



November 7, 2023

Federal Tax Controversy

**39th Annual SJSU-TEI High Technology
Tax Institute**



Topics for Discussion

- ❖ State of LB&I and Hiring

- ❖ Inflation Reduction Act of 2022
 - Strategic Operating Plan Objectives

- ❖ LB&I Resolutions Tools
 - Fast Track
 - Prefiling Agreements
 - Industry Issue Resolution
 - Advanced Pricing Agreements



Topics for Discussion

❖ LB&I Workload

- Partnerships
- Large Corporate Compliance
- Campaigns
- Compliance Assurance Program

❖ IRA Energy Tax Provisions



State of LB&I and Hiring

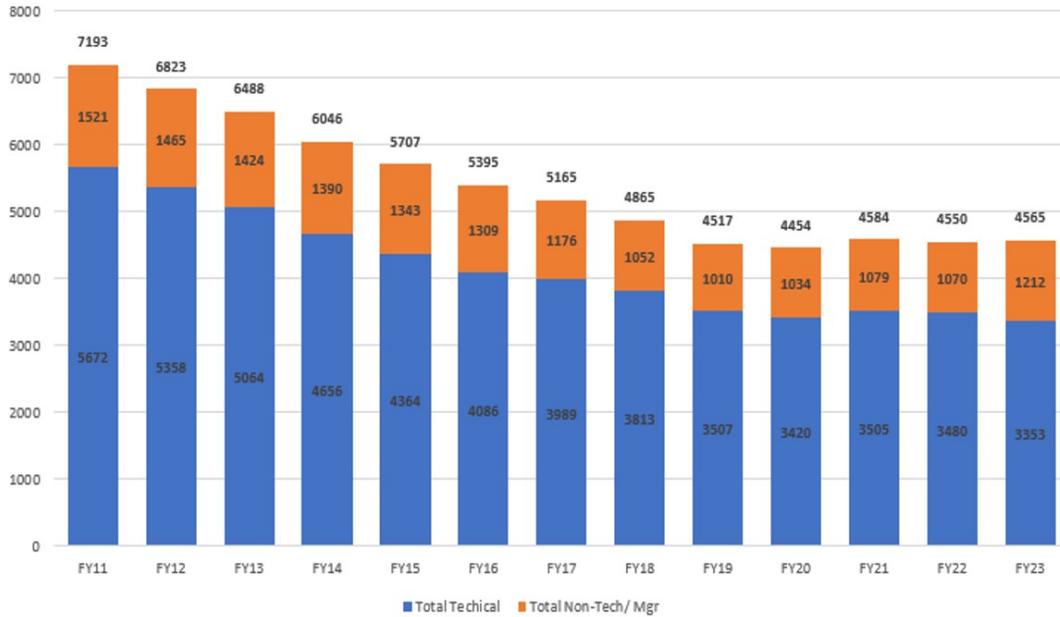
FY2024 LB&I Strategic Goals

- ❖ Meet our tax administration responsibilities effectively
- ❖ Support current and future LB&I employees by pursuing sustainable, consistent workplace improvements that incorporate the future of work



Current Workforce Distribution

LB&I STAFFING YEAR-OVER-YEAR
BEGINNING OF YEAR ON-ROLLS



LB&I Hiring – FY23

- ❖ Final # Added to Rolls 366
- ❖ All Job Classifications

LB&I Hiring – FY23

Revenue Agents – including CAS, International, Transfer Pricing, FPs 83

Engineers 65

Economists 8

Appraisers 7

Tax Law Specialists 21



Inflation Reduction Act / Strategic Operating Plan

- ❖ The Strategic Operating Plan issued in early April outlines how the Service will deploy the historic investments of the IRA to better serve the entire tax community. The goals include:
- ❖ **Service:** Significantly improve the services we provide to make it easier for taxpayers to get help.
- ❖ **Enforcement:** For taxpayers who do not comply with the tax law, we will increase and improve our enforcement efforts in a way that ensures fairness and respects taxpayer rights.



Inflation Reduction Act / Strategic Operating Plan

- ❖ **Modernization:** Invest in new technology, with modern architectures to match efforts in the private sector and meet the nation's future needs.
- ❖ **Workforce:** We will work to attract and retain the best talent as we transition to being a modern, digitally capable agency centered around helping taxpayers.



LB&I's Role

- ❖ The plan specifically calls for expansion of enforcement for large corporations, large partnerships, and HHW individuals.
- ❖ These have all been goals of LB&I for quite a while, but we haven't had the resources to increase our capacity. At the same time, the number and complexity of filings has increased.
- ❖ In order to achieve the goals, we plan to hire and train specialized staff. The Service also plans to increase staffing in the Independent Office of Appeals and the Office of Chief Counsel.



LB&I's Role

- ❖ We will continue to expand and refine our use of data analytics to ensure we employ the right compliance approaches in our enforcement efforts in light of the specific noncompliance risks.
- ❖ The plan also calls for expansion of tax certainty and issue resolution programs and initiatives.



Fast Track Settlement Program



Key Points

Key points about FTS include the following:

- ❖ FTS program is jointly administered by the LB&I Division and the Office of Appeals
- ❖ FTS provides an opportunity to resolve their disputes with an Appeals Official using mediation skills and settlement authority
- ❖ FTS enables taxpayers and the IRS to work together to resolve outstanding issues while the case remains in LB&I jurisdiction
- ❖ Generally completed in 120 days



Key points about FTS include the following:

- ❖ Eligibility
- ❖ Mandatory Consideration
- ❖ Copy provided of the Fast-Track Settlement [Pub 4539](#) at the opening conference
- ❖ Appeal Rights retained



Prefiling Agreement Program



Pre-Filing Agreements

- ❖ Beneficial way to reach agreement on an issue in a cooperative environment before the return is filed.
- ❖ Revenue Procedure 2016-30 provides the program guidelines.
- ❖ User fee of \$181,500 is due only if the issue is accepted.
- ❖ Taxpayers' overall satisfaction is 4.7 out of 5.



PFA Statistics

- ❖ Since the program inception in 2000, LB&I has received 574 PFA applications.
- ❖ For FY2019 through FY2022 we received 21 applications, accepted 11, and completed 9 closing agreements.



PFA Applications

- ❖ Requests can be filed with the team manager or PFA Program Analyst.
- ❖ The application is evaluated by counsel, the audit team, and technical specialists.
- ❖ Final acceptance decision at Practice Area Director level; no appeal.



Resources

- ❖ Refer to Rev. Proc. 2016-30 for the PFA application process
- ❖ Refer to PFA page on IRS.gov



Industry Issue Resolution Program



Industry Issue Resolution

Revenue Procedure 2003-26

The program goals are to:

- ❖ Address frequently disputed or burdensome business tax issues that affect a significant number of taxpayers.
- ❖ Provide clear guidance to reduce the time and resources associated with resolving issues during tax examinations.

The IIR process includes:

- ❖ Issue Submission and Selection
- ❖ Planning, Analysis and Development
- ❖ Resolution and Guidance



IIR Submission

Taxpayers, associations, and others can submit an issue anytime:

No required format, but should include:

- ❖ Issue statement and description of why the issue is appropriate for the program
- ❖ Explanation of the need for guidance and estimated number of taxpayers impacted
- ❖ Name and phone number of a contact person
- ❖ May include a recommendation as to how the issue could be resolved



Issues Appropriate

Issue should have two or more of the following attributes:

- ❖ Uncertain tax treatment of common factual situation
- ❖ Uncertainty results in frequent, repetitive exam of the same issue
- ❖ Uncertainty results in taxpayer burden
- ❖ Significant and impacts a large number of taxpayers
- ❖ Extensive factual development, understanding of industry practices and views would assist the Service in determining the proper tax treatment



Examples of Completed IIRs

- ❖ Research Credit - LB&I Directive 04-0917-005 provides an administrative solution to accept as sufficient evidence of QREs (qualified research expenses) the Adjusted ASC 730 Financial Statement R&D for the Credit Year.
- ❖ Substantiation of Hardship Distributions - An Employee Plans – Examination Memo issued February 23, 2017, (TE/GE-04-0217-0008) sets forth guidance to examiners on acceptable paper and electronic forms of substantiation of hardship distributions from 401(k) plans.
- ❖ Capitalization of Retail and Restaurant Assets - Revenue Procedure 2015-56 provides a safe harbor method of accounting for amounts to remodel or fresh qualified retail and restaurant buildings.



Resources

- ❖ Refer to Rev. Proc. 2003-36 for IIR application process
- ❖ Industry Issue Resolution guidance is available on IRS.gov



Advance Pricing Agreement Program



Advance Pricing Agreements

APMA received a lot more cases in 2022 than it resolved.

- ❖ The program is popular, and we expect it to continue to grow.
- ❖ We are actively hiring to support that growth.
- ❖ Interim guidance issued in April 2023 establishes a consistent process to identify roadblocks up front and potentially more efficient paths to certainty based on APMA's experiences. It is meant to improve the process for everyone.



Partnerships



LPC Program

- ❖ Round 1 – 50 partnerships
- ❖ Round 2 – 75 partnerships
- ❖ Who's in?
- ❖ What's the risk?
- ❖ How do we approach these audits?



- ❖ CIR announcement in early September
- ❖ Identified hundreds of instances where partnership's current year beginning balance sheet did not match the prior year ending.
- ❖ Will be sent a letter asking to explain the reason for the discrepancy
- ❖ Next steps will be determined after a review of the responses and may result in an audit



Future Compliance Work

- ❖ In mid-September, IRS announced plans to establish a special area to focus on large or complex pass-through entities.
- ❖ New work unit will be housed in the Large Business and International division
- ❖ Will combine new hires and existing staff
- ❖ Expected to formally "stand up" sometime late next year



Large Corporate Compliance (LCC) Program



Introduction

- ❖ Large Corporate Compliance (LCC) Program replaced Coordinated Industry Case (CIC) program in 2019
- ❖ LCC is one of the compliance programs in LB&I's portfolio
- ❖ Ensures oversight for LB&I's largest taxpayers
- ❖ Uses data analytics along with tax expertise to identify risk of the entire LB&I large corporate population
- ❖ 2017, 2019 and 2020 primary LCC returns



Benefits

- ❖ LCC uses data analytics to help identify the best returns for the field – looking at all filings
- ❖ LCC uses automatic pointing that reduces the burden on examiners and systemically identifies every corporate return meeting the program threshold
- ❖ LCC increases the likelihood examiners can work on high-risk issues
- ❖ LCC aligns with recently released Strategic Operating Plan. Specifically, Objective 3 (Focus expanded enforcement on taxpayers with complex tax filings...) and Objective 4 (Deliver cutting-edge technology, data and analytics to operate more effectively).



Impact to Taxpayers

- LB&I Examination Process applies to LCC
- Revenue Procedure 2022-39 and Form 15307 issued November 2022.
 - Revenue Procedure 94-69 now obsolete.
 - Transition rule for 2020 and prior returns
 - 4 of 5, LCC, LPC criteria for 2021 and after returns



LB&I Campaigns



Campaigns

- ❖ One of the ways LB&I addresses noncompliance issues. **Over 70 campaigns launched to date.** Additional campaigns will continue to be rolled out
- ❖ Involves a thorough analysis of data to support the identification and evaluation of a compliance issue
- ❖ Applies treatment streams to achieve intended compliance outcomes. The treatment streams are:
 - ❖ Administrative guidance
 - ❖ Events and outreach
 - ❖ Issue based examinations
 - ❖ New legislation
 - ❖ IIRs (Industry Issue Resolution)
 - ❖ Published Guidance
 - ❖ Soft Letter/Notice
 - ❖ Tax Forms and Publications



Campaign Guiding Principles

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- ❖ Cultivate environment of continuous learning
- ❖ Use data analytics and examiner feedback
- ❖ Employ an integrated set of tailored treatment streams
- ❖ Drive continual collection and analysis of data and feedback

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How Campaigns Function

- ❖ LB&I harnesses the combined intellect of our team to make intentional decisions about compliance risks we will respond to, how we will respond and how we will know success
- ❖ Allows us to focus limited resources in the right areas to drive specific compliance objectives
- ❖ Improves our understanding of taxpayer compliance risks and how we respond

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How We Measure Success

- ❖ Announcing campaigns has the potential to improve taxpayer compliance
- ❖ Tracking metrics and measures to evaluate campaign effectiveness and results
- ❖ Looking at the impact of individual campaigns while seeking to assess the effect of campaigns as a whole
- ❖ Aiming to have measurable results that can be evaluated alongside traditional enforcement and examinations
- ❖ Partnering with our research function to explore effective methods to evaluate the effect/impact of campaigns on taxpayer compliance



Other Compliance Efforts

- ❖ Syndicated Conservation Easements Campaign
- ❖ Micro-Captives Campaign
- ❖ Research Credit
 - Requirements for administrative claim for refund or credit under Section 41, requiring specific information
 - Chief Counsel Memorandum and FAQs (Feb. 2022)
 - Transition period until January 10, 2024, whereby IRS will notify a claimant of any perceived deficiency and taxpayer will have 45 days to provide the missing information
 - Form 6765



Compliance Assurance Process (CAP)



CAP Program Overview

- ❖ Collaborative program driven by cooperation and transparency
- ❖ Pre-file identification and resolution of issues
- ❖ Efficient use of resources
- ❖ Tax and financial reporting certainty
- ❖ Goal is more efficient use of audit resources



CAP Program History

- ❖ 2005: CAP Pilot Began
17 Taxpayers
- ❖ 2018: CAP Recalibration Announced
169 Taxpayers
- ❖ 2023: CAP Program
123 Taxpayers



CAP Program Essentials

- ❖ Collaboration
- ❖ Customer Service
- ❖ Compliance
- ❖ Certainty

**Achieved through Continuous
Communication**



CAP Program Eligibility

- ❖ Company assets \geq \$10 million
- ❖ A C-Corporation that is a U.S. Publicly-held entity filing Forms 10-K, 10-Q and 8-K
- ❖ Grandfathered privately-held or grandfathered foreign owned entity with U.S. GAAP audited annual and unaudited quarterly financial statements
- ❖ No investigation/ litigation that limits access to current corporate tax records
- ❖ Generally, no more than one filed and one unfiled tax year open for exam when the new CAP year starts



Evaluation of Suitability Criteria

- ❖ Where utilized, must adhere to IDR response times and provide complete responses
- ❖ Must engage in meaningful, good faith issue resolution discussions
- ❖ Must thoroughly disclose material items, tax shelters, listed transactions and any investigation that limits IRS access to current corporate books and records in a timely manner
- ❖ Must not file frequent claims or request frequent Appeals conferences
- ❖ Must adhere to all the CAP Program and MOU commitments



Phases of the CAP Program

Compliance Assurance Process Phase
(CAP)

Compliance Maintenance Phase
(CM)

Bridge Phase (Bridge)/ Bridge Plus Phase Pilot



Bridge Phase / Bridge Plus Phase

- ❖ Equivalent of a skip cycle
- ❖ Previous participation in the CM phase unless exception
 - Low risk issues
 - Optimal cooperation and transparency
- ❖ No disclosures
- ❖ No review of transactions
- ❖ May apply for a Pre-filing Agreement (PFA) if issues arise
- ❖ Yearly application to program and placement in appropriate phase
- ❖ Bridge Phase Taxpayers may be invited to participate in a Bridge Plus Pilot



CAP Program Benefits

- ❖ Facilitates the real time review of transactions
- ❖ Promotes voluntary compliance
- ❖ Can expedite tax and financial reporting certainty
- ❖ Has identified new and/ or emerging issues sooner
- ❖ Can afford resource efficiencies for both the IRS and the Taxpayer
- ❖ Can result in currency for both the IRS and the Taxpayer

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IRA Tax Provision Implementation Office

Inflation Reduction Act Clean Energy Credit Updates

2023





Disclaimer

- ❖ This deck provides an overview of certain Inflation Reduction Act tax provisions for general informational purposes only and is not itself tax guidance.
- ❖ The content in this presentation is based on proposed and temporary regulations and other tax guidance on IRS.gov.
- ❖ This deck relies on simplifications and generalizations to convey high-level points about Inflation Reduction Act tax provisions. Please refer to guidance issued by the IRS for detailed information on the rules associated with Inflation Reduction Act tax provisions.



IRA Tax Provisions

- ❖ The IRA includes a significant investment in clean energy and most of it is delivered via tax incentives, including over 20 tax provisions available for individuals, businesses, tax-exempt organizations, and government entities (tribal, state and local), and include novel features aimed at encouraging investment in new ways.
- ❖ The IRA also includes a few significant tax provisions that do not relate to clean energy (for example, a new corporate alternative minimum tax, an excise tax on repurchase of corporate stock, revisions to research credit, etc.).
- ❖ Also, while not part of IRA, the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (CHIPS Act), signed into law on August 9, 2022, contains one energy-related provision for the IRS to implement (section 48D — a credit to incentivize the manufacture of semiconductors and semiconductor manufacturing equipment in the US).



Implementation of the IRA

- ❖ **Scope:** IRA created or modified more than 20 clean energy tax provisions.
- ❖ **Interagency collaboration:** Novel technical and legal questions will be addressed in collaboration with Treasury and other federal agencies including the Department of Commerce, Department of Energy (DOE), Department of Labor (DOL), Department of Transportation (DOT), Environmental Protection Agency (EPA), Health & Human Services (HHS), Housing & Urban Development (HUD), the Securities & Exchange Commission (SEC).
- ❖ **Priorities and timeframe:** Guidance is being released as soon as possible to provide clarity and certainty. The IRS has issued 33 pieces of guidance, launched several webpages, and issued numerous communications (e.g., press releases, e-posters, etc.)
- ❖ **Stakeholder feedback:** Engagement is welcome and encouraged through the traditional public comment opportunities on issuance of guidance (See [regulations.gov](https://www.regulations.gov)).



IRA Implementation — IRA TPIO

- ❖ To implement the IRA energy security and clean energy provisions, the IRS stood up a dedicated office, IRA Tax Provision Implementation Office (IRA TPIO), to devote the necessary resources and expertise.
- ❖ Using IRA funding, the IRS will administer these energy security and clean energy incentives by leveraging new technology to make the process for claiming credits as seamless as possible while addressing the risk of potential fraud.
- ❖ Implementing the tax provisions is a Service-wide effort involving all business operating divisions and many other federal government agencies and other IRS stakeholders.
 - ❖ We have entered partnerships with the DOE, acting as the IRS's service provider, to establish programs for competitive allocation of certain energy security and clean energy credits, including to spur energy security and clean energy investment in low-income communities and coal communities.
- ❖ All forms relating to energy security and clean energy incentives can be submitted via Modernized e-File or on paper.



Clean Energy Credits Overview (1 of 2)

Objective	Provision IRC Section	Provision Title	Form	Effective Date
 Energy Generation	45, 45Y*	Production Tax Credit	45 – F8835 45Y – F7211	Property placed in service after 12/31/2024
	48, 48E	Investment Tax Credit	F3468	Property placed in service after 12/31/2024
	48(e), 48E(h)	Low-Income Communities Bonus Credit (Investment Tax Credit)	F3468, F8835	48(e) – On 1/1/23
	45U*	Zero-emission Nuclear Power Production Credit	F7213	Electricity produced and sold after 12/31/2023, in taxable years beginning after such date
 Vehicles	30D	Clean Vehicle Credit	F8936	Varies. Vehicles placed in service after 12/31/2022 and 12/31/2023
	45W	Commercial Clean Vehicle Credit	F8936	Vehicles acquired after 12/31/2022
	25E	Previously-Owned Clean Vehicle Credit	F8936	Varies. Vehicles placed in service after 12/31/2022 and 12/31/2023
	30C	Credit for Alternative Fuel Refueling/Recharging Property	F8911	Varies. Property placed in service after 12/31/2021 or 12/31/2022
 Manufacturing	45X	Advanced Manufacturing Production Credit	F7207	Components produced and sold after 12/31/2022
	48C	Advanced Energy Project Credit (\$10B allocated credit)	F3468, Part III	1/1/2023
	48D	Advanced Manufacturing Investment Credit (CHIPS Act)	F3468, Part IV	Property placed in service after 12/31/22

*Note: Modernized eFile will be available in 2025 for Provision 45Y/Form 7211, and mid-2023 for Provision 45U/Form 7213.



Clean Energy Credits Overview (2 of 2)

Objective	Provision IRC Section	Provision Title	Form	Effective Date
 Fuels & Carbon Capture	45V	Clean Hydrogen Production Credit	F7210	Varies. Generally, after 12/31/2022
	40, 40A	Biofuel Incentives	F8864	Varies. Fuel sold or used after 12/31/2021. Fuel sold or used in Q1 or Q2 of 2022.
	40B	Sustainable Aviation Fuel Credit	F8864	Fuel sold or used after 12/31/2022
	45Z	Clean Fuel Production Credit	F8835	Fuel produced after 12/31/2024
	45Q	Credit for Carbon Oxide Sequestration	F8933	Carbon oxide captured and disposed of after 12/31/2021
 Efficiency	25C	Energy Efficient Home Improvement Credit	F5695	Varies. Property placed in service after 12/31/2022 and after 12/31/2024
	25D	Residential Clean Energy Credit	F5695	Varies. Expenses made after 12/31/2021 and 12/31/2022
	179D	Energy Efficient Commercial Buildings Deduction	F7205	Taxable Years Beginning After 12/31/22
	45L	New Energy Efficient Home Credit	F8908	Varies. Dwelling Units Acquired After 12/31/2021 and 12/31/2022



Cross-Cutting Provisions & Bonuses

Tax Provision	Description
Prevailing Wage and Apprenticeship (PWA) Requirements	For a number of the tax credits created or modified by IRA, the base credit amount is increased by five times for projects that meet requirements for paying prevailing wages and using registered apprentices.
Energy Communities Bonus	Projects located in historical energy communities, including areas with closed coal mines or coal-fired power plants, are eligible for a 10 percent increase in the Production Tax Credit (§ 45, 45Y) and an up to 10 percentage point increase (if PWA requirements are met) in the Investment Tax Credit (§ 48, 48E). The bonus is also available to brownfield sites and to areas that have significant employment or local tax revenues from fossil fuels and higher than average unemployment.
Low Income Communities Bonus Credit Program <i>Application required</i>	Provides an additional investment tax credit for small-scale solar and wind (§ 48(e)) or clean electricity (§ 48E(h)) facilities (<5MW net output) on Indian land, federally subsidized housing, in low-income communities, and to benefit low-income households. Additional credit is 10 or 20 percentage point increase on base Investment Tax Credit (§ 48, 48E). You must apply and receive a capacity allocation, and then place your facility in service to claim this bonus.
Domestic Content Bonus	Projects or facilities that meet domestic content requirements are eligible for a 10 percent increase to the Production Tax Credit (§ 45, 45Y) or up to a 10-percentage point increase (if PWA requirements met) to the Investment Tax Credit (§ 48, 48E). For projects or facilities beginning construction starting in 2024 or later, for taxpayers using elective pay, the domestic content requirement can also result in a reduction of the Production Tax Credit or Investment Tax Credit if it is not met.



Credit Monetization Mechanisms (1 of 2)

Tax Provision	Description	Available to...	Available for...
Elective Pay (§ 6417)	Allows “applicable entities” to treat the amount of certain credits as a payment against tax on their tax returns and as a result receive refund payments for certain clean energy tax credits	Applicable entities are proposed to include: <ul style="list-style-type: none"> • tax-exempt organizations, • states and political subdivisions such as local governments, • Indian tribal governments, • Alaska Native Corporations, • the Tennessee Valley Authority, • rural electric cooperatives, • U.S. territories and their political subdivisions, and • agencies and instrumentalities of state, local, tribal and U.S. territorial governments 	12 clean energy tax credits, including the Production and Investment Tax Credits (§ 45, 45Y, 48, 48E), tax credits for manufacturing (§ 45X, 48C), clean hydrogen (§ 45V), carbon capture (§ 45Q), and commercial clean vehicles (§ 45W)* and alternative fuel vehicle refueling property (§ 30C)
		Taxpayers other than “applicable entities” may elect to be treated as “applicable entities” for up to five years	3 clean energy credits for manufacturing (§ 45X), clean hydrogen (§ 45V), and carbon capture (§ 45Q)



Credit Monetization Mechanisms (2 of 2)

Tax Provision	Description	Available to...	Available for...
Transfer (§ 6418)	Allows “eligible taxpayers” to elect to transfer certain credits to unrelated taxpayers for cash rather than using the credits against their Federal income tax liabilities	Taxpayers that are not “applicable entities” for § 6417	11 clean energy tax credits, including the Production and Investment Tax Credits (§ 45, 45Y, 48, 48E), tax credits for manufacturing (§ 45X, 48C), clean hydrogen (§ 45V), carbon capture (§ 45Q), and alternative fuel vehicle refueling property (§ 30C)



Pre-File Processes

Several provisions will require a **pre-file registration or application process**:

- ❖ **Elective Payment Election**
- ❖ **Transfer Election**
- ❖ **Clean Vehicles**
 - Dealer Registration
 - Manufacturer Qualification
 - Manufacturer Reporting
 - Time of Sale Reporting
 - Credit Transfer
 - Advanced Payment
- ❖ **Special Application Processes**
 - Advanced Energy Project Credit (48C)
 - Low-Income Community Bonus (48e)
- ❖ **The pre-filing registration or application process will help assess the validity of the registrant and provide information about clean energy projects/investments; it does not confirm eligibility for the credit.**



❖ **For more information on the Inflation Reduction Act’s clean energy-related tax provisions see:**

- [IRS.gov/CleanEnergy](https://www.irs.gov/CleanEnergy)
- [IRS.gov/ElectivePay](https://www.irs.gov/ElectivePay)
- [IRS.gov/Credits for New Clean Vehicles Purchased in 2023 or After](https://www.irs.gov/Credits for New Clean Vehicles Purchased in 2023 or After)
- [IRS.gov/Credits and Deductions Under the Inflation Reduction Act of 2022](https://www.irs.gov/Credits and Deductions Under the Inflation Reduction Act of 2022)
- [IRS.gov/Notices for the Inflation Reduction Act of 2022](https://www.irs.gov/Notices for the Inflation Reduction Act of 2022)
- [IRS.gov/HomeEnergy](https://www.irs.gov/HomeEnergy)
- [CleanEnergy.gov](https://www.CleanEnergy.gov)
- [fueleconomy.gov](https://www.fueleconomy.gov)

❖ **Public Comments**

- Please visit [regulations.gov](https://www.regulations.gov) to file and view public comments.



Appendix



Energy Generation Credits

Tax Provision	IRC Section	Description
Production Tax Credit for Electricity from Renewables	45, pre-2025	For production of electricity from eligible renewable sources , including wind, biomass, geothermal, solar, landfill and trash, hydropower, marine and hydrokinetic energy. Credit Amount (for 2022): 0.55 cents/kilowatt hour (kWh) (1/2 rate for electricity produced from open loop biomass, landfill gas, and trash); 2.75 cents/kWh if Prevailing Wage and Apprenticeship (PWA) requirements are met ^{1,2,3,7}
Clean Electricity Production Tax Credit	45Y, 2025 onwards	Technology-neutral tax credit for production of clean electricity. Replaces § 45 for facilities that begin construction and are placed in service after 2024. To qualify, the facility must have a greenhouse gas emissions rate of not greater than zero. Credit Amount: Starts in 2025, consistent with credit amounts under section 45 ^{1,2,3,6,7}
Investment Tax Credit for Energy Property	48, pre-2025	For investment in renewable energy projects including fuel cell, solar, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties. Credit Amount: 6% of qualified investment (basis); 30% if PWA requirements met ^{1,4,5,6,8}
Clean Electricity Investment Tax Credit	48E, 2025 onwards	Technology-neutral tax credit for investment in facilities that generate clean electricity and qualified energy storage technologies. Replaces § 48 for facilities that begin construction and are placed in service after 2024. To qualify, the facility must have a greenhouse gas emissions rate of not greater than zero. Credit Amount: 6% of qualified investment (basis); 30% if PWA requirements met ^{1,4,5,6}
Zero-Emission Nuclear Power Production Credit	45U	For electricity from existing nuclear power facilities. Facilities in operation prior to August 16, 2022. Credit Amount (for 2023): 0.3 cents/kWh (reduced rate for larger facilities); 1.5 cent/kWh if PW requirements met ^{1,7}

See slide 19 for footnotes



Clean Vehicle Credits

Tax Provision	IRC Section	Description
Credit for New Clean Vehicles	30D	For purchasers of new clean vehicles that meet certain critical mineral and battery component requirements, as well as buyer income and manufacturer's suggested retail price limits. Learn more and see eligible vehicles at FuelEconomy.gov. Credit Amount: Up to \$7,500 for qualifying vehicles ⁹
Credit for Previously-Owned Clean Vehicles	25E	For purchasers of certain previously-owned clean vehicles sold by a dealer for less than \$25,000. Subject to buyer income limits. Learn more and see eligible vehicles at FuelEconomy.gov. Credit Amount: The lesser of \$4,000 or 30% of sale price ⁹
Credit for Qualified Commercial Clean Vehicles	45W	For purchasers of commercial clean vehicles. Qualifying vehicles may include passenger vehicles, buses, ambulances, and certain other vehicles, as well as certain mobile machinery. Credit Amount: Up to \$40,000 (max \$7,500 for vehicles <14,000 lbs.)
Alternative Fuel Vehicle Refueling Property Credit	30C	For alternative fuel vehicle refueling and charging property located in low-income and non-urban areas. Qualified fuels include electricity, ethanol, natural gas, hydrogen, and biodiesel. Credit Amount: 6% of basis for businesses and can increase to 30% if PWA is met (up to \$100,000 per item of property)



Manufacturing Credits

Tax Provision	IRC Section	Description
Advanced Manufacturing Production Credit	45X	Production tax credit for domestic clean energy manufacturing of components including solar and wind energy, inverters, battery components, and critical minerals. Credit Amount: Varies by type of eligible component
Advanced Energy Project Credit	48C	For investments in advanced energy projects. A total of \$10 billion will be allocated, not less than \$4 billion of which will be allocated to projects in certain energy communities. Credit Amount: 6% of taxpayer's qualified investment; 30% if PWA requirements are met ¹ <u>Application required.</u>
Advanced Manufacturing Investment Credit	48D	Implementation of the advanced manufacturing investment credit established by the CHIPS Act of 2022 to incentivize the manufacture of semiconductors and semiconductor manufacturing equipment within the United States. Credit Amount: Amount equal to 25% of the basis in qualified property placed in service by the taxpayer during the tax year and is an integral part of the facility.



Fuel & Carbon Capture Credits

Tax Provision	IRC Section	Description
Credit For Production Of Clean Hydrogen	45V	Credit for qualified clean hydrogen production at a U.S.-based qualified clean hydrogen production facility. Credit Amount: \$0.60/kg multiplied by the applicable percentage (20% to 100%, depending on lifecycle greenhouse gas emissions), amount increases by five times if PWA is met ^{1,7}
Extension of Pre-IRA Fuel Incentives	40/40A	For Biodiesel, Renewable Diesel, Alternative Fuels, Second-Generation Biofuel. Credit Amount: \$1.00-\$1.10 per gallon nonrefundable income tax credit (biodiesel, renewable diesel, and second-generation biofuel), and \$.50 or \$1/gallon excise tax credit for alternative fuel, biodiesel, and renewable diesel
Sustainable Aviation Fuel Credit	40B	For the sale or use of certain fuel mixtures that contain sustainable aviation fuel (SAF) that achieve a lifecycle greenhouse gas emissions reduction of at least 50% as compared with petroleum-based jet fuel. The mixture must be produced and placed in aircraft in the U.S. prior to 2025. Credit Amount: \$1.25/gallon of SAF (plus up to \$0.50/gallon bonus depending on emissions)
Clean Fuel Production Credit	45Z	Technology neutral tax credit for domestic production of clean transportation fuels , including sustainable aviation fuels, beginning in 2025. Credit Amount: \$0.20/gallon (\$0.35/gal for aviation fuel) multiplied by CO2 "emissions factor"; \$1.00/gallon (\$1.75/gal for aviation fuel) multiplied by CO2 "emissions factor" if PWA is met ^{1,7}
Credit for Carbon Oxide Sequestration	45Q	Credit for carbon dioxide sequestration coupled with permitted end uses (e.g., sequestration, use as a tertiary injectant, or utilization) in the United States. Credit Amount: \$12-36 per metric ton of qualified carbon oxide captured and sequestered, used as a tertiary injectant, or utilized, depending on the specified end-use; \$60-\$180 per metric ton if PWA requirements met ^{1,7}



Energy Efficiency Credits

Tax Provision	IRC Section	Description
Energy Efficient Home Improvement Credit	25C	<p>For energy efficiency improvements of residential homes by homeowners (and in some cases renters). Learn more at IRS.gov/HomeEnergy.</p> <p>Credit Amount: Varies by type of improvement; up to \$1,200 annually for covered home energy efficiency improvements (subject to certain per unit limitations) plus up to \$2,000 annually for heat pumps, heat pump water heaters, biomass stoves, and biomass boilers</p>
Residential Clean Energy Credit	25D	<p>For the purchase of certain residential clean energy equipment (including battery storage with capacity \geq 3 kWh) by homeowners or renters. Learn more at IRS.gov/HomeEnergy.</p> <p>Credit Amount: 30% of cost of equipment through 2032; 26% in 2033; 22% in 2034</p>
Energy Efficient Commercial Buildings Deduction	179D	<p>For energy efficiency improvements to commercial buildings (building owners, long-term lessees, or designers that have been allocated the deduction by certain tax-exempt building owners are eligible).</p> <p>Deduction Amount: Per square foot deduction that varies based on extent of energy efficiency improvements and whether PWA requirements are met, with caps based on deduction taken in preceding years; generally, up to \$5 per square foot.⁷ Alternative deduction available for retrofits.</p>
New Energy Efficient Home Credit	45L	<p>For construction and sale/lease of new energy-efficient homes.</p> <p>Credit Amount: \$2,500-\$5,000 per single-family home; for multi-family, \$500-\$1,000 per unit, increased to \$2,500-\$5,000 if prevailing wage requirements met</p>



Footnotes

The information in this document may be subject to change as guidance is issued or finalized. For all IRA clean energy tax credits, please see [IRS.gov/CleanEnergy](https://www.irs.gov/CleanEnergy) for further details and eligibility requirements.

- ¹ Credit is increased by 5 times for projects that pay prevailing wages and use registered apprentices. Apprenticeship requirements do not apply for §§ 45L and 45U. Prevailing wage and apprenticeship requirements do not apply to certain projects, including certain projects of less than 1 megawatt or those that began construction prior to January 29, 2023.
- ² Credit is increased by 10% if the project meets certain domestic content requirements for steel or iron, and manufactured products.
- ³ Credit rate is increased by 10% if located in an energy community.
- ⁴ Credit is increased by up to 10 percentage points for projects meeting certain domestic content requirements for steel or iron, and manufactured products.
- ⁵ Credit is increased by up to 10 percentage points if located in an energy community.
- ⁶ Section 168(e) provides favorable depreciation treatment for facilities or property qualifying for this tax credit. These facilities or property will be treated as a 5-year property for purposes of cost recovery, leaving them with lower taxable income in the earlier years of a clean energy investment.
- ⁷ Credit rate is adjusted annually for inflation.
- ⁸ See section 48 for more detail and applicable exceptions to the credit rate.
- ⁹ Starting January 1, 2024, the amount of a new clean vehicles or previously owned clean vehicles tax credit can be transferred to a dealer for an equivalent reduction in the eligible vehicle's sales price.