

The Inflation Reduction Act

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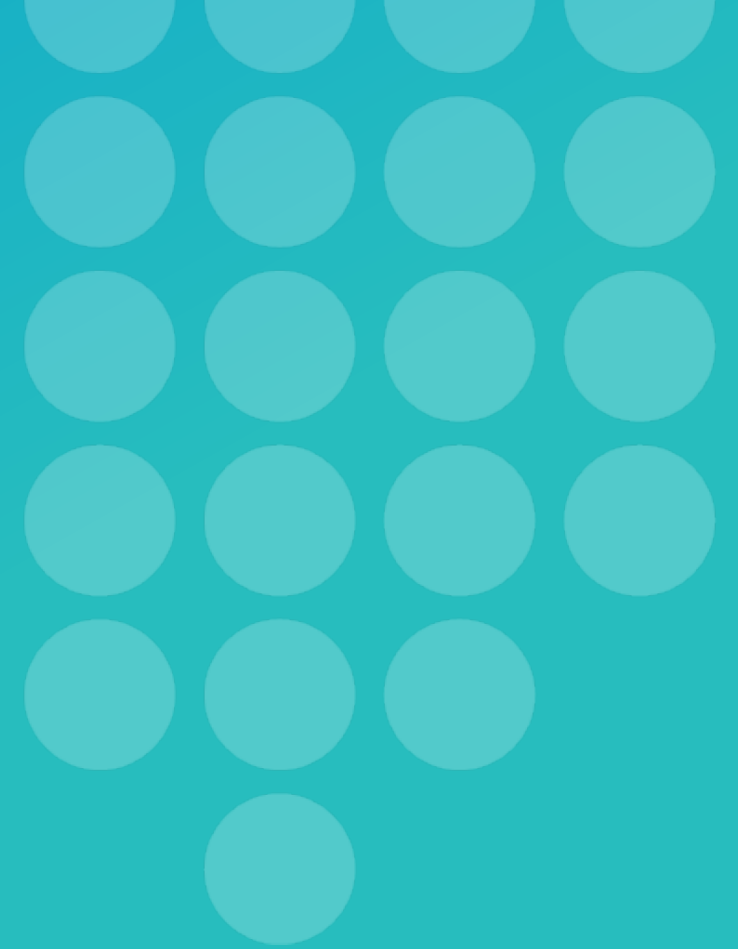
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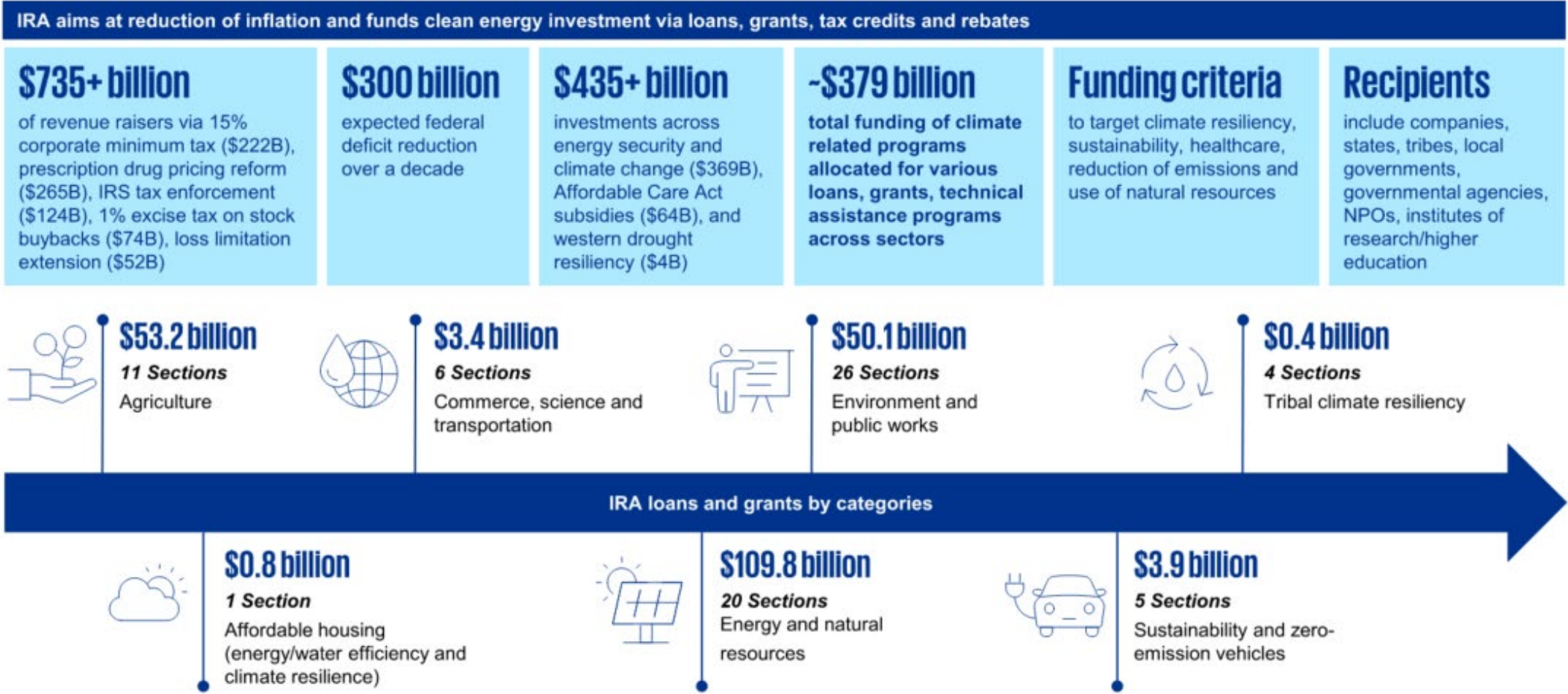
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Inflation Reduction Act (IRA)



The Inflation Reduction Act of 2022 (IRA)



The Inflation Reduction Act of 2022 (IRA)

Climate change

IRS tax enforcement

Prescription drug pricing reform

Electrification rebates

Reduce inflation

Support for energy communities

Corporate tax

Clean vehicles

Drought resiliency

Environmental justice

Alternative refueling property

Clean energy

Stock buyback

revenue

Superfund

Environmental justice

DOE loans and grants

Alternative clean fuels

Domestic manufacturing

Reduce inflation

Direct Pay

The part that everyone missed



“Direct Pay”

makes tax-exempt agencies eligible for tax credits that were previously inaccessible without private partners

Prior to this direct pay option, tax exempt agencies were ineligible for investment tax credits. The only access to these credits was through public-private partnerships (P3) or power purchase agreements (PPA). In theory these credits were “passed through” in PPA rates (for solar photovoltaics, for example), but these private partners also keep a portion of the profit or revenue.



Note: W&A requirements or domestic content requirements must be met for direct pay [PART 8 – CREDIT MONETIZATION AND APPROPRIATIONS]

Qualified Biogas

Near-Term Extension and Modification to
Investment Tax Credit



The near-term Investment Tax Credit has been expanded to include biogas.

Biogas projects that capture gas for sale or productive use are now eligible.



Prior to this expansion, only certain technologies like solar and wind were eligible

What and When: Investment Tax Credit vs Zero Carbon Electricity Tax Credit

2024	2025 to 2032
<p>Construction starts before January 1, 2025:</p> <p>Combined heat and power, solar, geothermal, fuel cells, wind, <u>qualified biogas</u>, <u>energy storage</u>, <u>microgrid controllers</u></p>	<p>Construction starts after December 31, 2024:</p> <p>Combined heat and power, solar, energy storage, fuel cells, wind, qualified biogas, microgrid controllers</p> <p><i>Electricity produced must have a GHG emissions rate no greater than zero</i></p>

§ 48 Investment tax credit for projects placed in service after 2022



Zero Carbon Electricity

Technology-Neutral ITC for 2025-
2032ish



Clean Fuel

Technology-Neutral PTC for 2025-2027

Show me the money



What: Comparison of ITC Rates

- Credit values range from **6% to 50% of eligible project costs** based on the following:
 - 6% base credit rate for a **qualified** project
 - 5x base credit bonus for projects that meet **prevailing wage and apprenticeship (PWA)** requirements
 - 2% base credit bonus for projects meeting **domestic content** requirements
 - 2% base credit bonus for projects located in an “**energy community**”

Base ITC rate	Enhanced ITC with PWA	Domestic Content	Energy Community	Potential Total ITC rate
6%	5x of 6% (or 30% total)	+ 10%	+ 10%	= 50%

“Eligible Costs” – What are eligible costs under the Investment Tax Credit?

Should be eligible

- Anaerobic Digesters
- Digester Liners and Covers
- Biogas Process Piping
- Process controls & monitoring systems
- Biogas Production Equipment
- CHP Turbines & Generators
- CHP Heat Recovery Steam Generators
- CHP Process Piping
- CHP Substation Transformer

Maybe eligible

- Electrical Systems
- HVAC Systems
- Water Systems
- Natural Gas Systems
- Sitework Associated to Foundations
- Concrete and Steel

Not eligible

- Buildings
- Site Clearing and Earthwork
- Fencing
- Landscaping
- Security Systems
- Transmission and Distribution Systems

Additional guidance from the IRS is still pending to confirm eligible costs

This table has been prepared based on previous application of the ITC for wind and solar projects

Wage and Apprenticeship Requirements (Construction)

100% prevailing wage for laborers and mechanics

Apprenticeship:	2023	2024
Construction starts before January 1, 2023:		Construction starts after December 31, 2023:
10%	Construction starts before January 1, 2024:	15%
	12.5%	

As a percentage of total labor hours

How: ITC Domestic Content Bonus Requirements/ Direct Pay Phase-out

For projects that do not meet the domestic content requirements, elective payment phases out:

- Construction starts before 2024: 100%
- Construction starts in 2024: 90%
- Construction starts in 2025: 85%
- Construction starts after 2025: 0%

**For projects with a maximum net output greater than 1 MW*

Domestic Content

To meet the domestic content requirement the facility must use 100% domestic iron and steel (structural) and a specified percentage manufactured products, which changes by year:

- 2024: 40%
- 2025: 45%
- 2026: 50%
- 2027 and later: 55%

Where: Energy Communities and Justice40 Initiative

- The IRA advances the Justice40 initiative advancing the development and deployment of clean energy technologies in disadvantaged communities by increasing the ITC:
 - Brownfield sites
 - Communities formerly reliant on coal, oil, or natural gas industries and with an above average unemployment rate
 - Census tract in which after 1999 a coal mine or coal-fired electric generating unit has been retired
 - Low-income communities (wind and solar)
- [IRA Energy Communities \(arcgis.com\)](https://www.arcgis.com)

Energy Community Tax Credit Bonus

LEGEND

Coal Closure Energy Communities

Tract Status

- Census tract directly adjoining a census tract with a coal closure
- Census tract with a coal closure

MSA/Non-MSAs that are Energy Communities

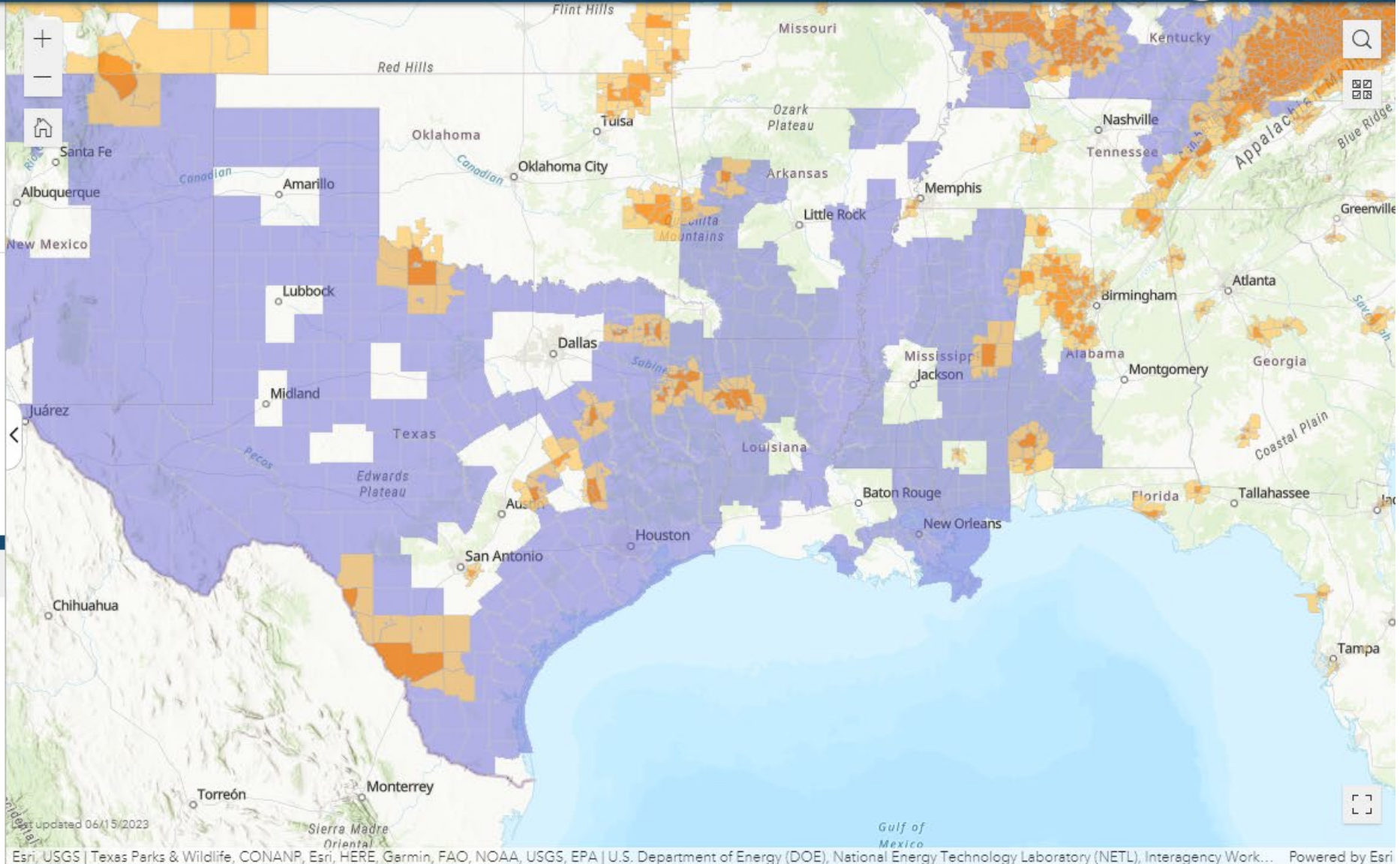
Status

- MSAs/non-MSAs that meet both the Fossil Fuel Employment (FEE) threshold and the unemployment rate requirement

MAP LAYERS

- Coal Closure Energy Communities ...
- MSA/Non-MSAs that are Energy Communities ...
- MSAs and Non-MSAs that only meet the Fossil Fuel Employment Threshold ...

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What defines a “before **December 31, 2024**” construction start?

Potential criteria to meet:

5% “safe harbor”

At least 5% of eligible work contracted

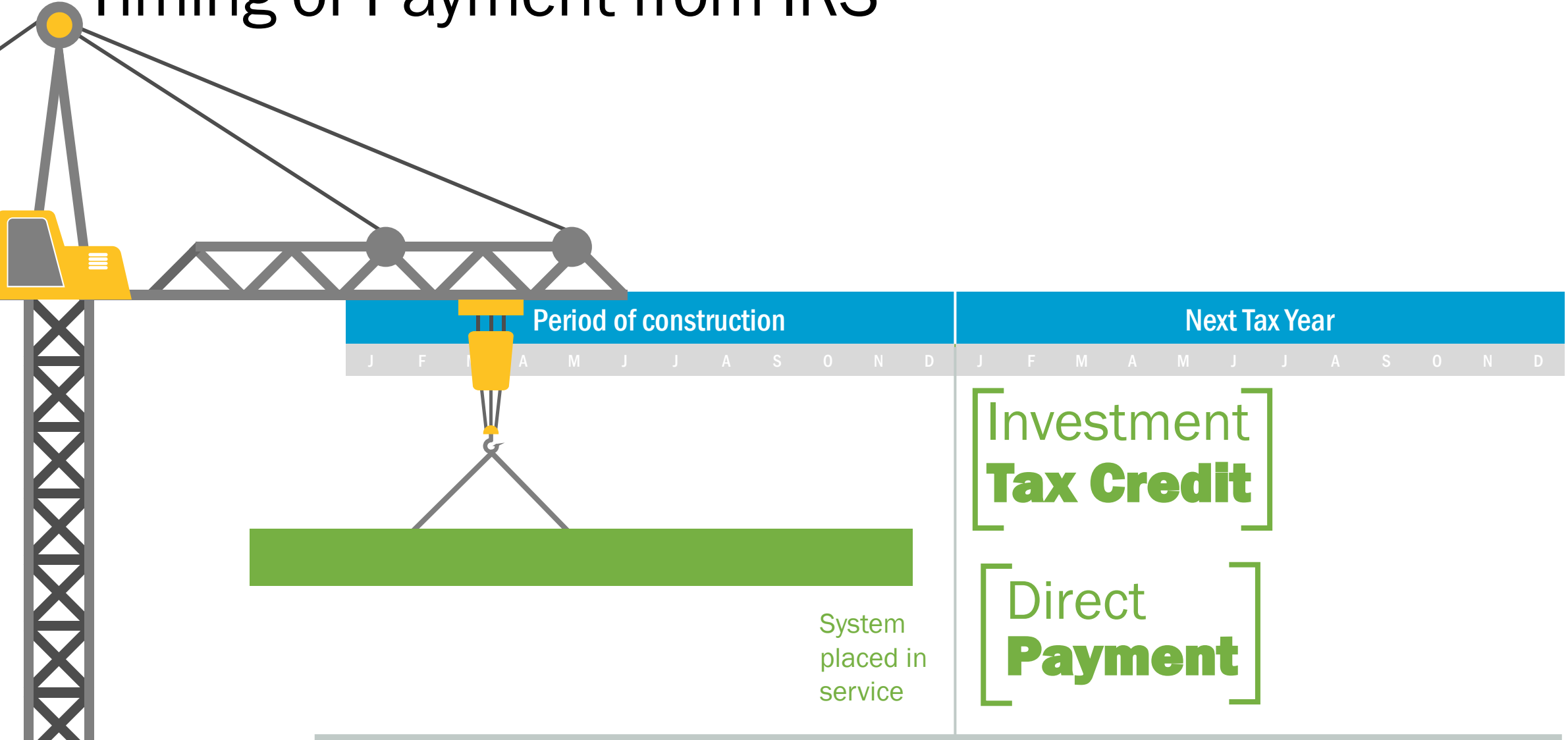
Physical work test

Cause physical work to commence for eligible work. No minimum dollar amount. Must be pursuant to a binding written contract.

or

Project must be placed in service within 4 years

Timing of Payment from IRS



Investment Credit Tax Form (2022)

Form 3468	Investment Credit	OMB No. 1545-0155
Department of the Treasury Internal Revenue Service	Attach to your tax return. Go to www.irs.gov/Form3468 for instructions and the latest information.	2022 Attachment Sequence No. 174
Name(s) shown on return		Identifying number

Part I Information Regarding the Election To Treat the Lessee as the Purchaser of Investment Credit Property

If you are claiming the investment credit as a lessee based on a section 48(d) (as in effect on November 4, 1990) election, provide the following information. If you acquired more than one property as a lessee, attach a statement showing the information below.

- 1 Name of lessor: _____
- 2 Address of lessor: _____
- 3 Description of property: _____
- 4 Amount for which you were treated as having acquired the property \$ _____

Part II Qualifying Advanced Coal Project Credit, Qualifying Gasification Project Credit, Qualifying Advanced Energy Project Credit, and Advanced Manufacturing Investment Credit

Part III Rehabilitation Credit and Energy Credit

- 12 Energy credit: _____
- hh Other energy credits and special adjustments (see instructions) 12hh** _____

Line 12hh Worksheet

Use the following worksheet to calculate the amount to be entered on Form 3468, line 12hh. This worksheet is generally applicable for property placed in service after 2022.

1. Energy storage technology property basis *	_____ × 30%	1. _____
	(0.30)	
2. Qualified biogas property basis *	_____ × 30%	2. _____
	(0.30)	
3. Microgrid controller basis *	_____ × 30%	3. _____
	(0.30)	
4. Domestic content bonus credit **		
4a. Doesn't satisfy requirements in section 45(b)(9)(B). List the line numbers from the Form 3468 used for this calculation.		

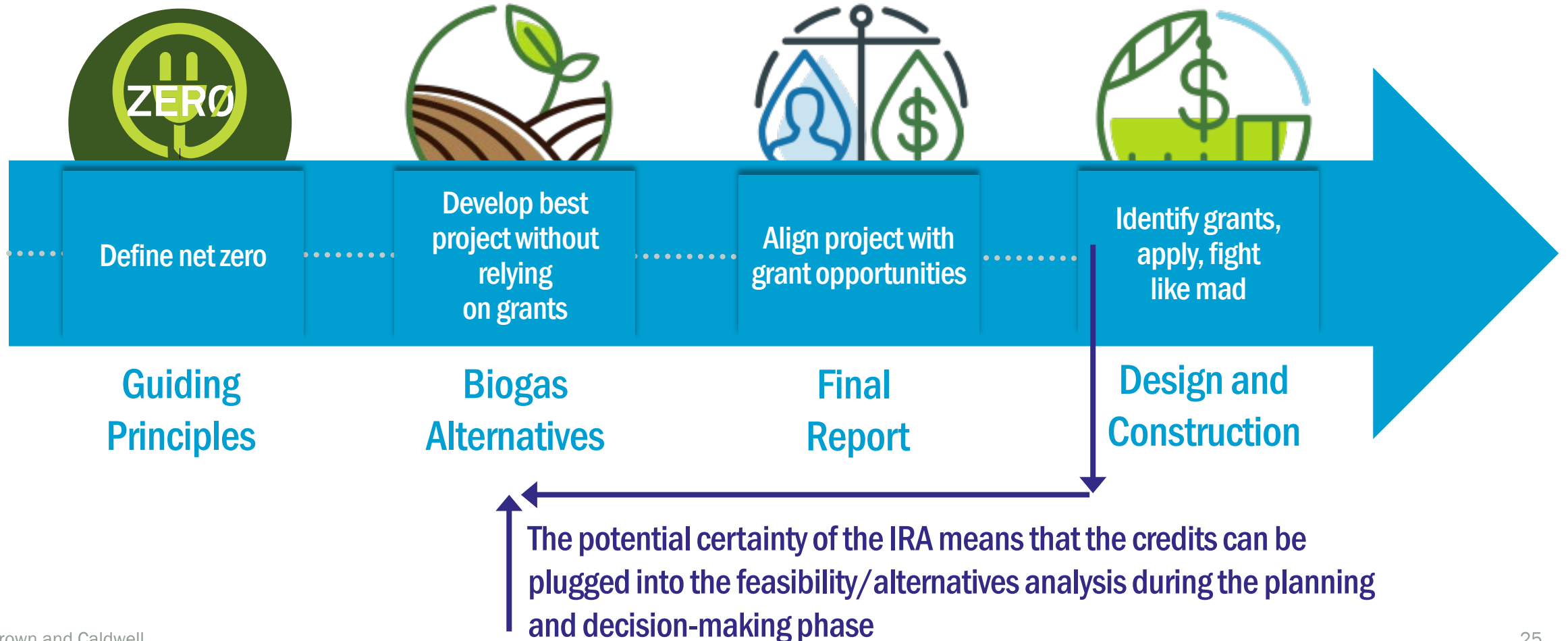
Add the basis in property for the line numbers you entered on line 4a of the worksheet. Enter the total basis amount and multiply by the applicable credit rate increase	_____ × 2%	4a. _____
	(0.02)	
4b. Satisfies requirements in section 45(b)(9)(B). List the line numbers from the Form 3468 used for this calculation.		

Add the basis in property for the line numbers you entered on line 4b of the worksheet. Enter the basis amount and multiply by the applicable credit rate increase	_____ × 10%	4b. _____
	(0.10)	
5. Energy communities **		
5a. Doesn't satisfy requirements in section 48(a)(9)(B). List the line numbers from the Form 3468 used for this calculation.		

Add the basis in property for the line numbers you entered on line 5a of the worksheet. Enter the total basis amount and multiply by the applicable credit rate increase	_____ × 2%	5a. _____
	(0.02)	
5b. Satisfies requirements in section 48(a)(9)(B). List the line numbers from the Form 3468 used for this calculation.		

Add the basis in property for the line numbers you entered on line 5b of the worksheet. Enter the total basis and multiply by the applicable credit rate increase	_____ × 10%	5b. _____
	(0.10)	

Why: Taking the uncertainty out of energy projects to move forward with confidence



Project Example - Columbus Bioenergy



- Project Scope
 - New digesters, rehabilitate existing digesters, HSW receiving station and cogeneration
- Project Schedule
 - Original schedule included phase implementation 2025 – 2033
 - Combined scope and expedited design phase to 2023 to leverage ITC
- Estimated Construction Cost
 - \$150 - \$200 million
- Estimated ITC credit - \$75 million
- Evaluating other funding sources and incentives
 - GHGRF, RFS/eRIN

Thank you.

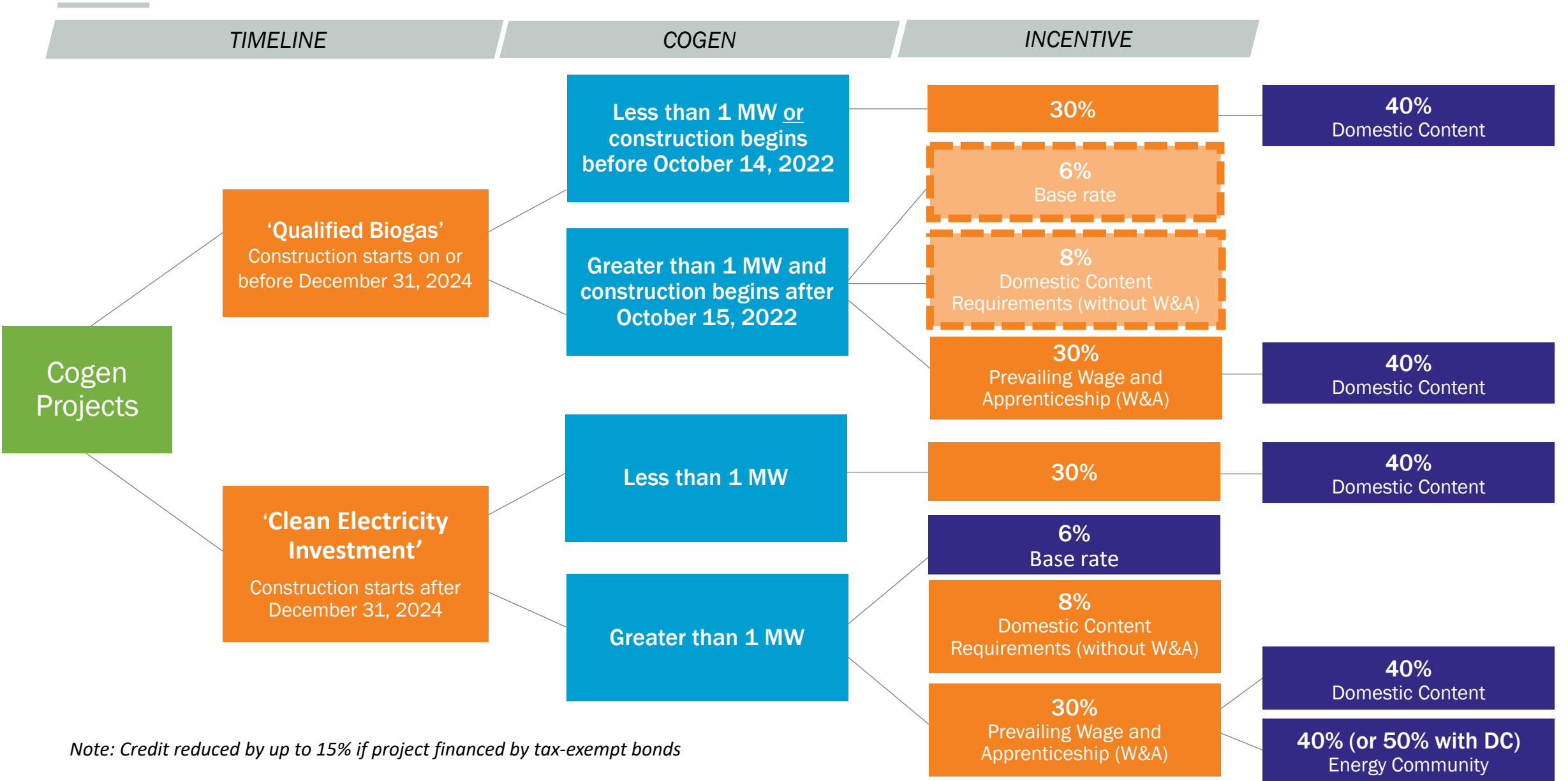
Questions?

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Note: Credit reduced by up to 15% if project financed by tax-exempt bonds

Investment Tax Credit rates

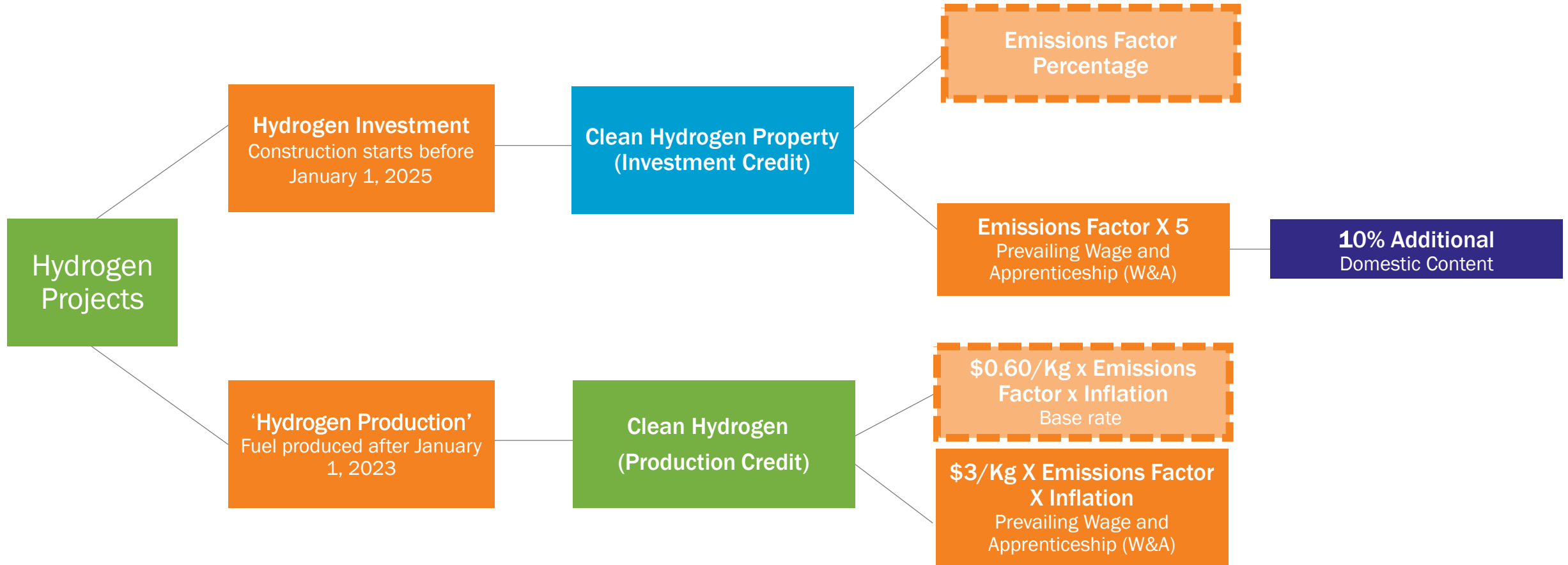
- Project Scope
 - Anaerobic digestion, cogeneration, biogas upgrading to RNG
- Project Requirements and credits
 - Eligibility – qualified biogas facility
 - Schedule – begin construction no later than 12/31/2024
 - Credits – prevailing wage/apprenticeship (PWA), domestic content and energy community

Base ITC credit rate	Enhanced ITC credit rate - PWA	Domestic content	Energy community	Potential total ITC credit rate
6%	5x of 6% (or 30% total)	+ 10%	+ 10%	= 50%

TIMELINE

PROJECT TYPE

INCENTIVE



Note: Credit reduced by up to 15% if project financed by tax-exempt bonds



FAQs

ITC analysis over the project lifecycle

