

The Inflation Reduction Act (IRA): New Incentives for Solar (& Beyond)

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On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022. The bill, known as the "IRA", codifies the Investment Tax Credit (ITC) at 30% for 10 years and includes \$369 billion in tax credits for clean energy. To stimulate the return of clean energy manufacturing jobs, the bill also provides incentives for US-based manufacturing and contains minimum requirements for domestic content in solar and wind projects.

This bill provides long-term stability to the solar industry and fosters investment in a domestic supply chain. In addition, the bill offers support for next generation energy approaches beyond just solar and wind. The IRS and Treasury Department are still interpreting the bill and have yet to promulgate details. Although these details may not be released until early 2023, key guidelines are highlighted below.



For solar projects, the IRA offers enhanced incentives, including adders to the baseline 30% ITC tax credit. These adders are stackable and can increase the value of the ITC from 30% to more than 60% of overall project cost. In addition, in some cases the IRS will issue a direct cash payment in lieu of a tax credit.

Adders:

- (10%) Brownfields
- (10%) "Energy Communities"
- (10%) Low Income Locations
- (20%) Low-Income Benefits (Community Solar)
- (10%) Domestic Content

Tax Credit Provisions:

- Prevailing Wage Labor + Apprentice Programs Required (> 1MW)
- Transferable
- Direct Pay - Cash payment for non-profits and government entities
- Adders above can be combined

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Beyond solar and wind, the IRA encourages development of other forms of sustainable energy via the following incentives:

- Battery Storage
 - Stand-alone; does not need to be paired with solar or wind
- EV - Vehicles & Charging Infrastructure
 - 30% tax credit for charging stations (\$100,000 max)
- Microgrids
 - 30% for 4-20 MW
- Green Hydrogen
 - 30% ITC for PTC (Production Tax Credit), subject to multipliers
 - Direct Pay

The IRA offers the long-term policy support needed to induce significant capital to invest into the clean energy sector. The IRA bill will stimulate new project development, create American jobs in manufacturing and construction and will help achieve climate goals. For commercial property and land owners, there will be new opportunities for profitable investment and/or additional income.

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ABOUT US



INDEPENDENCE SOLAR Keith Peltzman is President and Founder of Independence Solar with offices in Cherry Hill, NJ, Swarthmore, PA, Essex, CT, and Worcester, MA.

Independence Solar is a turnkey developer and installer of commercial solar energy. Since 2007, our team has developed and built almost 100 solar projects valued at \$250 million, including one of the top ten largest rooftop solar arrays in the US (10.1 MW). Independence Solar forges long-term partnerships with our clients by offering the complete suite of solar services - including development, financing, installation, and ongoing maintenance. We operate multiple offices throughout the East Coast to better service our clients with local in-market presence and expertise.

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