

Overview of Commercial Tax Credits/Deductions in the IRA

A specific breakdown of IRA commercial tax credits is below.

IRA Category	IRC Section	Notes/Description	Transferable under §6418
Production Tax Credit for Electricity from Renewables	45	Production of electricity from renewable sources; construction starting before 1/1/25; credit modified with prevailing wage (PW) and apprenticeship requirements (5x); domestic content (10%) and in energy community (10%); base credit amount is 0.3 cents/kWh, inflation adjusted	Yes
Investment Tax Credit for Energy Property	48	Investment in renewable energy projects; construction begins before 1/1/25; base investment tax credit is 6% for the first 10 years, scaling down to 5.2% in 2033 and 4.4% in 2034; credit modified with PW and apprenticeship requirements; project can include standalone storage (at least 5kWh), micro grid controllers (<20MW) and interconnection (<5MW); fuel cell, solar, geothermal, small wind, energy storage, biogas, and combined heat and power properties also eligible; base credit is 6% of basis in energy property, up to 5x enhancement, plus up to 10% for domestic content and 10% for energy community	Yes
Increase in Energy Credit for Solar and Wind Facilities Placed in Service in Connection with Low-Income Communities	48(e), 48E(h)	Additional investment tax credit for small-scale solar and wind facilities in low-income communities. 48(e) begins in 2023 and ends when the 48E(h) credit becomes available (2025 through 2032); allocated investment credit, capped at 1.8 GW per year (unused capacity carries over to following year); for solar and wind facilities with a maximum net output of less than 5 MW, including associated energy storage technology; base credit amount: 6% of qualified investment (basis of energy property), with enhancements (credit increased by 10% if located in low-income communities or on Tribal land; 20% if part of federally subsidized housing programs or that offer at least 50% of the financial benefits of the electricity produced to low-income households (bonus requires an application by the taxpayer, with a cumulative total of 1.8 GW of direct current capacity per year available for allocation)	Yes
Zero-Emission Nuclear Power Production Credit	45U	For electricity produced at a qualified nuclear power facility; produced and sold 1/1/24-12/31/32; available for existing plants not eligible under 45J; credit is 0.3 cents/kWh, inflation adjusted after 2024; phases down depending on the amount of energy produced and the gross receipts of the nuclear power facility; bonus of 5x base credit if PW is met for workers doing alteration or repair at the facility	Yes

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Clean Electricity Production Tax Credit	45Y	Technology-neutral credit for production of clean electricity; replaces Section 45 for electricity generated from renewable sources (which was extended through 2024); for facilities placed in service after 12/31/24, phase-out starts the later of (a) 2032 or (b) when U.S. greenhouse gas emissions from electricity are 25% of 2022 emissions or lower; credit is 0.3 cents/kW, inflation adjusted; increased 5x for PW and apprenticeship; 10% for domestic content; 10% if located in an energy community	Yes
Clean Electricity Investment Tax Credit	48E	Technology-neutral credit for facilities generating clean electricity; replaces Section 48 for electricity generated from renewable sources (which was extended through 2024); for facilities placed in service after 12/31/24; phase-out starts the later of (a) 2032 or (b) when U.S. greenhouse gas emissions from electricity are 25% of 2022 emissions or lower; credit is 6% of qualified investment (basis); increased 5x for PW and apprenticeship; 10% for domestic content; 10% if located in an energy community	Yes
Cost Recovery for Qualified Facilities, Qualified Property, and Energy Storage Technology	168(e)(3)(B)	Additional tax deduction for facilities or property qualifying for Section 45Y tax credit. These facilities or property will be treated as 5-year property for purposes of cost recovery (able to deduct from their taxable income the depreciating value of their business assets, such as equipment, faster than the value actually declines)	No
Advanced Energy Project Credit	48C	\$10,000,000,000; credit for investments in advanced energy projects, as defined in 26 USC § 48C(c)(1); available when the application and certification process begins (5/31/23) and ends when credits are fully allocated; 48C provides \$10 billion of allocations, at least \$4 billion of which must be allocated in energy communities; expands eligibility to new types of projects (includes a project that (1) re-equips, expands, or establishes an industrial or manufacturing facility for the production or recycling of a range of clean energy equipment and vehicles; (2) re-equips an industrial or manufacturing facility with equipment designed to reduce greenhouse gas emissions by at least 20 percent; or (3) re-equips, expands, or establishes an industrial facility for the processing, refining, or recycling of critical materials); base credit amount is 6% of taxpayer's qualifying investment; bonus credit (5x) makes it a 30% credit for projects meeting prevailing wage and registered apprenticeship requirements	Yes

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Advanced Manufacturing Production Credit	45X	Production tax credit for domestic manufacturing of components for solar and wind energy, inverters, battery components, and critical minerals; credit for critical minerals is permanent starting in 2023. For other items, the full credit is available between 2023-2029 and phases down over 2030-2032; domestic manufacturers only; credit varies by technology; cannot claim both 45X and 48C; for profit entities are eligible for up to 5 years of direct pay (which expires at the end of 2032) for tax years after December 31, 2022 in which they produce eligible components if they make an election	Yes
Clean Vehicle Credit	30D	Tax credit for purchases of clean vehicles; subject to income limits; \$3,750 plus bonus \$3,750 for meeting battery component threshold; subject to MSRP limits; additional limits in 2024 and 2025	No (but permitted starting in 2024 to dealer at point of sale)
Credit for Previously-Owned Clean Vehicles	25E	Tax credit for used clean vehicles; lesser of \$4,000 or 30% of sales price; income limits and sales price limit (\$25,000)	No (but permitted starting in 2024 to dealer at point of sale under 25E(f))
Credit for Qualified Commercial Clean Vehicles	45W	For purchasers of qualified commercial clean vehicles placed in service after 1/1/23 and acquired before 1/1/33; tax credit for commercial use or lease; for businesses that acquire motor vehicles or mobile machinery for use or lease; for tax-exempt entities that acquire them for use; credit is the lesser of (a) 15% of the vehicle's basis (i.e. its cost to the purchaser) or 30% for vehicles without internal combustion engines, or (b) the amount the purchase price exceeds the price of a comparable internal combustion vehicle; credit is capped at \$7,500 for vehicles < 14,000 lbs and \$40,000 for all other clean vehicles	No
Alternative Fuel Vehicle Refueling Property Credit	30C	Tax credit for alternative fuel vehicle refueling and charging property in low-income and rural areas; alternative fuels include electricity, ethanol, natural gas, hydrogen, biodiesel, and others; available 1/1/23 – 12/31/32; for consumers and businesses; includes prevailing wage and registered apprenticeship requirements for businesses claiming the credit; adds bidirectional charging equipment, charging equipment for 2- and 3-wheel electric vehicles; refueling property must be for clean-burning fuels, as defined in the statute, and must be located in low-income or rural areas; base credit is 6% of the cost for businesses, limited to a \$100,000 credit per item of property for businesses; 30% for individuals, limited to \$1,000; businesses can claim a 30% credit for projects meeting prevailing wage and registered apprenticeship requirements	Yes (if used in trade or business)

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Extension of Tax Credits for Biodiesel and Renewable Diesel	40A, 6426(c), 6427(e)	Provides income and excise tax credits for biodiesel and renewable diesel; available through 12/31/24; for producers of biodiesel, biodiesel mixtures, and renewable diesel; base credit is \$1.00 per gallon for biodiesel, biodiesel mixtures, and renewable diesel with additional \$0.10 credit for small agri-diesel producers; \$1.00-per-gallon excise tax credit for biodiesel and renewable diesel mixtures	No
Extension of Tax Credit for Alternative Fuels	6426(d), 6426(e), 6427(e)	Excise tax credit extended through 12/31/24; for registered producers; \$0.50 per gallon for alternative fuels and alternative fuel mixes	No
Extension of Second-Generation Biofuel Incentives	40	Income tax credit (nonrefundable) for second-generation biofuel production through 12/31/24; base credit amount is \$1.01 per gallon	No
Clean Fuel Production Credit	45Z	Credit for domestic production of clean transportation fuels (including sustainable aviation fuels); produced after 12/31/24 and used or sold before 12/31/27; registered U.S. producers; fuels with less than 50 kilograms of carbon dioxide equivalent per million British thermal units (CO ₂ e per mmBTU) qualify as clean fuels eligible for credits; base credit amount is \$0.20/gallon for non-aviation fuel and \$0.35/gallon for aviation fuel, multiplied by the carbon dioxide “emissions factor” of the fuel; inflation adjusted after 2024; credit is 5x the base amount (\$1/gallon for non-aviation fuel, \$1.75 gallon for aviation fuel, multiplied by the emissions factor) for facilities meeting prevailing wage and registered apprenticeship requirements	Yes
Sustainable Aviation Fuel Credit	40B	Credit for the sale or use of sustainable aviation fuel (SAF) that achieves a lifecycle greenhouse gas emissions reduction of at least 50% as compared with petroleum-based jet fuel; 1/1/23-12/31/24; producers and blenders of SAF-kerosene fuel mixtures for aviation; qualified SAF mixture must be made in the U.S. and fueling of the aircraft must occur in the U.S.; credit is \$1.25/gallon of SAF; with bonus up to \$0.50/gallon depending on lifecycle greenhouse gas emissions of SAF relative to petroleum-based jet fuel	No
Credit for Carbon Oxide Sequestration	45Q	Credit for carbon dioxide sequestration coupled with permitted end uses within the U.S.; credit can be claimed for 12 years after a facility is placed in service (which must be prior to 1/1/33); PTC based on carbon capture and sequestration, injection for enhanced oil recovery (EOR), or utilization; facilities within minimum volumes: 1,000 metric tons of CO ₂ per year for DAC facilities; 18,750 metric tons for electricity generating facilities (with carbon capture capacity of 75% of baseline CO ₂ production); 12,500 metric tons for other facilities; base credit is \$17/metric ton of carbon dioxide captured and sequestered; \$12/metric ton for carbon	Yes

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		dioxide that is injected for enhanced oil recovery or utilized (those amounts are \$36 and \$26, respectively, for direct air capture facilities); bonus is 5x the base amounts if the facility meets prevailing wage and registered apprenticeship requirements; for profit entities are eligible for up to 5 years of direct pay (which is less than the full credit period and expires at the end of 2032) if they make an election (applies to carbon capture equipment (CCE) that is originally placed in service after December 31, 2022)	
Clean Hydrogen Production Tax Credit	45V	Tax credit for the production of clean hydrogen at a qualified clean hydrogen production facility; for hydrogen produced after 12/31/22 (for facilities placed in service before 1/1/33 for their first 10 years in service); for U.S. hydrogen producers; base credit is \$0.60/kg (adjusted for inflation) multiplied by the applicable percentage (20% to 100% depending on lifecycle greenhouse gas emissions); bonus is 5x the base credit if the facility meets prevailing wage and registered apprenticeship requirements; for profit entities are eligible for up to 5 years of direct pay (which is less than the full credit period and expires at the end of 2032) if they make an election	Yes
Energy Efficient Commercial Buildings Deduction	179D	Tax <u>deduction</u> for energy efficiency improvements to commercial buildings, such as improvements to interior lighting; heating, cooling, ventilation, and hot water; and building envelope; generally begins in 2023; owners and long-term lessees of commercial buildings, designers of energy efficient building property (architects, engineers) and tax-exempt owners of commercial properties, pending Treasury guidance on deduction allocation; \$0.50-\$1 per square foot, depending on increase in efficiency, with deduction over four year periods capped at \$1 per square foot (inflation adjusted); alternatively, taxpayers can deduct adjusted basis in “qualified retrofit plans” that reduce a building’s energy use intensity by at least 25%; bonus deduction is 5x the base amount if the project meets prevailing wage and registered apprenticeship requirements	No