



CLEARWATER
SUSTAINABILITY & RESILIENCY

The Inflation Reduction Act (IRA)'s Elective Pay for Local Governments

Preparing Clean Energy Projects for IRS Tax Credits

July 31, 2024

What is Elective Pay?

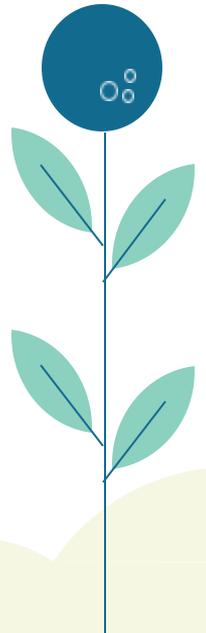
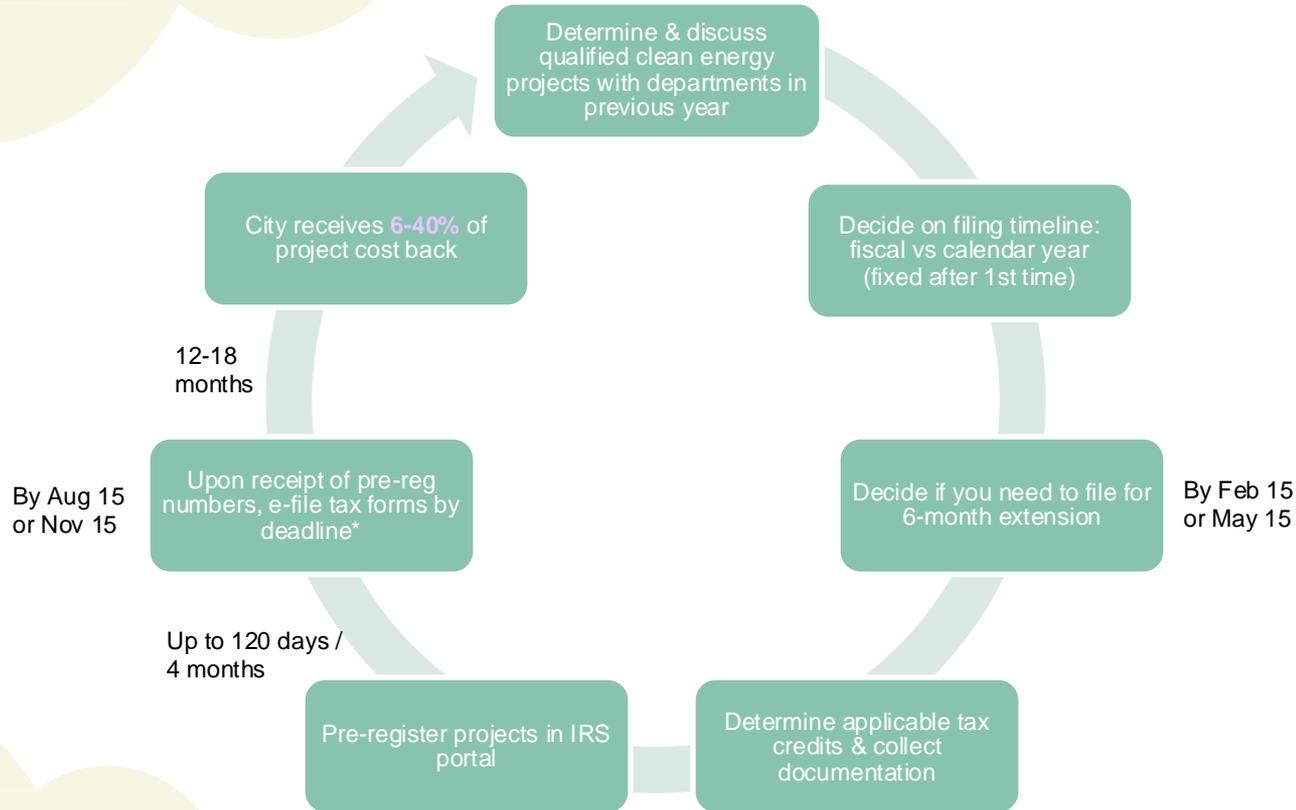
Non-competitive 10-year federal funding
opened to tax-exempt entities
for clean energy projects

\$ MONEY BACK \$

from... solar panels  to EV chargers  EVs  & more



The Elective Pay Process



What departments are necessary for successful completion of Elective Pay?



Sustainability Division

spearhead project, pre-file projects, draft tax forms, etc.



Finance Department

answer questions pertaining to finances, serve as finance liaison, stay in the loop with which tax forms are being filed each year, file tax forms/engage tax firms



Lead Department for Clean Energy Projects

Project Managers in PWD / GS / PU / SW / P&R to share necessary information for pre-filing and filing and organize from contract/project planning phase



City Attorney's Office

guidance on legal concerns, utility interconnection



These icons will be used throughout the presentation on role representation.

Step #1

Determine & discuss qualified clean energy projects with departments in previous year



12 Credits Eligible for Direct Pay

*Credits that apply to local governments and are most relevant to municipalities

**30C: Alternative fuel
refueling property**



**45: Renewable
electricity production
tax credit (PTC)**



**45Q: CO2 sequestration
credit**

**45U: Zero-emission
nuclear power
production credit**

**45X: Advanced
manufacturing
production credit**

**45V: Clean hydrogen
production credit**

**45Y: Clean
electricity
production credit**

**45Z: Clean fuel
production**

**48: Energy
investment tax credit
(ITC)**



**48C: Qualifying
advanced energy
project credit**

**48E: Clean electricity
investment credit**

**45W: Qualified
commercial vehicles**





Credit 45W

- **Qualified Commercial Vehicles**
- Example: purchasing Fleet EVs or Hybrids



Credit 30C

- **Alternative Fuel Refueling Property**
- Example: public EV charger installation



Credit 48

- **Energy Investment (ITC)**
- Example: solar panels on city facilities



Credit 45

- **Renewable Electricity Production (PTC)**
- Example: solar projects larger than 1MW

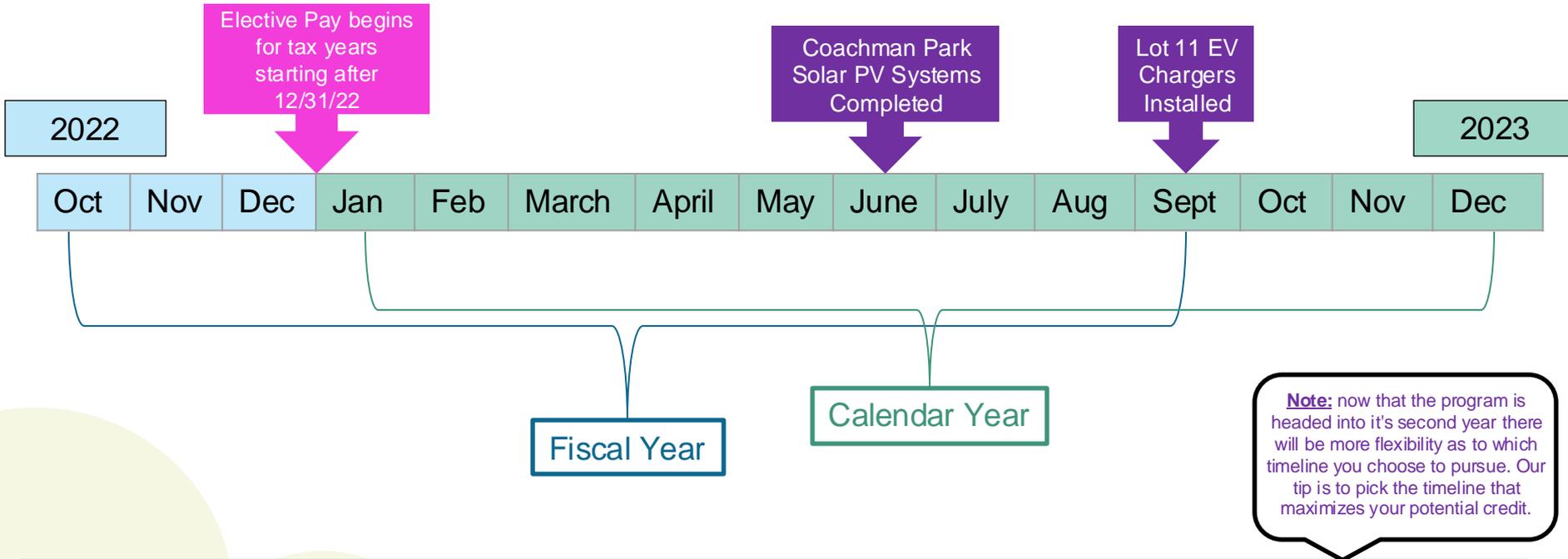
Step #2

Decide on filing timeline: Fiscal vs. Calendar year (fixed after 1st time)



Choose the timeline that works best for you!

Clearwater decided to commit to a calendar year filing timeline, and here's why...



If we had not decided to pursue a calendar year timeline, we would not have been able to pursue credits for our solar and EV charger projects. This is because they would have been included in fiscal year Oct. 2022 – Sept. 2023, which is a fiscal year beginning after 12/31/22. Elective Pay is only eligible projects taking place in tax years that began after 12/31/22.

Step #3

Decide if you need to file a 6-month extension.



6-Month Extension

This extension is automatically given to municipalities in their first year of Elective Pay.

In subsequent years, file a form 8868 to apply for a 6-month extension for your filing date.



Form 8868	Application for Extension of Time To File an Exempt Organization Return or Excise Taxes Related to Employee Benefit Plans		OMB No. 1545-0047
(Rev. January 2024) Department of the Treasury Internal Revenue Service	File a separate application for each return. Go to www.irs.gov/Form8868 for the latest information.		
<p>Electronic filing (e-file). You can electronically file Form 8868 to request up to a 6-month extension of time to file any of the forms listed below except for Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts. An extension request for Form 8870 must be sent to the IRS in a paper format (see instructions). For more details on the electronic filing of Form 8868, visit www.irs.gov/e-file-providers/e-file-for-charities-and-non-profits.</p> <p>Caution: If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-TE and Form 8879-TE for payment instructions.</p> <p>All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.</p>			
Part I — Identification			
Type or Print	Name of exempt organization, employer, or other filer, see instructions.	Taxpayer identification number (TIN)	
File by the due date for filing your return. See instructions.	Number, street, and room or suite no. If a P.O. box, see instructions.		
	City, town or post office, state, and ZIP code. For a foreign address, see instructions.		
Enter the Return Code for the return that this application is for (file a separate application for each return) <input type="checkbox"/>			
Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 4720 (other than individual)	09
Form 4720 (individual)	03	Form 5227	10
Form 990-PF	04	Form 6069	11
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 8870	12
Form 990-T (trust other than above)	06	Form 5330 (individual)	13
Form 990-T (corporation)	07	Form 5330 (other than individual)	14
Form 1041-A	08		
<p>• After you enter your Return Code, complete either Part II or Part III. Part III, including signature, is applicable only for an extension of time to file Form 5330.</p> <p>• If this application is for an extension of time to file Form 5330, you must enter the following information.</p> <p>Plan Name</p> <p>Plan Number</p> <p>Plan Year Ending (MM/DD/YYYY)</p>			
Part II — Automatic Extension of Time To File for Exempt Organizations (see instructions)			
The books are in the care of			
Telephone No.		Fax No.	
<p>• If the organization does not have an office or place of business in the United States, check this box <input type="checkbox"/></p> <p>• If this is for a Group Return, enter the organization's four-digit Group Exemption Number (GEN) If this is for the whole group, check this box <input type="checkbox"/>. If it is for part of the group, check this box <input type="checkbox"/> and attach a list with the names and TINs of all members the extension is for.</p>			
1 I request an automatic 6-month extension of time until, 20..... to file the exempt organization return for the organization named above. The extension is for the organization's return for:			
<input type="checkbox"/> calendar year 20..... or <input type="checkbox"/> tax year beginning, 20....., and ending, 20.....			
2 If the tax year entered in line 1 is for less than 12 months, check reason: <input type="checkbox"/> Initial return <input type="checkbox"/> Final return			
<input type="checkbox"/> Change in accounting period			
3a	If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$
b	If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made, include any prior year overpayment allowed as a credit.	3b	\$
c	Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$
For Privacy Act and Paperwork Reduction Act Notice, see instructions. Cat. No. 27916D Form 8868 (Rev. 1-2024)			

Step #4

Determine applicable tax credits & collect documentation.



Pre-Filing Project Registration Necessary Information: EVs and EV Chargers

Credit 30C – EV Chargers

- Address
- GPS coordinates
- Date construction begins
- Date placed in service
- Census tract
- Type of fuel
- Source of funds used
- **Supporting documents** (construction permit that ties the facility/property to its physical location, OR equipment purchase documentation, OR permit issued by government authority with jurisdiction over alternative fuel refueling properties)

Credit 45W - EVs

- Date placed in service
- Vehicle ID number (VIN)
- How is the vehicle powered?
- What is the vehicles gross weight rating? (14,000lbs more/less)
- What is the vehicle used for? (public roads/mobile machinery)
- Source of funds used to acquire vehicle
- **Supporting documents** (certificate of title showing ownership of the vehicle (including a certificate of title indicating a lien held by a financial institution or lender) OR time of sale docs, including a bill of sale or similar purchase agreement, OR a copy of a registration doc issued by an appropriate authority if registered for on-road use)

Pre-Filing Project Registration Necessary

Information: ITC and PTC Energy (solar, wind, etc.)

Credit 48 – ITC (solar < 1MW)	Credit 45 – PTC (solar >1MW)
<ul style="list-style-type: none">- Address- GPS coordinates- Date construction begins- Date placed in service- Type of facility/property- Low-income community bonus (yes/no)- Source of funds used- Supporting documents (proof of ownership of the facility/property with respect to which the credit is computed, OR construction permit showing commencement of construction OR permits to operate from utility (only if connected to the grid, or if not connected to the grid electrical permits to operate from an authority having jurisdiction))	<ul style="list-style-type: none">- Address- GPS coordinates- Date construction begins- Date placed in service- Type of facility/property- Is facility owned by more than one taxpayer?- Supporting documents (Permits to operate from a utility (only if connected to the grid), if not connected to the grid electrical permits to operate from an authority having jurisdiction, OR a brief description of the facility/property signed by an executive-level representation of the taxpayer, OR executive summary of an independent engineer or commissioning report an executive summary, of the interconnection agreement with the applicable utility, signed by an executive-level representative of the taxpayer, OR a document, signed by an authorized representative of the supplier of materials used for manufacture of components with regard to domestic content of such materials)

Step #5

Register projects in the IRS pre-filing portal.



Step #6

Upon receipt of pre-filing numbers, e-file tax forms by deadline.



Example: On-street
EV chargers

Tax Forms to File

Mandatory Forms

✓ Form 990-T

Exempt Organization
Business Income Tax Return

✓ Form 3800

General Business Credit

Form 8868

Application for Extension of
Time to File an Exempt
Organization Return or Excise
Taxes Related to Employee
Benefit Plans

**Only mandatory if you are seeking a
deadline extension**

Credit 30C Form

✓ Form 8911

Alternative Fuel Vehicle
Refueling Property Credit



Credit 48 Form

Form 3468

Investment Credit



Credit 45 Form

Form 8908

Energy Efficient Home
Credit



Credit 45W Form

Form 8936

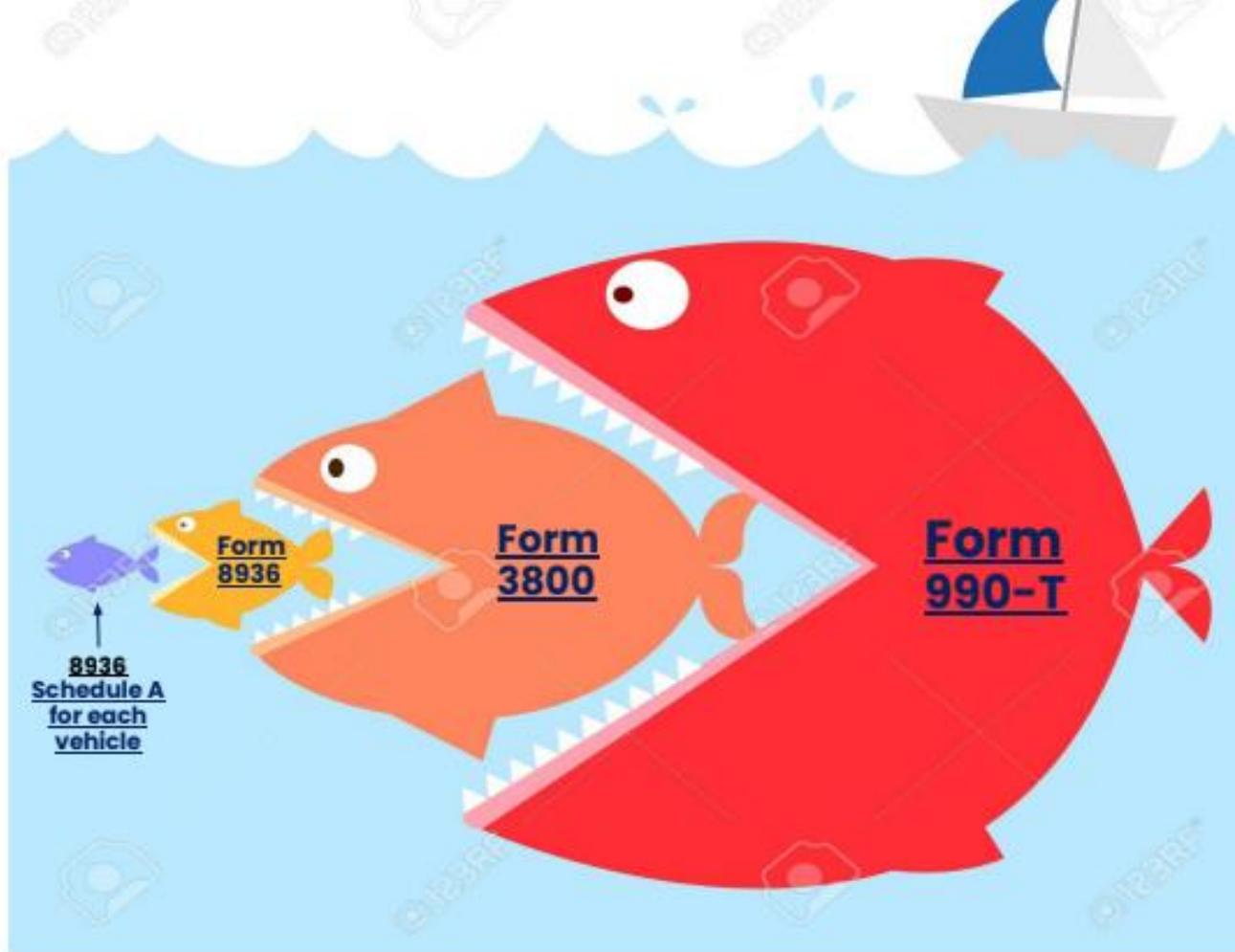
Clean Vehicle Credits





Forms Feed into Each Other

EV Example:



Additional "Layering" Bonuses

1. Domestic Content: Can be a (+) (add 10%) or a (-) ("haircut" starts in 2024)
2. Prevailing Wage and Apprenticeship (PWA)
3. Domestic Content/PWA Practical Guidance
4. Energy Communities Bonus: +10%
5. Low Income Communities Bonus (LICB)

**These bonuses can add anywhere from 10-20% to your credit*



Prevailing Wage and Apprenticeship

To receive the full 30% tax credit, we must be able to prove that prevailing wage and apprenticeship requirements were met. (Note: does not apply to ITC/PTC projects that are less than 1MW)



IRS guidance says that the entity claiming the tax credit must maintain records that are sufficient to establish that the entity and the entity's contractor and subcontractor paid wages not less than such prevailing wage rates. These records could include contemporaneous documentation noting:

The applicable wage determination	The names and contact information for laborers and mechanics	Who performed construction work on the facility	The classifications of work performed by laborers and mechanics	The hours worked by laborers and mechanics in each classification	The wage rates paid for the work
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Domestic Content

- Only for ITC/PTC projects >1MW
- Does not apply to EV fleet transition, EV charging, hydrogen, carbon capture etc.
- Provide documentation proving that the project was build in the United States and complies with BABA or BAA standards.
- Mandatory for ITC/PTC projects >1MW starting in 2024. If it does not meet domestic content, 10% will be deducted from total refund. If it does meet standards, an additional 10% will be rewarded.



SEPCO systems are made in the USA

SEPCO – Solar Electric Power Company is a manufacturing plant based in Stuart, FL. SEPCO guarantees their commercial solar lighting and off-grid solar power systems meet or exceed American Recovery and Reinvestment Act of 2009 (ARRA) requirements. The systems also help achieve LEED certification. Please contact your solar specialist for additional information regarding ARRA and LEED information.

Why the Buy America Act is Important:

Job creation – all of our manufacturing processes is here in the US.

Better economy – all the money spent on manufacturing, processes, and payroll stays here in the US.

Environmental policies – the US holds strict environmental policies and keeping all manufacturing here in the US means we have to abide by these policies.

Conservation – our products do not need to be shipped here from other countries and therefore lowers the overall transportation impact of our products on the world.

SEPCO's solar lights and solar power systems are compliant with the Buy America Act.

Ask your solar specialist for additional information.

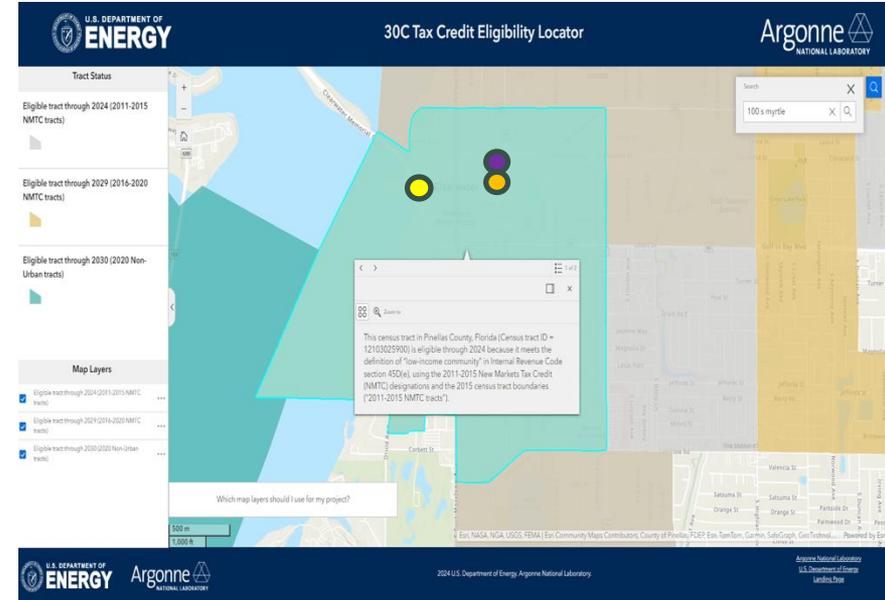


Solar Electric Power Company - www.sepco-solarlighting.com - 772-220-6615

Example of Domestic Content document provided to us by company that made Coachman Park Solar Picnic Pavilions. *Note: we could not get bonus from this project since it was < 1MW*

Low-Income Communities Bonus

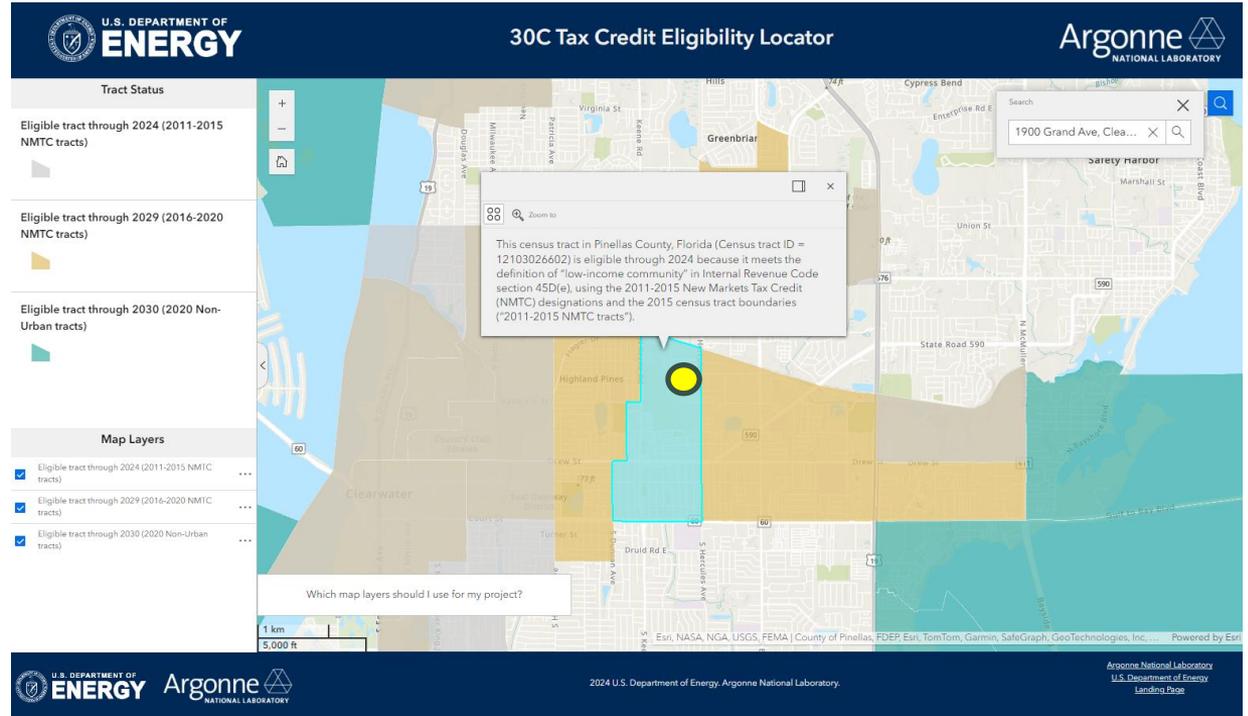
- Mandatory for credit 30C EV chargers
- Optional for credit 48 ITC projects: adds 10% bonus
- Bonus can increase to 20% if projects is on a low-income residential building (affordable housing programs), or low-income benefit project (financial benefits to low-income/Affordable Housing)
- Bonus **MUST** be applied for **prior to** the completion of the project. Applications can be completed at this link: [Low-Income Communities Bonus Credit Program | Department of Energy](#)
 - PRO TIP: register within 30 days of LICB portal opening to have better chances of receiving the bonus
- Check to see if your project qualifies using this DOE eligibility locator map: [30C Tax Credit Eligibility Locator \(arcgis.com\)](#)



- Lot 11 EV chargers
- City Hall on-street EV chargers
- MSB garage EV chargers



- **ELIGIBLE** to potentially receive LICB bonus of +10%!
- To Apply on DOE website as soon as project is confirmed.



● General Services Back 40 Solar Panels

Energy Communities

- BLA



Example of Domestic Content document provided to us by company that made Coachman Park Solar Picnic Pavilions.
Note: we could not get bonus from this project since it was < 1MW

Step

IRS makes payment after review of tax filing.
(Receive funds about 18 months after filing
forms)



Scenario #1: Solar Parking Canopy

Scenario:

- Located in a census tract adjacent to closed coal power plant
- Size: <1MW
- Started construction in 2024
- Credit to be claimed: \$48 Investment Tax Credit (ITC)
- Project cost: \$1M

Domestic Content: Penalty not applicable b/c size <1MW

Prevailing Wage & Apprenticeship (PWA):

Not applicable b/c size <1 MW, gets 30% credit

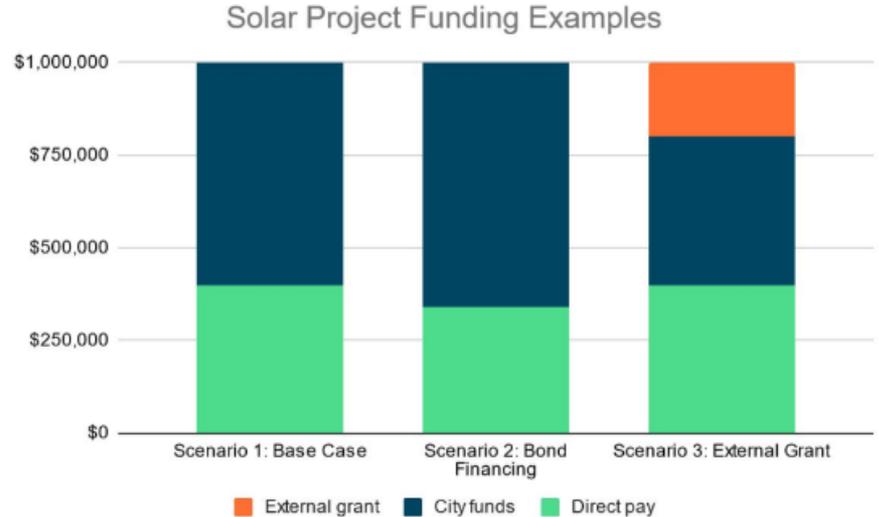
Energy Communities Bonus:

Applies if within the [IRA Energy Community Tax Credit Bonus Map](#)
: +10%

Low Income Communities Bonus: capped program that requires application

Credit value: 40% ITC

Total Reimbursement: \$400k or \$340k depending on city financing



Scenario #2: EV Fleet Purchases

Scenario:

- 10 light-duty fleet vehicles
- Credit to be claimed: \$45W [Commercial Clean Vehicle Credit](#)
- Project cost: \$250,000

Restricted to eligible manufacturers

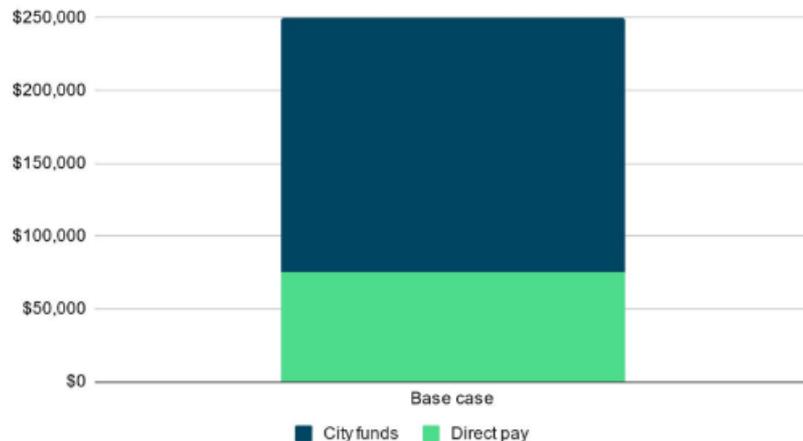
Vehicles <14,000 lbs: Up to \$7,500 credit

Vehicles > 14,000 lbs: Up to \$40,000 credit

Total Reimbursement: \$75,000

30% of project costs covered by direct pay

Fleet Vehicles Funding Example



Project Timeline for 2024

(with automatic 6-month extension for it being the first year of Elective Pay)



--Research & data collection--

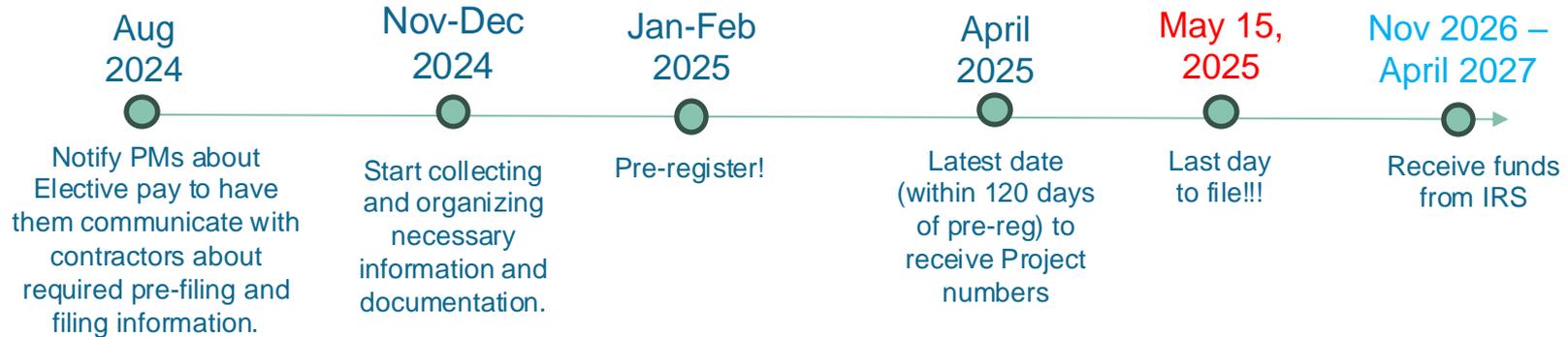
---Form preparation period---

---File---

---Await funds---

Project Timeline for 2025 and Beyond

(without automatic 6-month extension, adjust accordingly if you file 8868 for extension)



---Project information collection---

---Form preparation period---

---File---

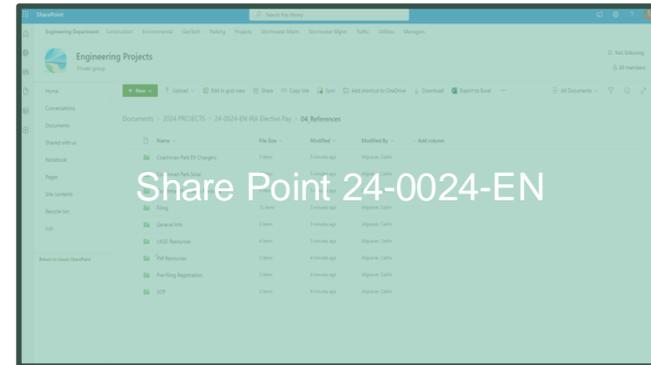
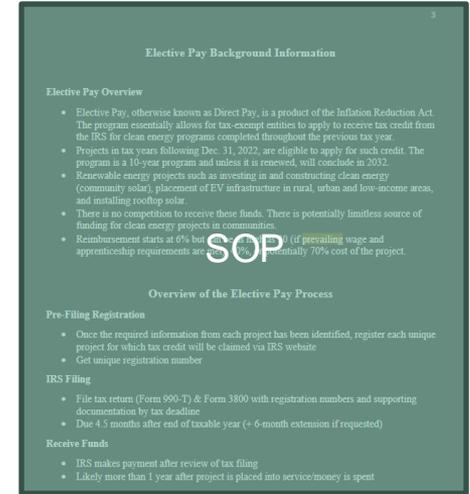
---Await funds---

Challenges

- Figuring out filing timeline in the initial phase
 - Post-project information inquiry
 - New program
 - Varying levels of interests in pursuit of Elective Pay
- emphasis on fiscal responsibility, getting Finance to be allies and how figuring out once will make it way easier for future years

Resources

- Organizations that were helpful to us: L4GG, EC, IRS mailbox
- Simplify processes for PM internally, provide 1-pagers and 30mins training session, availability for 1-on-1s when we hear of Clean Energy Projects
- Webinars by various organizations
- Periodic IRS Q&A!



All resources will be shared when finalized

Contact Information

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Email sustainabiliy@myclearwater.com or visit MyClearwater.com/Sustainability