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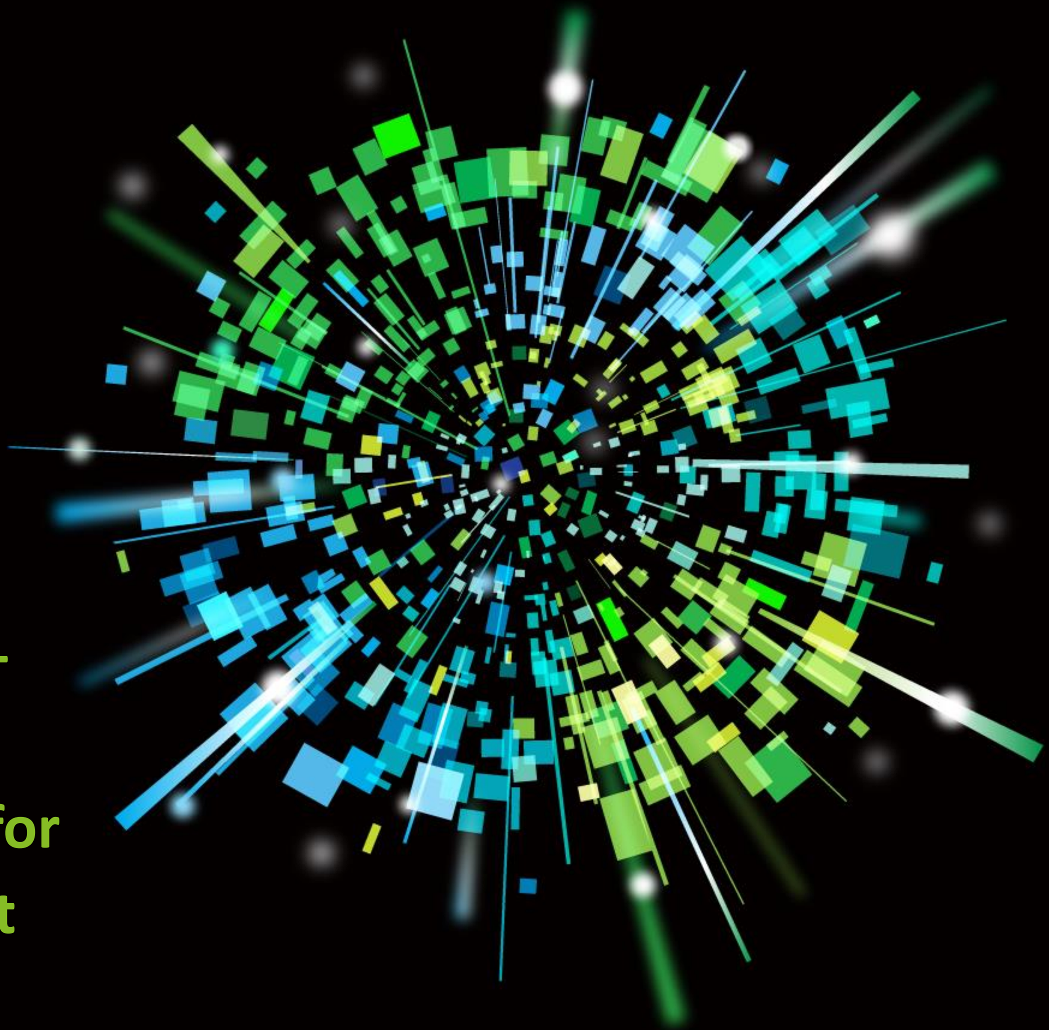


Inflation Reduction Act – New incentives and potential opportunities for investment management and portfolio companies

2023 Global Financial Services Tax Planning Conference

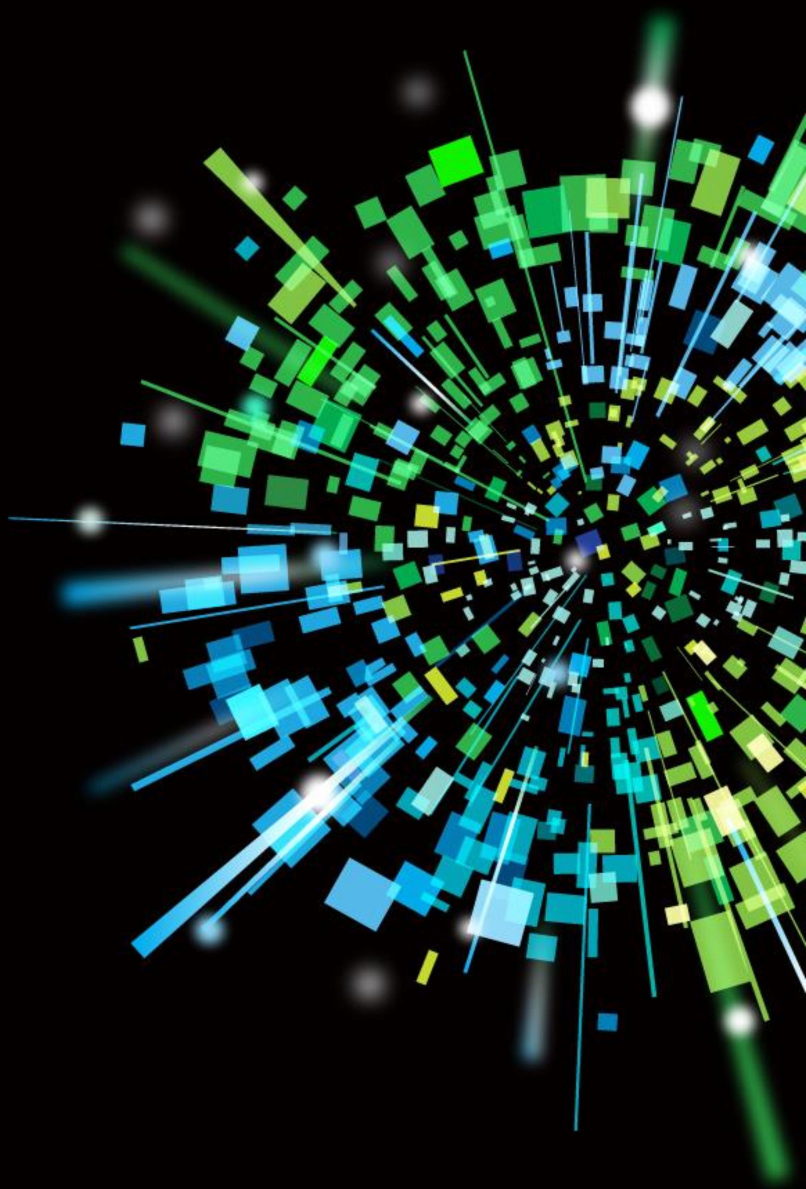
Deloitte Tax LLP

June 21, 2023

MAKING AN IMPACT THAT MATTERS since 1845

Agenda

Overview of Tax Credit Provisions



Inflation Reduction Act of 2022

Legislation signed into Law August 16, 2022

Approximately 300 of the 725 pages of the legislative text address clean energy credits and incentives proposals

- Mirrors Build Back Better Act

Most credits fit into one of the 5 buckets:

1. Renewable Energy
2. Manufacturing
3. Hydrogen/Carbon Capture
4. Energy Efficiency
5. Transportation and Fuel

Labor and apprenticeship requirements

Direct pay and transferability options

Inflation Reduction Act of 2022

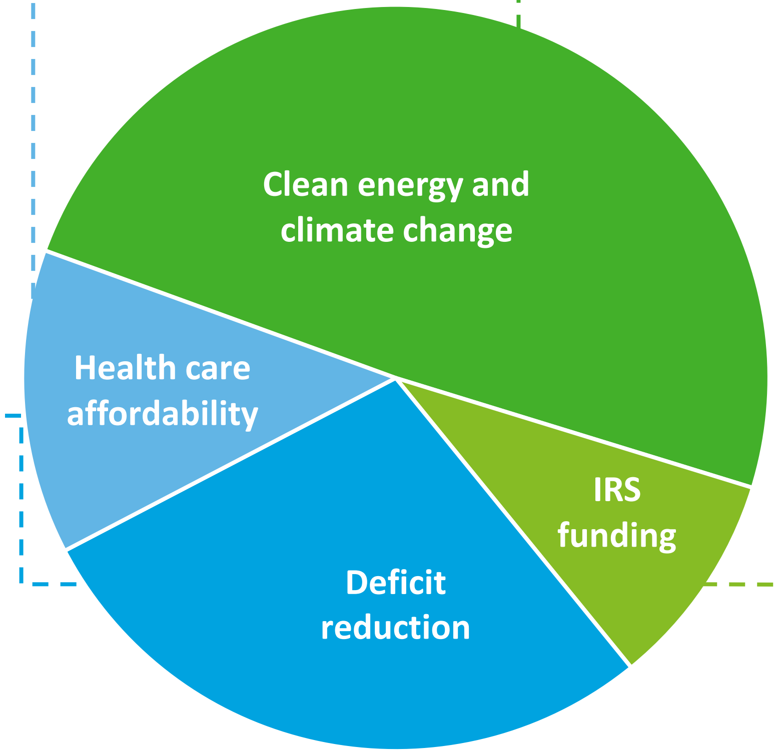
Tax incentives, spending, and deficit reduction (FY22 – FY31)

$112 billion for health care affordability

- **$64 billion** to extend for 3 years the Affordable Care Act premium subsidy enhancements enacted in 2021
- **$44 billion** to reduce Medicare Part D beneficiary costs, cap insulin co-payments for Medicare beneficiaries, and expand coverage of adult vaccines
- **$3.5 billion** for administrative costs

$238 billion for deficit reduction

- CBO estimates the law will reduce the deficit by **$58 billion**.
- CBO estimates that enhanced IRS tax enforcement will increase revenue by **$180 billion**. This revenue is available for deficit reduction.



$416 billion for climate change, environment, clean energy, climate justice, and other initiatives

- **$271 billion** of tax incentives (but see JCT revised score dated April 26, 2023 of **$515 billion**)
- **$145 billion** in appropriated funds* (including for administrative costs, oversight, implementation, energy review and permitting, data collection and standardization, systems upgrades, and other spending)
- **$168 million** to increase the research credit against payroll tax for small businesses

$79 billion of IRS funding

- **$47 billion** for tax enforcement
- **$25 billion** for operations support
- **$5 billion** for business systems modernization
- **$3 billion** for taxpayer services
- **$500 million** for implementation
- **$15 million** for a report on direct e-file

*Appropriated amounts may differ from actual budget outlays.

Sources: Joint Committee on Taxation, August 9, 2022; Congressional Budget Office, September 7, 2022; P.L. 117-169

Renewable Energy

Credit	Credit summary	Considerations
Section 45 - Production Tax Credit (existing)	Provides a 10-year tax credit for a variety of renewable energy technologies to incentivize electricity generation to be sold to a third party. New qualified energy resources include solar. Base credit is 0.55 cents per kWh and bonus credit is 2.75 cents per kWh for 2022 (eligible for adders).	If the company plans to invest in renewable energy technology to generate and sell electricity to a third party.
Section 48 - Investment Tax Credit (existing)	Provides a tax credit based on capital investment in a variety of renewable (e.g., solar, wind) and conventional (e.g., combined heat and power) energy technologies to incentivize investment in new energy resources and adopting more efficient use of fuel. New technologies include: energy storage technology, qualified biogas property, microgrid controllers, linear generators and dynamic or electrochromic glass. Base credit is 6% (or 2%) and bonus credit is 30% (or 10%) (eligible for adders).	If the company plans to invest in energy efficient technology. The company generates their own electricity for use or sells the electricity to another party.
Section 45U - Zero Emission Nuclear Power Product Credit (new)	Provides a PTC for the production of electricity from a nuclear facility (other than a facility in 45J), the base amount is 0.3 cents/kWh of electricity produced and sold (subject to an inflation adjustment), which exceeds the reduction amount (subject to an inflation adjustment) for the taxable year. The associated base credit (after reduction amount) is multiplied by five if certain wage requirements are met.	If the company plans to or has already invested in nuclear energy.

Direct pay eligible · Direct pay eligible—tax exempt only · Direct pay eligible—first 5 years · Transferability—non tax exempt only

Renewable Energy

Credit	Credit summary	Considerations
Section 45Y - Clean Electricity Production Credit (new)	Provides a 10-year technology-neutral PTC, equal to the kWh of electricity produced by the taxpayer times an applicable amount (base of $0.003/kWh up to $0.015 kWh) for the production of clean electricity produced at a qualifying facility for which the GHG emission rate is not greater than zero and electricity is sold, consumed or stored.	Applies after 2024. If the company plans to invest in the generation of clean or sustainable electricity. This can include the installation of property for electricity generation at a qualified facility with net zero emissions.
Section 48E - Clean Electricity Investment Tax Credit (new)	Provides a technology-neutral ITC of between 6% (or 2%) to 30% (or 10%) (additional adders available) for qualified capital investments in an electric generating facility or energy storage property for which GHG rate is not greater than zero.	Applies after 2024. If the company plans to invest in clean or sustainable electricity. This can include the installation of property for electricity generation at a qualified facility with net zero emissions.
Section 45Z – Clean Fuel Production Credit (new)	Provides a production tax credit based on the product of the applicable amount ($0.20 - $1.75) per gallon (or gallon equivalent) with respect to any transportation fuel produced by the taxpayer at a qualified facility and sold to an unrelated person. Transportation fuel means a fuel which is suitable for use as a fuel in a highway vehicle or aircraft, has an emissions rate which is not greater than 50 kilograms of CO_2e per mmBTU, and is not derived from coprocessing an applicable material (or materials derived from an applicable material) with a feedstock which is not biogas.	Applies after 2024. The taxpayer needs to be registered as a producer of clean fuel at the time of production. Aviation fuel needs to be certified by an unrelated party. Must satisfy the prevailing wage and apprenticeship requirements. Does not apply to transportation fuels sold after December 31, 2027.

Direct pay eligible · Direct pay eligible—tax exempt only · Direct pay eligible—first 5 years · Transferability—non tax exempt only

Manufacturing

Credit	Credit summary	Considerations
Section 48C – Qualified Advanced Energy Property (new)	Provides an investment tax credit (ITC) through a competitive application process administered through the Department of Energy equal to 6% or 30% of the investment with respect to any advanced energy project. $10 billion of tax credits to be allocated with $4 billion reserved for projects located in census tracts within an energy community where no prior allocation of 48C credits has been awarded and certified for a project.	If the company plans to make an investment in any of the following types of projects: 1. **Clean energy manufacturing and recycling projects:** Re-equip, expand, or establish an industrial or manufacturing facility for the production or recycling of certain types of specified advanced energy property. 2. **Greenhouse gas emission reduction projects:** Re-equip an industrial or manufacturing facility with equipment designed to reduce greenhouse gas emissions by at least 20%. 3. **Critical material projects:** Re-equip, expand, or establish an industrial facility for the processing, refining, or recycling of critical materials (as defined in section 7002(a) of the Energy Act of 2020).
Section 45X – Advanced Manufacturing Production (new)	Provides a production tax credit (PTC) for the production of certain eligible components sold to an unrelated person (exceptions apply). The credit amount varies based on the eligible component, which includes solar components, wind energy components, inverters, qualifying battery components, and critical minerals.	If the company manufactures or fabricates certain energy components, including for solar, wind, inverters, qualifying battery, or critical minerals.
Section 48D – Advanced Manufacturing Investment (new)	Provides an ITC equal to 25% of the investment in an advanced manufacturing facility for which the primary purpose is the manufacturing of semiconductors or semiconductor equipment.	If the company manufactures semiconductors or semiconductor manufacturing equipment.

Direct pay eligible · Direct pay eligible—tax exempt only · Direct pay eligible—first 5 years · Transferability—non tax exempt only

Molecule Credits

Credit	Credit summary	Considerations
Section 45V - Clean Hydrogen (new)	Provides a PTC of up to $3 per kg of clean hydrogen over a 10-year credit period for the production of clean hydrogen at a qualified facility in the U.S. Taxpayers may elect to claim an ITC in lieu of the PTC of up to 30%.	If the company produces or plans to produce clean hydrogen in the U.S. For credit purposes, clean hydrogen means hydrogen produced through a process that results in a lifecycle GHG emission of not greater than 4 kg of CO2-e per kg of hydrogen.
Section 45Q - Carbon Capture Sequestration (existing)	Provides a credit ranging from $12-$17 or $60-$85 per metric ton (MT) based on the amount of carbon oxides captured from a qualified facility over a 12-year period. The captured carbon must be put to an end use (disposal, injection in EOR projects, or utilized). For direct air capture facilities, the credit ranging from $26-$36 or $130-$180 per MT.	If the company plans to invest in carbon capture equipment, or they use captured carbon in their products.

Direct pay eligible · Direct pay eligible—tax exempt only · Direct pay eligible—first 5 years · Transferability—non tax exempt only

Energy Efficiency

Credit	Credit summary	Considerations
Section 45L –New Energy Efficient Home Credit (existing)	Provides a credit to an eligible contractor that constructs a new energy efficient home and sells or leases to a person for use as a residence. For a single-family home, the credit is $2,500 if meets certain Energy Star Single-Family New Homes National Program Requirements, or $5,000 if certified as a zero energy ready home. For a multifamily house, the credit is $500 and $1,000, respectively; the credit is increased to $2,500 and $5,000 if prevailing wage requirement is met. A certification as zero energy ready home will be provided by IRS, in consultation with Department of Energy.	Applies to homes acquired after 2022. Treasury guidance will provide procedures and methods of calculating energy and cost savings and for certification.
Section 179D – Energy Efficient Commercial Building Deduction (existing)	Deduction is increased to a maximum of $5 per sq ft. (previously $1.80 per sq. ft.) for new and existing buildings that reduce their energy and power costs by at least 25% (previously 50% prior to IRA). Taxpayers making energy-efficient retrofits that are part of a qualified retrofit plan on a building that is at least 5 years old may qualify to deduct their adjusted basis in the retrofit property (so long as that amount does not exceed a per-square foot value determined on the basis of energy usage intensity). Tax-exempts are allowed to allocate the deduction to the designer of the building or retrofit plan (previously just governmental entities).	Applies to taxable years beginning after December 31, 2022. Previously, only retrofits to interior lighting generally qualified. Now other energy efficient improvements to the heating, colling, ventilation, hot water system, or the building envelop may qualify as well.

Direct pay eligible | Direct pay eligible—tax exempt only | Direct pay eligible—first 5 years | Transferability—non tax exempt only

Transportation and Fuel

Credit	Credit summary	Considerations
Section 45W - Qualified Commercial Clean Vehicles (new)	Provides an ITC equal to the lesser of 15% (30% for vehicles not powered by gasoline or internal combustion engine) of the vehicle or the incremental cost of a qualified commercial clean vehicle, limited either $7,500 or $40,000 per vehicle based on gross vehicle weight (over or under 14,000 lbs.).	If the company plans to acquire commercial electric/fuel cell vehicles or certain types of mobile machinery.
Section 30C - Alternative Refueling Property (existing)	Provides an ITC equal to either 6% or 30% of costs for qualified alternative fuel vehicle (QAFV) refueling property, up to $100,000 with respect to any single item of QAFV property placed in service in certain low-income census tracts or non-urban areas.	If the company plans to install alternative fueling stations (e.g., hydrogen, EV chargers).
Various - Alternative Fuels Credits (new and existing**)** *	Provides various income and excise tax credits for alternative fuel production and usage. Includes provisions for alcohol fuels and second generation biofuels (40), biodiesel and renewable diesel (40A), alcohol fuel, biodiesel, and alternative fuel mixtures (6426), sustainable aviation fuel (40B), and the clean fuel production credit (45Z). Credits range from $0.20/gallon to $1.75/gallon depending on the application and type of fuel produced or used.	If the company plans to produce certain fuels for sale or use.

Direct pay eligible
Direct pay eligible—tax exempt only
Direct pay eligible—first 5 years
Transferability—non tax exempt only
*Direct pay and transferability depend on credit and entity type

Transferability

- **Transferability Election** – Adds a new section 6418 which allows an “eligible taxpayer” that is not eligible for the direct pay election to instead elect to transfer all (or any portion specified in the election) of an “eligible credit” to an unrelated taxpayer (within the meaning of section 267(b) or 707(b)(1)) for cash consideration. Such consideration is not includible in gross income of the transferor and is not deductible by the transferee. The transferee is not able to transfer the credit. This provision applies to the following eligible credits:

Transferability Election: Eligible Credits	
Section 30C alternative fuel vehicle refueling property credit	Section 45X advanced manufacturing production credit
Section 45 renewable electricity production tax credit	Section 45Y electricity production credit
Section 45Q carbon oxide sequestration credit	Section 45Z clean fuel production credit
Section 45U zero-emission nuclear power production credit	Section 48 energy investment tax credit
Section 45V clean hydrogen production credit	Section 48C qualifying advanced energy project credit
	Section 48E clean electricity investment credit

- **Partnerships or S Corporations** – With respect to a transferor that is a partnership or S corporation, any amount received as consideration is treated as tax-exempt income for purposes of sections 705 and 1366. Each partner's distributive share of such tax-exempt income is based on such partner's distributive share of the otherwise eligible credit for each taxable year. Similar rules are expected to apply in the case of S corporations and their shareholders.
- **REITs** – Permitted to transfer the full amount of the “eligible credit” (or any portion specified in the election) even if the REIT could not claim the same amount for the taxable year due to current law restrictions applicable to REITs under former section 46(e). Cash payments received in exchange for the transfer of credits are excluded from gross income (i.e., tax-exempt income).

Inflation Reduction Act of 2022

Solar ITC

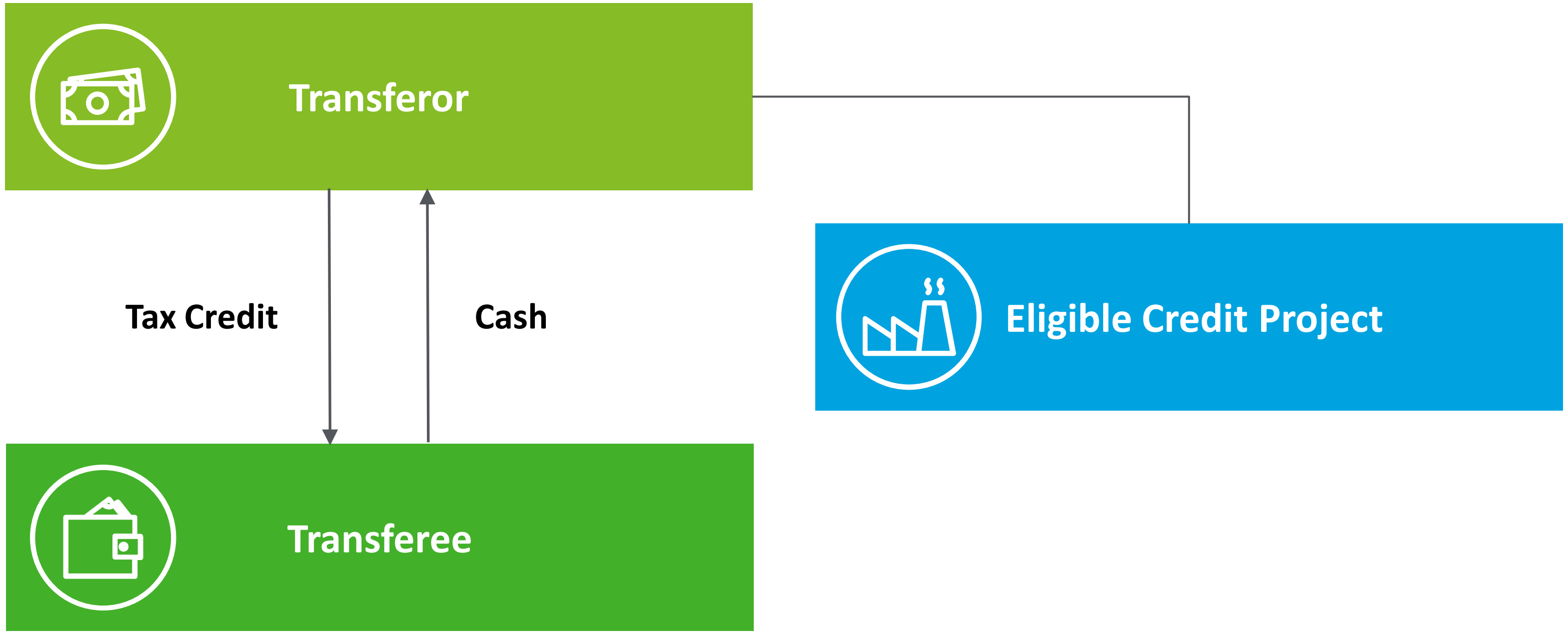
Deloitte.			For Energy Projects Placed in Service Before Calendar 2022	For Energy Projects Placed in Service During Calendar 2022		For Energy Projects Placed in Service After Calendar 2022[1]									
			Section 48 ITC												
	Date Construction Begins	Placed in Service By (Continuity Safe Harbor)	ITC Amount (Phase-Down)	No Phase-Down Percentage	ITC Amount	No Phase-Down Percentage	Without Domestic Content		With Domestic Content[2]		Located Within Energy Community Without Domestic Content[3]		Located Within Energy Community With Domestic Content[2, 3]	
							Base Credit	Bonus Credit	Base Credit	Bonus Credit	Base Credit	Bonus Credit	Base Credit	Bonus Credit
Solar	During Calendar 2016	2022	30%	100%	30%	100%		30%		40%		40%		50%
	During Calendar 2017	2023	30%	100%	30%	100%		30%		40%		40%		50%
	During Calendar 2018	2024	30%	100%	30%	100%		30%		40%		40%		50%
	During Calendar 2019	2025	30%	100%	30%	100%		30%		40%		40%		50%
	During Calendar 2020	2025	26%	100%	30%	100%		30%		40%		40%		50%
	During Calendar 2021	2025	26%	100%	30%	100%		30%		40%		40%		50%
	During Calendar 2022	2026		100%	30%	100%	6.0%	30%	8.0%	40%	8.0%	40%	10%	50%
	During Calendar 2023	2027				100%	6.0%	30%	8.0%	40%	8.0%	40%	10%	50%
	During Calendar 2024	2028				100%	6.0%	30%	8.0%	40%	8.0%	40%	10%	50%
	After Calendar 2024													

Additional Credit Adder for Solar Facilities Placed in Service in Connection with Low-Income Communities[4]	
Qualified Project Located in a Low-Income Community	Qualified Low-Income Residential Building Project or a Qualified Low-Income Economic Benefit Project
Up to an additional 10%	Up to an additional 20%

Transferability

Transferable Tax Credits

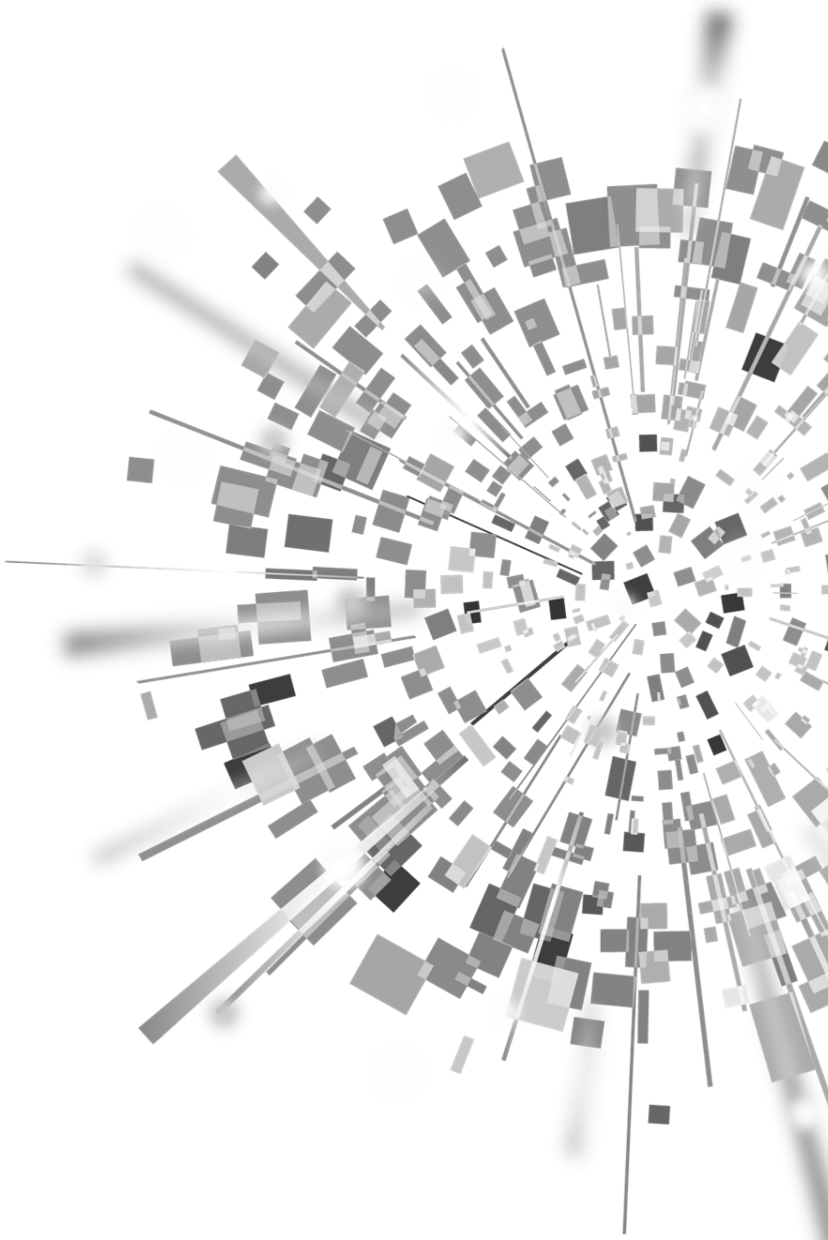
Transferability – Why Now



The Inflation Reduction Act of 2022 (“IRA”) adds a new section 6418 which **<u>for the first time</u>** allows an “eligible taxpayer” to elect to transfer all or any portion of an “eligible credit” to an unrelated taxpayer in exchange for cash.

The transferability period is **<u>now open beginning February 12, 2023.</u>**

Treasury issued proposed and temporary regulations on procedures and rules applicable to transferors and transferees



Transferable Tax Credits

Eligible Credits

- The following IRA credits are eligible for transferability:

Eligible Credits	
Section 30C alternative fuel vehicle refueling property credit	Section 45X advanced manufacturing production credit
Section 45 renewable electricity production tax credit	Section 45Y electricity production credit
Section 45Q carbon oxide sequestration credit	Section 45Z clean fuel production credit
Section 45U zero-emission nuclear power production credit	Section 48 energy investment tax credit
Section 45V clean hydrogen production credit	Section 48C qualifying advanced energy project credit
	Section 48E clean electricity investment credit

- **The following IRA credits are not eligible for transferability:**

Ineligible Credits	
Section 25E previously-owned cleaned vehicles	Section 30D clean vehicle credit
Section 45W qualified commercial vehicles	Section 48D advanced manufacturing investment credit

Transferable Tax Credits

Potential Client Profile

Sell Side (Sponsor)

- Undertaking credit qualifying projects
- Don’t have efficient way to monetize some/all tax credits generated
- Startups

Prefer efficiency over maximizing return

Buy Side (Investor)

- Corporate clients
- Cash taxpayer
- Looking to make a positive impact to the green ecosystem
- Has looked at traditional tax-equity investing

Transferable Tax Credits

How It Works

1

An irrevocable election must be made by the **Transferor** no later than the due date (including extensions) of the original return for the taxable year the eligible credit was generated.

2

The market pricing for eligible credits will likely be influenced by various factors, including, but not limited to:

- the type of eligible credit being transferred,
- quality of diligence supporting the eligible credit,
- credit recapture risks,
- **Transferor's** credit-worthiness, and
- maturity of the technologies generating the eligible credit.

3

The payment must be in cash and is not included in the gross income of the **Transferor** and is not deductible by the **Transferee**.

4

Depending on the accounting policies of the parties involved, as well as other considerations, a tax opinion may be required.

Transferable Tax Credits

Marketplace for Tax Credits

Syndicators | **Brokers** | **Direct Purchase**

Considerations:

- Credit price
- Credit quality
- Indemnities
- Recapture
- Excess credit transfer penalty
- Insurance
- Accounting for sale or purchase

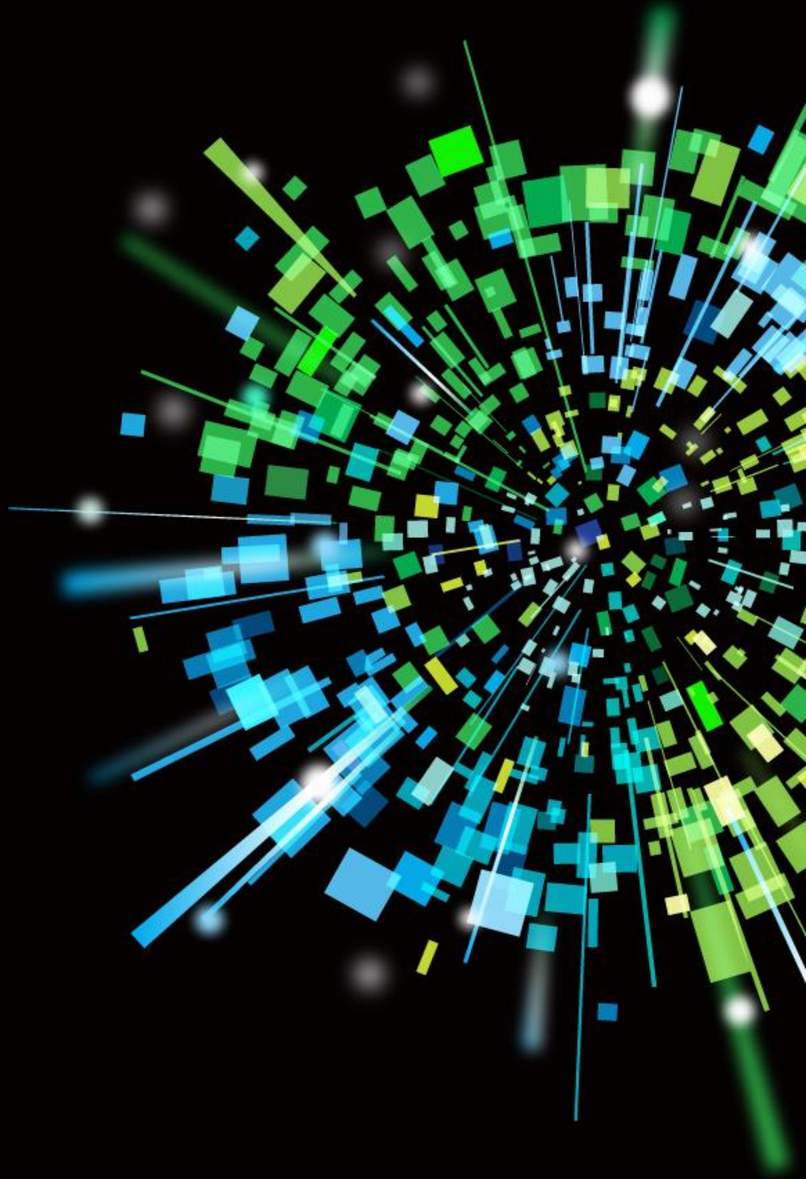
Transferable Tax Credits

Transferability vs. Tax Equity Comparison

Characteristic	Traditional Tax Equity	Transferability
Provides mechanism to monetize tax credits through a market-based approach	☑	☑
Generally available to investors with tax liability that desire to lower their effective tax rate	☑	☑
Requires substantial credit eligibility document/diligence procedures on Investor's behalf	☑	☑
Ability to monetize tax depreciation	☑	
Established market for raising capital on credit eligible programs	☑	
Requires long-term ownership (transferred ITCs retain recapture risk)	☑	
Relatively simple transaction structure, financial accounting, and protection against project operation (excluding recapture & other tax credit risks)		☑
Requires registration process with IRS		☑

Pre-Filing Registration Requirements
Section 6418 Transfer of Certain Credits

Temporary and proposed regulations

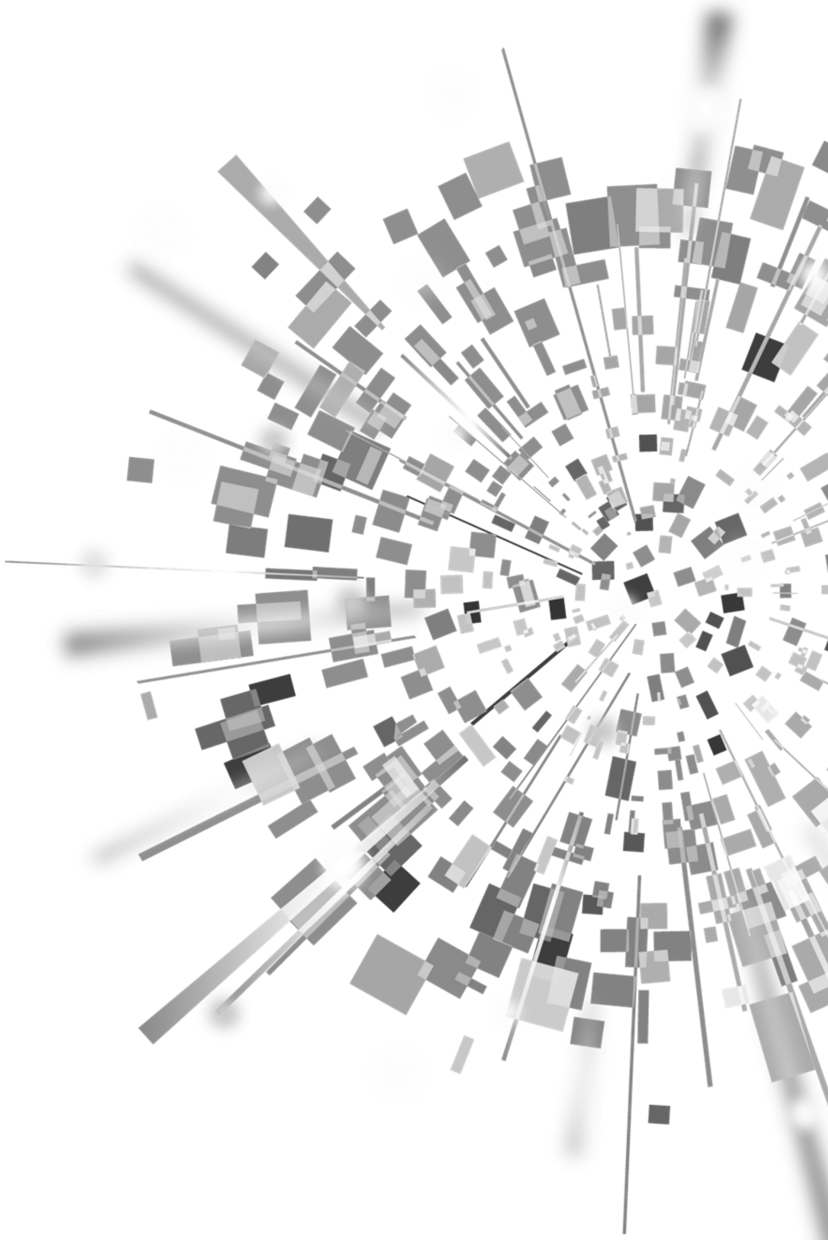


Mandatory Pre-Filing Registration

Applicable for Direct Pay and Transferability

Pre-filing registration by the transferor taxpayer required prior to making a transfer election

1. Electronic registration
   - **Registration will be made on an IRS-administered electronic portal (Coming in late 2023).**
2. Information required to complete the registration
   - **Must provide information about the transferor, the eligible credits, and the eligible credit property, including their address and coordinates (longitude and latitude), supporting documentation, beginning of construction date, and placed in service date.**
3. IRS will review the registration information and issue a separate registration number for each eligible credit property
   - **Registration number is valid for one taxable year. Must renew each year, where applicable.**
   - **Any change in the registration information require renewal or amending the registration.**
4. Each eligible credit property must have its own registration number
5. Transferor and transferee taxpayers must report the registration number on the tax return for the year in which the credit is determined or taken into account.



Section 6418 Transferability

Proposed regulations – Eligible taxpayer and eligible credit

Who can make the transfer election? “eligible taxpayer”

- Any taxpayer that is not an applicable entity under section 6417(d)(1)(A)
- Partnership, S corporation, sole owner of a disregarded entity
- Co-owner of an eligible credit property, i.e., tenancy in common, elect out of Sub K treatment
- Member of a consolidated group

NOT partners, shareholders, or others that do not directly own the eligible credit property or condu qualifying activities

Determining eligible credit for the transfer election

- Does not include any GBC carryforward or carryback, or progress expenditures
- Must be separately determined with respect to each single eligible credit property (unit of property: facility, energy property , or energy project). Election is made on a property-by-propert or qualified facility-by-facility basis.
- Does not include any credits transferred from another taxpayer (i.e., lessee in a lease passthrougl structure, transferee under section 45Q(f)(3)(B))
- Sections 49 and 50(b) apply to limit the amount of eligible credit that can be transferred by a transferor
- **Sections 38(c) and 469 apply to limit the eligible credit that can be claimed by a transferee taxpayer.**

23

Section 6418 Transferability: Proposed regulations

Transferor taxpayer: transfer election and recapture

- To make a valid transfer election, eligible taxpayer files as part of its **original tax** return the following:
  - Appropriate IRS Form for the eligible credit, Form 3800 and a schedule
  - **Transfer election statement (completed by both transferor and transferee)**
    - **must include among others, a representation that the transferor provided required minimum documentation to the transferee**
  - Any other information specified in guidance.

9100 relief for late election to transfer is not available

- May transfer all or a portion of the eligible credit to one or multiple transferees. But cannot separately transfer any bonus amount from the base amount.
- Recapture notification required:
  - Transferor must notify transferee of the occurrence of a recapture and information necessary to calculate the recapture amount
  - Transferee must notify transferor of the recapture amount in order for the transferor to adjust basis of the eligible property

Anti-abuse rule: The transfer election may be disallowed, or recharacterized if principal purpose is to avoid Federal tax liability beyond the intent of section 6418.

Required minimum documentation:

- Information that validates the existence of the credit property
- Documentation substantiating the transferor satisfied the requirements to include any bonus credit amounts
- Evidence of the transferor's qualifying costs, production activities and sales amounts

Must be retained by the transferee as recordkeeping requirement.

Section 6418 Transferability

Proposed regulations- Transferee taxpayer

Transferee Taxpayer

Cash payment

- Paid in cash: cash, check, etc "of immediately available funds"
- Paid during the period beginning first day of the taxable year the eligible credit is determined and ending on the due date for completing a transfer election statement.
- Discount value is not gross income
- Payment is not deductible

Claiming the credit

- May take the eligible credit amount purchased or intended to be purchased into account when calculating estimated tax payments
- Rules relating to the amount of an eligible credit that is allowed to be claimed apply continue to apply (i.e., passive activity rules (section 469) and GBC limitations (section 38))

Recapture/excessive credit transfer

- Transferee is financially responsible for recapture except for certain partnership events
- Must notify the transferor of the recapture amount
- Subject to 20% penalty unless reasonable cause is shown
- Reasonable cause:
  - The extent of the transferee's efforts to determine the eligible credit amount transferred (i.e., review of the transferor's records, reasonable reliance on 3rd party expert reports)

Section 6418 Transferability

Proposed regulations- Application to partnerships

Transferor Partnership

- Cash received is tax exempt income from an investment activity
- Tax exempt income is treated as received or accrued as of the date the credit is determined (i.e., the placed in service date for ITC)
- Partner's distributive share of the tax-exempt income follows such partner's proportionate distributive share of the credit that would have otherwise been allocated
- Special allocation I permitted where less than all eligible credits for an eligible credit property were transferred:
  - the partnership agreement may specially allocate the tax-exempt income and credits retained among partners. HOWEVER, transferred and retained credits allocated to each partner: (i) may not exceed that partner's share of eligible credit determined as if no transfer election were made, AND (ii) must represent each partner's proportionate share of tax-exempt income.
  - No special allocation for upper-tier partnerships.

Transferor partnership not required to notify transferee for following recapture event:

- Disposition of a partner's interest in a transferor partnership
- Any change in the at-risk amounts under section 49 (nonqualified nonrecourse financing) after the placed in service tax year.

Transferee Partnership

- Cash payment is nondeductible expenditure. Partner's distributive share of the transferred credit is based on such partner's distributive share of the nondeductible expenses used to fund the purchase of the credit. Determined pursuant to the partnership agreement, or, if not provided, based on the partnership's general allocation of nondeductible expenses.
- Transferred credit is treated as an extraordinary item and must be allocated among the partners as of the time the transfer is treated as occurring.

Transferable Tax Credits

Utilization Considerations for Various Tax Regimes

Regime	Utilization	Considerations
Corporate Income Tax (CIT) 21% x taxable income	General business tax credits can be utilized to offset up to 75% of the aggregate tax determined under CIT and CAMT for the taxable year. Unused "applicable credits" are carried back 3 years and carried forward 20 years Other unused general business credits are carried back 1 year and carried forward 20 years.	Tax credits more valuable when taxpayer has enough tax capacity to immediately utilize against CIT. Direct pay and/or transferability allow monetization of tax credit when the 75% of aggregate tax limitation has been reached. Direct pay and/or transferability options may result in accounting for credit "above the line" even if credits are utilized to reduce CIT and CAMT.
Corporate Alternative Minimum Tax (CAMT) 15% x adjusted financial statement income (AFSI)	Same rules as CIT. In addition, no credit against CIT for tax assessed and paid under CAMT regime.	Tax credits can be utilized against CAMT. Any book income recognized from direct pay or transferred tax credits is excluded from CAMT determination.
Base Erosion Anti-Abuse Tax (BEAT) 10% or 12.5% x modified taxable income	Only "applicable section 38 credits" may be utilized to offset up to 80% of BEAT through 2025, thereafter no tax credits may be utilized to offset BEAT.	Utilization of tax credits against CIT and CAMT can result higher BEAT with loss of tax credit value • 20% loss before 2026 • 100% loss after 2025
Pillar 2 Top Up Tax 15% global minimum tax based on affiliated group effective rate	Qualified refundable tax credits (QRTCs) are treated as government grants (i.e., an increase in pretax income) while other income tax credits are treated as a reduction in tax liability. Qualified flow-through tax benefits (QFTBs) derived through investments accounted for under the equity method or tax-transparent entities are generally consolidated.	Taxpayers subject to top-up tax under P2 have an incentive to enter into transactions to transfer credit entitlement to taxpayers that are out of scope of P2. Transferable credits appear to fail the definition of a QRTC. Investors in some "flip partnership" structures also appear to fail the definition of a QFTB.

Appendix -

Recent Guidance

Inflation Reduction Act of 2022

Recent Guidance

Prevailing Wage and Apprenticeship

Notice 2022-61 (11/29/22)

- Prevailing wage and apprenticeship guidance
- Applies to IRC sections 30C, 45, 45L, 45Q, 45U, 45V, 45Y, 45Z, 48, 48C, 48E, and 179D
- Establishes **January 28, 2023** as the deadline for the start of construction to be deemed to satisfy labor requirements (IRC 30C, 45, 48, 45L, 45Q, 45V, 179D)
- Provides relevant cross references, definitions, and procedures to comply
- Additional proposed regulations to be issued

Advanced Energy Project Credit

Notice 2023-18 (02/13/23)

Notice 2023-44 (05/31/23)

- Guidance to establish a program to allocate $10 billion ($4 billion of which may only be allocated to projects located in certain energy community census tracts)
- Applies to IRC section 48C qualifying advanced energy projects
- First round allocations of $4 billion with approximately $1.6 billion reserved for projects located in certain energy community
- Provides the general rules for determining the section 48C credit, definitions of qualifying advanced energy projects, and the procedures for allocating the credits

Clean Vehicle Credit

Proposed Regs. IRC 30D (03/31/23)

- Modifies and clarifies definitions and vehicle classifications previously provided in IRS Notices 2023-01 and Notice 2023-16.
- Provides three-step process for determining the percentage of the value of the applicable critical minerals in a battery that contribute toward meeting the Critical Minerals Requirement.
- Provides four-step process for determining the percentage over the value of the battery components in a battery that contributed toward meeting the Battery Components Requirement.
- IRS and Treasury to provide additional guidance defining a “foreign entity of concern” for purposes of determining excluded entities.

Inflation Reduction Act of 2022

Recent Guidance (cont.)

Low-income Community

Notice 2023-17 (02/13/23) &
Proposed Regs. IRC 48(e) (05/31/23)

- Guidance to establish the Low-Income Communities Bonus Credit Program and provide initial guidance for the potential applicants for allocations of calendar year 2023 capacity limitation.
- Applies to the IRC section 48 credit for small wind and solar
- Provides a description of the four statutory facility categories for which an eligible facility may request an allocation, amounts of capacity limitation reserved for each facility category, a general description of the program design and goals, the application review process, and the proposed timeline for opening two 60-day application periods in 2023 based on project categories

Energy Communities

Notice 2023-29 (04/07/23) &
Notice 2023-45 (06/15/23)

- Guidance describing rules that the IRS intends to include in forthcoming proposed regulations for determining what constitutes an energy community for the production and investment tax credits.
- Provides rules establishing certain requirements pertaining to three categories of energy communities: brownfield sites, certain MSAs and non-MSAs based on unemployment rates, and census tracts where a coal mine closed after 1999 or where a coal-fired electric generating unit was retired after 2009 (and directly adjoining census tracts).

Domestic Content

Notice 2023-38 (05/12/23)

- Domestic content guidance
- Guidance describing rules that the IRS intends to include in forthcoming proposed regulations regarding the domestic content bonus credit requirements and related recordkeeping and certification requirements.
- Establishes a safe harbor regarding the classification of certain components in representative types of qualified facilities, energy projects, or energy storage technologies.

Inflation Reduction Act of 2022

Recent Guidance (cont.)

Qualified Manufacturer

Rev. Proc. 2022-42 (12/12/22)

- Procedures for manufacturers and sellers of clean vehicles
- Applies to IRC section 25E, 30D and 45W
- Establish a written agreement with the IRS to be treated as a “qualified manufacturer”
- Provide periodic written reports containing specified information related to each clean vehicle manufactured

Commercial Clean Vehicle

Notice 2023-9 (12/29/22)

- Guidance informing taxpayers that IRS has reviewed the incremental cost of all street vehicles for calendar 2023
- Applies to IRC section 45W
- All street vehicles (other than compact car PHEVs) that have a gross vehicle weight rating of less than 14,000 pounds will be greater than $7,500
- Establishes safe harbor for a taxpayer’s use of the incremental cost published in the DOE analysis for the appropriate class of street vehicle for vehicles placed in service in 2023 including compact car PHEVs and vehicles that have a gross vehicle weight rating of 14,000 pounds or more.

Energy Efficient Commercial Building

Announcement 2023-1 (12/23/22)

- Notifies taxpayers of the applicable reference standard required to be used to determine the amount of the energy efficient commercial building deduction.
- Applies to IRC section 179D

Placed in Service	Applicable Reference
Before calendar 2015	ASHRAE 90.1-2001
Between 1/1/2015 and 12/31/2026*	ASHRAE 90.1-2007
After 12/31/2026*	ASHRAE 90.1-2019

*Taxpayers who begin construction before 1/1/2023 may apply ASHRAE 90.1-2007, regardless of when building is placed in service.

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