

INFLATION REDUCTION ACT OF 2022

§48/48E Investment Tax Credit (ITC)

Case Study

Solar Array Nets Developer \$1,300,000 in Tax Savings

The Owner

A limited-service hospitality developer pursuing an aggressive expansion plan, throughout the Upper Midwest.

The Challenge

Over the years, the developer had researched renewable energy technologies, such as photovoltaics and ground source heat pumps, but the ROI never met their investment hurdle rate.

The Approach

The developer worked with their investment Tax Credit (ITC) Optimization Team to find the potential tax benefits of incorporating a solar array for their upcoming hotel project.

The Solution

Through collaboration between the project stakeholders, it was determined a photovoltaic system was viable.

The Results

By maximizing the eligible basis through the updated dual-use rules (§14-1.48) and enhanced bonus credit tiers, the first-year tax credit and depreciation benefits, nearly covered the cost of the system.

Project Overview

- Owner Tax Status – *For-Profit*
- Project Start – *December 2023*
- Placed in Service – *June 2024*
- Project Type – *New Construction*
- Total Construction Costs – *\$9.1m*

Renewable Technology

- Eligible Technology – *Solar*
- Solar Project Costs – *\$1.52m*
- Building's Energy from Solar – *65%*

Solar Project Cost	Tax Credit	Depreciation Benefit ¹	Net Solar Project Cost
\$1,520,000	\$890,000	\$417,000	\$213,000

The Recommendation

With an estimated \$1.2t of IRA-eligible incentives, many renewable energy technology projects are now economically viable. Partner with an ITC optimization specialist to offset most, if not all of renewable project costs.

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