FACT SHEET:

Clean Energy Investment and Production Tax Credit

The Investment Tax Credit (ITC) and the Production Tax Credit (PTC) work together to lower the costs of installing and operating new clean energy power sources. These tax credits are intended to encourage more investments in clean energy systems over the next few years.

The PTC makes it cheaper to produce clean energy, with credits given based on the number of kilowatt hours produced. The credits are designed to incentivize producers to generate as much clean energy as possible, with projects that generate more than 1000 kilowatt hours receiving a greater credit. The PTC can subsidize the cost of clean power technologies including solar, wind, municipal solid waste, geothermal, tidal, biomass, landfill gas, hydroelectric, marine and hydrokinetic power.

The ITC lowers the cost of clean energy infrastructure installations. Projects that generate 1 megawatt hour of clean power or less get a base credit that covers 30% of the project cost, with larger projects getting 6% of the project value. This credit covers clean power technologies including solar, wind, municipal solid waste, geothermal, tidal, energy storage, microgrid controllers, fuel cells, combined heat and power systems, microturbines and interconnection costs.

For both the PTC and ITC, projects can gain additional credit value by investing in workers and energy communities. By paying prevailing wage and hiring apprentices, projects can gain up to five times the base credit value. This leads to good, liveable wages for clean energy workers, and new pipelines of workers. And by investing in energy communities, those that have been impacted by the fossil fuel industry, projects can gain an additional 10% bonus from the base credit. ITC projects under 5 megawatts can also gain a bonus credit of 10% for being located in a low income community or on Indian land, with an additional 20% increase for projects that are qualified low income residential building projects or qualified low income economic benefit projects. That means for ITC projects between 30-50% of the project cost can be covered if bonus credits are applied.

And both PTC and ITC credits are eligible for direct pay through the IRA. Direct pay allows tax exempt entities - including Tribal governments and nonprofit organizations - to get the full value of their tax credit as a direct transfer from the federal government, rather than waiting to receive the credit value after filing taxes.

When do these credits become available?

This form of the ITC and PTC credits can be claimed as of January 1, 2023 and are available through January 1, 2025. After 2025, the tax credits will be focused only on zero carbon sources of power, and the size of the credits will decrease.

Need more information?

Check out these resources: IRS Tax Credit Website for IRA Programs and Center for Public Enterprise Direct Pay Memo.