★ ★ ★ ★ ★ ★

Clean Electricity Production Tax Credit

Federal Agency: Department of the Treasury

IRA Statutory Location: 13701

Tax Code Location: 26 U.S. Code § 45Y

Tax Provision Description: Provides a technology-neutral tax credit for production of clean electricity. Replaces the production tax credit for electricity generated from renewable sources (extended in Section 13201 through 2024).

Period of Availability: 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.

Tax Mechanism: Production tax credit

New or Modified Provision: New

Eligible Recipients: Facilities generating electricity for which the greenhouse gas emissions rate is not greater than zero.

Tribal Eligibility: Yes

Base Credit Amount: 0.3 cents/kW, inflation adjusted[†]

Bonus Credit Amount: Credit is increased by 5 times for projects meeting prevailing wage and registered apprenticeship requirements. Initial guidance on the labor provisions is available here. Credit is increased by 10% for projects meeting certain domestic content requirements for steel, iron, and manufactured products. Credit is increased by 10% if located in an energy community.

Direct Pay Eligibility: Yes, for tax-exempt organizations; states; political subdivisions; the Tennessee Valley Authority; Indian Tribal governments; Alaska Native Corporations; and rural electricity co-ops. Applies separately with regard to each facility.

Transferability: Yes

Stackability: Credit reduced for tax-exempt bonds with similar rules as section 45(b)(3).

Additional Information: Section 13703 offers an additional tax deduction for facilities or property qualifying for this tax credit. These facilities or property will be treated as a 5-year

[†] A previous version of this guidebook erroneously stated the base credit as $0.03/kW.

property for purposes of cost recovery; meaning, they will be able to deduct from their taxable income the depreciating value of their business assets, such as equipment, faster than the value actually declines. In practical terms, qualifying facilities or property will be able to take bigger deductions—leaving them with lower taxable income—in the earlier years of a clean energy investment.

Relevant Announcements: Request for Comments on Certain Energy Generation Incentives (10/5/2022)
Prevailing Wage and Apprenticeship Initial Guidance (11/29/2022)
FAQ: Prevailing Wage and the Inflation Reduction Act
FAQ: Apprenticeships and the Inflation Reduction Act