SEO DETAILS:

Page Title: How Nonprofits Can Benefit from Clean Energy Tax Credits in the Inflation Reduction Act | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] discusses the Inflation Reduction Act's game-changing impact for nonprofits. Learn how tax-exempt organizations can leverage "elective pay" to unlock refundable tax credits for clean energy investments like solar power, energy efficiency, and electric vehicles.

Headline: How Nonprofits Can Benefit from Clean Energy Tax Credits in the Inflation Reduction Act

BODY COPY:

The Inflation Reduction Act (IRA) of 2022 contains numerous provisions that create or expand tax incentives for the use of and investment in clean energy technologies. In the past, these benefits have only been available to for-profit businesses. Nonprofit organizations with tax-exempt status have not been able to take advantage of incentives like tax credits. The IRA changes this by providing an “elective pay” option, also known as “direct pay,” for many incentives. This makes certain tax credits essentially refundable for nonprofit organizations. Now is therefore an excellent time for nonprofits to consider making “green” improvements to their facilities, building more energy-efficient facilities, or investing in clean energy technologies like solar power or electric vehicles.

Base and Bonus Credits

Many of the IRA’s tax credits have two or more layers. The “base” layer is the credit amount that is available to any qualifying taxpayer. This could be, for example, a percentage of the purchase price of clean energy equipment or a specific amount per kilowatt-hour of clean energy production.

One or more “bonus” layers may be available to taxpayers who satisfy additional criteria, such as:

- Meeting the prevailing wage and apprenticeship (PWA) requirements set by the IRS;
- Using a minimum amount of domestically sourced steel, iron and manufactured products; or
- Placing a qualifying clean energy facility or technology in an area designated as an “energy community,” such as an area with high unemployment, a site that formerly hosted a coal mine or coal-fired power plant, or a “brownfield site” undergoing remediation.

Direct Pay and Transferability Options

Tax-exempt nonprofits cannot typically take advantage of tax credits and tax deductions. The IRA changes this for some clean energy incentives by allowing direct pay or transfers.

Direct Pay

Direct pay effectively creates refundable tax credits for tax-exempt nonprofit organizations. When a for-profit business claims a refundable tax credit that exceeds its total tax liability, the IRS will pay the difference to the business. Suppose, for example, that a business can claim

$10,000 in refundable tax credits and has a total tax liability of $9,000. It will receive a $1,000 refund payment from the IRS.

With direct pay, nonprofit organizations can receive the same benefit. Since a tax-exempt organization's tax bill is zero, it can receive the full amount of the credit from the IRS. If a nonprofit could claim the same $10,000 tax credit as the business described above, it could receive $10,000 as a refund.

Transferability

Organizations that cannot use direct pay may be able to transfer their tax credit to a third party in exchange for payment. The third party can then claim the credit and receive a refund from the IRS.

Nonprofits may also be able to transfer certain clean energy tax deductions to specified third parties, such as designers of clean energy systems. This provides an incentive to work with nonprofits on clean energy improvements.

Clean Energy Tax Deductions and Credits

The following are some of the tax benefits offered by the IRA that could be useful to nonprofit organizations:

Alternative Fuel Vehicle Refueling Property Credit

This credit, found in § 30C of the Internal Revenue Code (IRC), provides a tax credit of 6% of the cost of a "qualified alternative fuel vehicle refueling property" in specified low-income communities, up to a maximum amount of $100,000. Qualified properties include:

- Refueling stations that use minimum amounts of biodiesel, ethanol, hydrogen or natural gas; or
- Electric charging stations.

Renewable Electricity Production Tax Credit

Section 45 of the IRC provides a production tax credit (PTC) for facilities that begin construction before the beginning of 2025. The base credit amount starts at $0.03 per kilowatt-hour, adjusted for inflation, for facilities that produce renewable electricity. Bonus credits may be available based on a facility's location, PWA and other factors.

Qualified Commercial Clean Vehicles Credit

Nonprofits may benefit from this credit, found in IRC § 45W, if they want to invest in electric or fuel-cell vehicles. The amount of the credit is the lesser of either:

- 15% of the vehicle's basis, or cost; or 30% of the basis for an electric vehicle; or
- The difference between the cost of a clean vehicle and a comparable vehicle that runs on gasoline.

The maximum amount of the credit is $7,500 for vehicles that weigh less than 14,000 pounds and $40,000 for other vehicles.

Energy Property Investment Tax Credit

Section 48 of the IRC creates an investment tax credit (ITC) for clean energy projects that use technologies like solar, wind, biogas, fuel cells or energy storage. The base amount of the credit is 6% of the basis in most cases, but this can vary for certain technologies. Bonus credits of 10-20% may be available for the use of domestic manufacturing and the location of the project.

Energy-Efficient Commercial Buildings Deduction

Under § 179D of the IRC, taxpayers may deduct a percentage of their energy cost savings, provided that their total energy savings are greater than 25%. Nonprofit organizations that own a qualifying energy-efficient building may allocate the deduction to the building's designer.

CLOSE:

If you have any questions or would like additional information, please contact [NAME] in our [DEPARTMENT] at [NUMBER] or [EMAIL].

SUGGESTED IMAGERY:

https://stock.adobe.com/images/solar-panels-on-house-roof/608079164