

INFLATION REDUCTION ACT OF 2022

§48/48E Investment Tax Credit For Owners of Renewable Technologies



Benefits of the Investment Tax Credit include:

- Shortening the payback period to as early as day 1.
- Lowering the net first cost to less than non-renewable systems (e.g., ground source heat pump vs. boiler).



Eligible Technology Examples

- Solar
- Geothermal
- Energy storage
- Wind
- Fusion
- And more



Eligible Owners

- For-profit entities
- Most tax-exempt entities (direct pay)
- Placed in service 2023+



Credit Tiers

- Base credit – 6% (or)
- Bonus credit – 30%
- Energy community adder – 10%
- Domestic content adder – 10%
- Environmental & climate justice (E&JC) adder – 10-20%

Case Study

A community college constructed a new classroom building. To lower their OpEx and support ESG initiatives, they incorporated a geothermal system.

Through the elective (direct) pay provision, the college will receive over \$2.2m, which more than offsets the additional geothermal related costs.

Best Practice Tip

Contact an experienced team of specialty tax professionals to assess the potential benefit of an Investment Tax Credit Study. At a minimum, the team should:

- Financial modelling of the ITC vs. PTC
- Calculating maximum eligible credit basis.
- Determining appropriate credit tiers and bonus rates.
- Preparing turn-key deliverable, including drafts of applicable Forms.
- Coordinating with your tax preparer.
- Providing complementary audit support.

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