weeks, while others may take several months, especially if any information was filed incorrectly. The IRS is careful and diligent to minimize fraud in this nascent program. **Make sure the clean energy officer monitors their email; this is the main way the IRS will contact the entity to make any corrections needed for a successful filing.**

STEP 4: IRS ISSUES REGISTRATION NUMBER

As mentioned above, an entity is required to file its taxes by the 15th of the fifth month after the end of the tax year. For entities with a calendar tax year, that means May 15. For entities with a July-June fiscal tax year, the filing deadline is November 15. Entities can file a request for a six-month extension if needed.

In addition to credit-specific forms, filers will need to fill out one Form 3800 and a Form 990-T. Form 3800 collects all eligible elective payment activities across all credits being claimed and is needed to complete Form 990-T.

Entities filling out these forms must report any grants or municipal bonds used in the project to confirm that the "*no excess benefits rule*" has not been violated or to determine the benefits haircut for the use of municipal bonds. More information on these two restrictions can be found in Blueprint 1 (page 3).

STEP 5: RECEIVE THE ELECTIVE PAYMENT

The **IRS FAQs** suggest that it should take approximately 45 days to receive the elective payment. Elective pay applicants who filed on time (or by the extended due date) but did not receive the payment within 45 days will accrue interest on the outstanding payment.

Make sure to note throughout the accounting/reconciliation process that the elective payment has been applied for. The elective payment will come via automated clearing house (ACH) or by issued check, but the exact timeframe is unknown. An entity may see an electronic deposit from the IRS or may receive a check in the mail with little explanation. Make sure to track deposits so that the payment does not get lost.

The law does not dictate where or how recipients can spend the elective payment. Start discussions now about the best use case for elective payment. Whether it is reinvested in further green and renewable energy projects or used in other ways based on the community's specific needs, policies, or procedures, have that discussion as early as possible.

This blueprint is updated as of April 25, 2025.

Blueprint 8: Energy Efficient Commercial Buildings Deduction (179D)

The Energy Efficient Commercial Buildings Deduction (Section 179D) is a federal income tax deduction for building owners for the construction of energy-efficient commercial building property (EECBP) and multifamily buildings that are at least four stories tall, as well as for certain energy-efficient building retrofit properties (EEBRPs). In contrast to clean energy tax credits that may be claimed through elective pay, Section 179D provides a tax *deduction*. Unlike credits, which offset tax liability directly on a dollar-for-dollar basis (i.e., $1 in credits reduces tax liability by $1), deductions operate by reducing the filing entity's taxable income. By lowering the taxable income, deductions lower an entity's tax liability. Because deductions only indirectly reduce total tax liability by reducing taxable income, they are generally less valuable than credits. For example, a taxpayer in a 20% tax bracket would need $5 in deductions to achieve a $1 reduction in total tax liability. Deductions, including the Section 179D deduction, are not eligible for elective pay and cannot be claimed directly by eligible entities. Instead, the Section 179D deduction is indirectly beneficial to entities because it can be allocated to the designers of eligible property in exchange for reduced billing rates from those designers.

Eligibility

Although this deduction cannot be claimed directly through direct pay, tax-exempt building owners can allocate their deduction to the "designer" of an eligible property and work with the designer to receive a portion of the deduction's value.

Designers of EECBP or EEBRP may be able to claim a tax deduction for installations in or on buildings located in the United States and owned by specified tax-exempt entities, including municipalities and other government entities, Tribal governments, Alaska Native Corporations, and other tax-exempt organizations. In either case, the energy-efficient property installed must be property for which depreciation or amortization is allowable and is part of the interior lighting systems, the heating, cooling, ventilation, and hot water systems, or the building envelope. Tax-exempt entities can work with the designers to pass these cost savings onto the tax-exempt entity.

Municipalities can leverage the Section 179D deduction to enhance energy efficiency in city-owned buildings by allocating the deduction to the private sector architects, engineers, and contractors responsible for designing eligible EECBP and EEBRP. These architects, engineers, and contractors could then pass a portion of the cost savings onto the public owner of the building through reduced bid costs. Qualifying energy-efficient upgrades could include high-performance HVAC systems, LED lighting, and improved building envelopes. The Section 179D deduction can help municipalities looking to reduce energy consumption and operational costs while fostering sustainable development. By incorporating Section 179D-eligible improvements in new constructions or major renovations, cities can benefit from reduced up-front costs as well as reductions in long-term operating costs through reductions in energy use.

Other tax-exempt entities, such as community-based organizations, charities, faith-based organizations, hospitals, schools, colleges, and universities, can leverage the Section 179D deduction to enhance the energy efficiency of their buildings by working with private-sector architects, engineers, and contractors in the same manner as municipalities.

Additionally, community-based organizations can advocate for energy-efficient retrofits in buildings owned by other eligible entities through outreach and education of other eligible entities on the Section 179D deduction allocation process.

Amount

The amount of the deduction is determined by a sliding scale based on energy savings and is indexed to inflation. Because the credit is indexed to inflation, its value will increase over time.[3]

For the tax year 2024, the baseline Section 179D deduction amount is $0.57/square foot, increased by $0.02 for each percentage point of energy savings above 25% (up to $1.13). If the project meets the PWA requirements described in detail in Blueprint 6 (page 19), the allowable deduction increases to $2.83/square foot, increased by $0.11 for each percentage point of energy savings above 25% (up to $5.65).

For tax year 2025, the baseline Section 179D deduction amount is $0.58/square foot, increased by $0.02 for each percentage point of energy savings above 25% (up to $1.16). If the PWA requirements are met, the allowable deduction increases to $2.90/square foot, increased by $0.12 for each percentage point of energy savings above 25% (up to $5.81).

Significantly, there is no lifetime limitation. After four years, an entity may take the full deduction again if additional energy savings are possible. For example, if a building's energy use is cut in half and then, five years later, the energy use is cut by an additional 25%, the building's owner can take or allocate the 179D deduction both times.

Forms

Remember, the Section 179D deduction is not claimed by the municipality or tax-exempt entity. Instead, the tax-exempt entity issues an allocation letter to the designer (see call-out box). For energy efficiency upgrades to government-owned buildings, the General Services Administration (GSA) administers and oversees the allocation process to designers of these facilities, ensuring that the deductions are appropriately distributed to qualifying contractors.

For the General Services Administration (GSA) to allocate the deduction, the contractor must submit a **letter of intent (LOI) and certification** to **179d@gsa.gov**. The allocation letter must include a one-page complete project description of the energy efficiency improvements and a separate written verification from the GSA project manager that the project was completed according to the project description. After the GSA's Office of Facilities Management verifies and signs the LOI and Appendix A, the contractor must receive a third-party certification signed by a licensed professional engineer that includes the maximum per-square-

The allocation letter must contain a project description that thoroughly describes the eligible building, including the dates of construction or retrofitting, the location, and the cost; the names and contact information for all parties to whom the deduction is allocated (e.g., contractors, engineers, architects, etc.); and the allocation amounts. If the deduction is allocated to multiple parties, describe how it will be split among the parties. All parties must sign the allocation letter.

[3] Inflation indexed amounts here: **https://www.energy.gov/eere/buildings/179d-energy-efficient-commercial-buildings-tax-deduction**

foot deduction amount for which the contractor qualifies. Lastly, the contractor must submit the third-party certification with the **signed deduction allocation form** to **179d@gsa.gov**.

Setting Up for Success

Setting up an internal team early is important to make the decision-making process smooth. Engaging early with a facilities management team and outside contractor/designer will be crucial. This will help ensure that eligible energy efficiency measures are planned and purchased per the Section 179D requirements. Additionally, working closely with tax, legal, finance, and sustainability teams will be important. A significant part of engaging with other teams will include sharing the data associated with filing an allocation letter. The allocation letter process requires data on the energy efficiency measures taken, so it is recommended to engage across organizational departments.

Engaging with procurement/construction and engineering teams will also be important. Procurement/construction teams will be critical to ensuring adherence to PWA requirements. By incorporating requirements for any applicable bonus amounts into RFPs, procurement teams will be able to streamline receipt of the maximum deduction. Engineering teams will help ensure projects are designed to be eligible for a maximum deduction amount.

Case Study

A school that wants to insulate and upgrade its gym's mechanical system to a variable refrigerant flow (VRF) to help reduce its energy consumption by an estimated 40%. The school can work with the architect design team to pursue a 179D deduction for those renovation costs associated with glazing, insulation, electrical systems, and mechanical systems that will greatly improve the gym's energy performance. The school can negotiate a lower contractual rate with the architect up front in exchange for allocating the deduction to the architect.

To do this, the school works with the architect's design team to ensure the project meets energy efficiency standards and calculates the deduction value for the relevant tax year using the information above. Once the renovation is complete, the school and the architect work with a third-party energy consultant to verify the project's performance. The energy consultant visits the school gym and determines the building's energy use intensity so that the energy consultant can issue a third-party certification signed by one of its licensed professional engineers, including the maximum per-square-foot deduction amount for which the architect qualifies. Finally, the architect submits the third-party certification with the signed allocation letter to 179d@gsa.gov to receive the deduction.

This blueprint is updated as of April 25, 2025.