48C Advanced Energy Project Tax Credit Guidance for ABC Collaborative Stakeholders

Based upon IRS Guidance 23-44 (5/31/23), Guidance 23-18 (2/22/23), and other sources referenced below.

Disclaimer: The information provided is intended to assist ABC-C Stakeholders in making informed decisions on Federal incentives. It is based on the best available guidance at the time of its preparation and is provided without warranty of any kind, express or implied. Readers are encouraged to consult with their tax advisors and/or appropriate federal sources and officials.

Credit Overview:

- A total of $10B of tax credits allocated on a competitive basis for “advanced energy projects.”
- Qualifying projects can include manufacturing facilities for energy conservation technologies for residential and commercial buildings (such as technologies eligible for 25C and 179D).
- This is an Investment Tax Credit (ITC) with a base credit of 6% of the eligible investment amount and an enhanced 30% credit if prevailing wage and apprenticeship requirements are met.
- $4B exclusively designated for projects in “energy communities,” which can receive up to a 10% bonus credit. The IRS released Guidance 23-29 (4/7/23) on energy community bonus credit amounts, and a map outlining potentially qualifying energy communities is available here.*

Application Process:

- At least two allocation rounds are anticipated. Round 1 is for $4B, of which $1.6B is designated for energy communities.
- Round 1 concept notes must be submitted to DOE by 31 July 2023 via the eXCHANGE portal. The portal will begin accepting submissions on a rolling basis no later than 30 2023 (submitting early is suggested).
- DOE has created a 48C landing page and posted an official eXCHANGE announcement, which includes concept paper template and data sheet files, informational webinar details, and contact addresses for questions.
- In response to submitted concept papers, DOE will issue notices to encourage/discourage full applications, which will be due via the eXCHANGE portal approximately seven weeks thereafter (specific submission deadline TBD).
- Full applications will be reviewed and ranked by DOE, with the IRS making final decisions.
- Accepted applications will receive an Allocation Letter, with Round 1 decisions expected by 31 March 2024.

When Credit Can be Claimed: generally allowed in the tax year in which the eligible property is “placed in service.”

Certification and Placed in Service Due Dates:

- An applicant who receives an Allocation Letter has two years from the date of issuance to meet the certification requirements (and report this to DOE). The applicant will then receive a Certification Letter from the IRS.

* Updated periodically based on employment data
Subsequently, the applicant has two years from receipt of the Certification Letter to place the property in service (and report this to DOE). Thereafter, the applicant can claim the credit in its federal income tax return for the year that the property was placed in service.

The credit is forfeited if the project is not placed in service within two years of receiving the Certification Letter.

Projects placed in service prior to receiving an Allocation Letter are not eligible to receive the credit.

Stacking Credits:

A credit is not allowed under 48C for any qualified investment for which a credit is claimed under sections 48, 48A, 48B, 48E, 45Q, 45X, or 45V.

If the IRS determines a credit has been claimed for that same investment under those other tax credits the IRS will not allocate the 48C credit and any previously sent Allocation Letter is void.

Transferability of credit:

The Allocation Letter applies only to the taxpayer (applicant) who requested it.

A successor to the applicant may request the IRS to transfer the credit allocation.

Eligible Projects:

Eligible project types most relevant to ABC stakeholders are summarized below. (Additional eligible project types are listed in Appendix A of IRS Guidance 23-44)

1. **Clean Energy Manufacturing and Recycling Projects**: a qualifying advanced energy project in this category re-equip, expands, or establishes an industrial or manufacturing facility for the production (or recycling) of:

   - Property designed to produce energy conservation technologies including residential, commercial, and industrial applications. *Ex.: Production of technologies eligible for residential or commercial efficiency improvements under the 25C credit or the 179D tax deduction, as well as equipment that directly reduces net energy use in industrial applications, such as ultra-efficient heat pumps, insulation, ultra-efficient hot water systems, sensors, controls, and similar advanced efficiency technologies (note: ineligible energy conservation properties/equipment include those that reduce electricity usage by increasing direct natural gas or other fossil fuel use and/or lead to increased system-level emissions)*

   - Property designed for use in the production of energy from the sun, water, wind, geothermal deposits, or other renewable resources. *Ex.: solar panel manufacturing*

   - Fuel cells, microturbines, or energy storage systems and components. *Ex.: stationary batteries*

   - Other advanced energy property designed to reduce greenhouse gas emissions as may be determined by the Secretary of the Treasury.

2. **Greenhouse Gas Emission Reduction Project**: re-equip any industrial or manufacturing facility, including energy-intensive manufacturing sectors, such as cement, iron and steel, aluminum, and chemicals, with equipment designed to reduce greenhouse gas emissions by at least 20 percent through the installation of one or more of the following:

   - Low- or zero-carbon process heat systems. *Ex.: electric heat pumps*

   - Carbon capture, transport, utilization, and storage systems.

   - Energy efficiency and reduction in waste from industrial processes. *Ex.: industrial heat pumps, CHP*
• Any other industrial technology designed to reduce greenhouse gas emissions, as determined by the Secretary of the Treasury. Ex.: Equipment replacement or process redesigns that reduce fuel or process related emissions or contribute to reducing greenhouse gas emissions by at least 20 percent (instructions for demonstrating emissions reduction are provided in Appendix B of Guidance 23-44).

3. Critical Material Projects: re-equip, expands or establishes an industrial facility for the processing, refining or recycling of critical materials.

• Expected to include aluminum and other materials on the currently effective final list of critical minerals as determined by the U.S. Geological Survey (see 2022 Final List of Critical Minerals).

Evaluation Criteria: Applications will be evaluated based on their commercial viability, greenhouse gas emissions impacts, strengthening U.S. supply chains and domestic manufacturing for a net-zero economy, and for workforce and community engagement.

Key Resources:

• Published IRS guidance documents:

• DOE 48C landing page: https://www.energy.gov/infrastructure/qualifying-advanced-energy-project-credit-48c-program

• DOE eXCHANGE announcement: https://48c-exchange.energy.gov/


• White House clean energy tax provisions page: https://www.whitehouse.gov/cleanenergy/clean-energy-tax-provisions/