

Presented by **AMERICA IS
ALL IN**

CASH IN ON CLEAN ENERGY Tour

Charlotte, NC

July 20, 2023



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North Carolina
Clean
Energy
Fund

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North Carolina Clean Energy Fund

- **NCCEF grew from 2020 market assessment**
- **Diverse stakeholder groups analyzed financing gaps preventing the state from realizing full clean energy and energy efficiency potential**
 - NC Clean Energy Plan
 - NC Energy Efficiency Roadmap
- **Focus on finance gaps in**
 - renewable power
 - building efficiency
 - industrial decarbonization
 - clean transportation
 - reforestation
 - climate-resilient infrastructure





The NCCEF Team



**Melissa
Malkin-Weber**



Bridget Herring



**Armeer
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Mozine Lowe



Jennifer Weiss



Tyler Norris



Ajulo Othow



**Everette
Winslow**

CO-DIRECTORS

BOARD MEMBERS

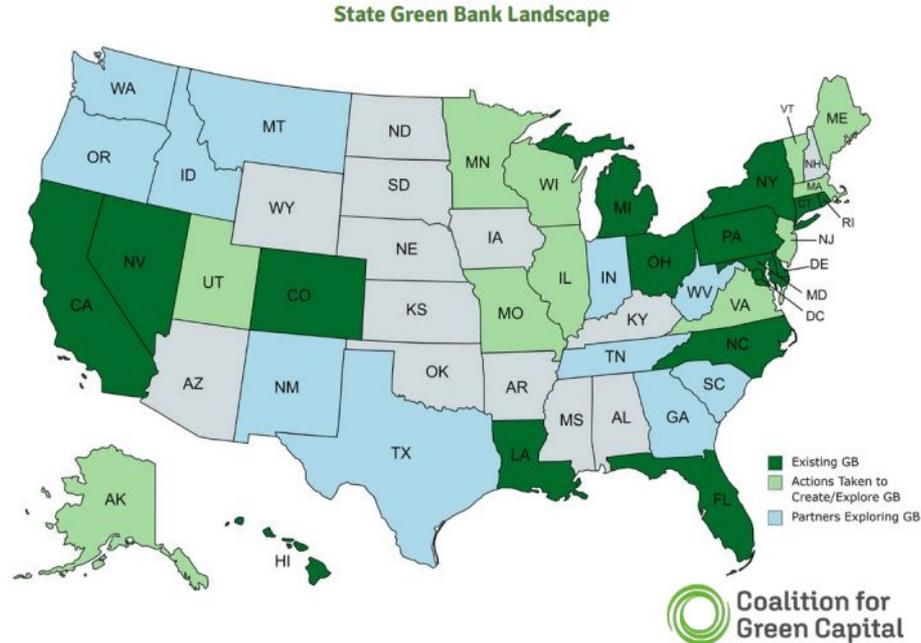


Green Banks Fill Market Gaps

- **Provide accessible financing products to enable investment in clean energy projects where the market does not exist**
- **If it already works – don't replicate it**
- **Accelerate and strengthen clean energy lending via credit unions, Community Development Finance Institutions (CDFIs), and regional banks**
- **Work ourselves out of a job – pave a path so that private capital partners enter the market at scale**
- **Not actually a bank – nondepository**



Over \$7 Billion in Investment since 2011





Opportunity Ahead (2023–2024)

- **Create 2-3 scalable financing products**
 - Source funding for pilots – local, state, philanthropic
 - Support NC partners responding to IIJA and IRA
- **Grow pipeline of fundable projects**
 - Partner collaborations
 - Contractor networks and trade associations
- **Position NC to access capital through federal opportunities**
 - EPA Greenhouse Gas Reduction Fund
 - DOE Renew America's Nonprofits



Greenhouse Gas Reduction Fund

- **National Clean Investment Fund (NCIF) - \$14 billion**
 - NOFO released July 14, Application Due October 12, 2023
 - 2-3 National Nonprofits will provide funds to community lenders to support clean energy projects
 - NCCEF is building a pipeline of potential projects
- **Clean Communities Investment Accelerator (CCIA) - \$6 billion**
 - NOFO released July 14, Application due October 12, 2023
 - Launch or expand programs to provide low-income and disadvantaged communities with capital
 - 2-7 regional hubs
 - \$10 million in capitalization for community lenders
- **Funding from both expected in Fall 2024**



Example Programs

- **Consumer loans serving regional electrification campaigns**
 - Credit enhancements to reduce risk for local credit unions and CDFIs.
 - Tie in workforce development
- **Bridges to Federal Incentives**
 - Consumer tax credits
 - Any IRA or utility rebates not available at point of sale
 - Cost-share for federal programs
- **Transportation and Fleet Transition**
 - Financing for chargers and electrical upgrades not funded by other key EV funding streams
 - Financing for electric and alternative fuel vehicles



Greenhouse Gas Reduction Fund (cont)

- **Solar For All (SFA) - \$7 billion**

- NC State Energy Office is lead applicant under
- Notice of Intent due 7/31/2023
- Application due 9/26/2023
- Application amount: Up to \$400 million (30,000+ households)
- Residential Solar for low-moderate income households
- Up to 20% of assistance can be used for enabling upgrades: roof repairs, electrical system upgrades, energy efficiency
- Can include storage when paired with solar for resiliency and demand response
- Tie into existing weatherization programs (LIHEAP/WAP)
- Partner with local governments, affordable housing developers, nonprofit organizations, and others to deploy across the state



Renew America's Nonprofits

- Total Amount: \$45 million
- Applications due August 3, 2023
- Award announcements: October 6, 2023
- Average award: 5-15 awards that range from \$3 – 9 million
- Prime recipient must be a nonprofit
- Provides nonprofit subrecipients with up to \$200,000 for energy efficiency
- Green banks can help finance the 20% cost share required and/or additional energy upgrades or solar as needed



Thank you!

Jen Weiss

Co-Director

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Direct Pay: Overview and Issues

Samantha Jacoby

Center on Budget and Policy Priorities

July 20, 2023



Disclaimer

- This presentation provides an overview of Treasury/IRS guidance and Inflation Reduction Act tax credits and is intended for general informational purposes only and does not constitute legal or tax advice.
- Please refer to Treasury/IRS guidance for more detailed information.



Overview

1. Background on Direct Pay and its importance to public entities and non-profits
2. Overview of Treasury's proposed regulations
 - Eligibility and other issues
 - Process for claiming direct pay credits



List of tax credits and their eligibility under the Inflation Reduction Act

Electricity Fuels Vehicles Manufacturing

		Eligible for transferability	Eligible for direct pay
45, 45Y	Clean electricity production tax credit	✓	✓
48, 48E	Clean electricity investment tax credit	✓	✓
45U	Zero-emission nuclear power production credit	✓	✓
45Q	Credit for carbon oxide sequestration*	✓	✓
45Z	Clean fuel production credit	✓	✓
45V	Clean hydrogen production tax credit*	✓	✓
30C	Alternative fuel vehicle refueling property credit	✓	✓
45W	Credit for qualified commercial clean vehicles	N/A	✓
48C	Advanced energy project credit	✓	✓
45X	Advanced manufacturing production credit*	✓	✓

* Note: Direct payments for these credits are available to taxable entities for five years.

Source: Source: Legal Information Institute, "26 U.S. Code § 6417 - Elective payment of applicable credits," available at <https://www.law.cornell.edu/uscode/text/26/6417> (last accessed May 2023).

Table: Center for American Progress



EV Example

- Plan: A city had a fleet of 20 passenger vehicles. In April 2023, the city spent \$800K to replace this fleet with electric vehicles and installed charging infrastructure at a cost of \$100K.
- **Pre-Credit Cost: \$900K**
- Vehicle Credit: \$150,000 ($\$7,500 \times 20$)
- Charging Infrastructure Credit: \$30,000 ($\$100K \times 30\%$)
 - Low-Income Community Charging Infrastructure? Yes
 - Labor Requirements for Charging Infrastructure? Yes
- Total Credit: \$180,000
- **Post-Credit Cost: \$720,000**
- **Direct Pay? Yes**



Treasury Guidance on Direct Pay

- Proposed regulations issued June 21
- Public comments due by August 14
- Public hearing August 21



Eligibility for Direct Pay

- Exempt orgs (I.R.C. sections 501(a), 115)
- State or political subdivision
 - Includes territories, agencies, and instrumentalities
 - Public power
- Indian tribal governments and subdivisions
- Alaska Native Corporations
- Tennessee Valley Authority
- Rural electric coops



Eligibility for Direct Pay (cont.)

- Partial eligibility (5 years): any taxpayer generating credits under
 - Section 45V (clean hydrogen)
 - Section 45Q (carbon capture & sequestration)
 - Section 45X (advanced manufacturing PTC)
- Partnerships are **NOT** eligible



Other Issues

- **How payments are made:** lump sum, made after tax return is filed in the year after the property is placed in service
- **Stacking:** credits can stack with other grants up to 100% of property basis (applies to certain credits)
- **Partnerships:** generally not eligible, even if all partners would be eligible
- **Domestic content:** waiver guidance not in proposed regulations
- Elections must be timely and are irrevocable
- Direct ownership required
- No direct pay for purchased credits



Process for claiming direct pay

1. Identify and pursue qualifying project
2. Pre-filing w/IRS
 - E-portal
 - Per-credit, per-year
 - Include key information required by IRS
 - Timing: lead time for registration number prior to filing tax return
3. File tax return
 - Due date: due date (including extensions) for the tax return for the taxable year for which the election is made
 - If no tax filing requirement, generally Form 990-T and Form 3800
 - Generally May 15th; 6 month extension available
 - No late elections
4. Timing of payment: paid out after placed in service date and after tax return is due for the year in which credit is claimed

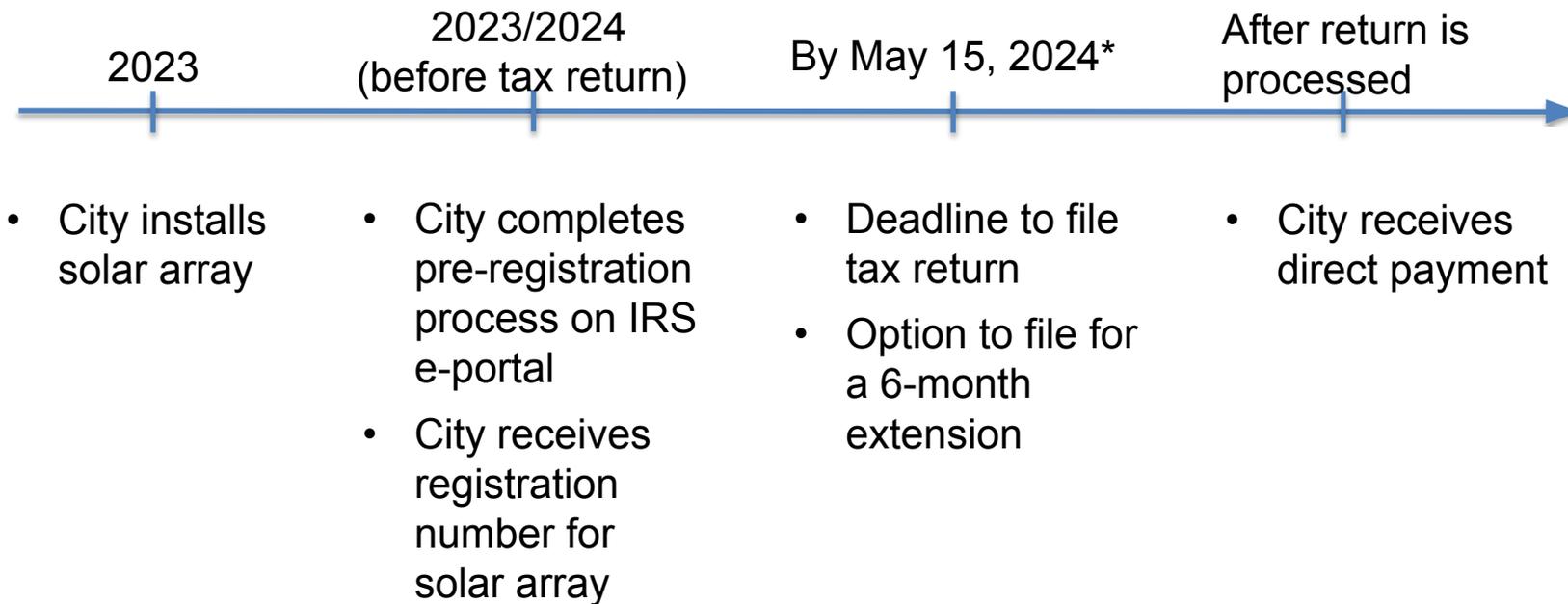


Claiming Direct Pay

- Information needed:
 - Taxpayer identifying information (name, EIN, location, etc.)
 - Taxable year
 - Type of tax return
 - List of applicable credit properties + identifying info
 - Other IRS-required information
- Signed under penalties of perjury



Example Timeline



*Due date for filing tax return depends on entity's accounting period. For calendar year taxpayers, due date is May 15.



Resources

- IRS FAQs:
<https://www.irs.gov/credits-deductions/elective-pay-and-transferability-frequently-asked-questions-elective-pay>
- Proposed regulations:
<https://www.federalregister.gov/documents/2023/06/21/2023-12798/section-6417-elective-payment-of-applicable-credits>
- Form 990-T and instructions:
<https://www.irs.gov/forms-pubs/about-form-990-t>
- Form 3800 and instructions:
<https://www.irs.gov/forms-pubs/about-form-3800>