



Investment Tax Credit for Energy Property

Federal Agency: Department of the Treasury

IRA Statutory Location: 13102

Tax Code Location: 26 U.S. Code § 48

Tax Provision Description: Provides a tax credit for investment in renewable energy projects.

Period of Availability: Projects beginning construction before 1/1/25. For geothermal heat property, the base investment tax credit is 6% for the first 10 years, scaling down to 5.2% in 2033 and 4.4% in 2034.

Tax Mechanism: Investment tax credit

New or Modified Provision: Modified and extended to include standalone energy storage with capacity of at least 5 kWh, biogas, microgrid controllers (20MW or less), and interconnection property for small projects (5MW or less). Value of the credit tied to prevailing wage and registered apprenticeship requirements.

Eligible Recipients: Fuel cell, solar, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties. For solar, includes (1) equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat, and (2) equipment that uses solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight or electrochromic glass that uses electricity to change its light transmittance properties in order to heat or cool a structure.

Tribal Eligibility: Yes

Base Credit Amount: 6% of qualified investment (basis of energy property)

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 up to 10 percentage points for projects meeting certain domestic content requirements for steel, iron, and manufactured products. Credit is increased by up to 10 percentage points 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.

Transferability: Yes

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



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](#)