



# Leveraging Direct Pay in Rhode Island: Additional Resources + FAQ

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## Direct Pay 101 from the [Marin Community Foundation](#):

### OVERVIEW

New tax credits available through the Inflation Reduction Act (IRA) provide an unprecedented opportunity for communities across America to unlock clean energy financing. Through a provision known as “direct pay,” tax-exempt entities – such as schools, local governments, and nonprofit organizations – can take a lead role in the development and deployment of clean energy projects to enhance resilience, reduce energy costs, and improve community health. The technologies eligible are not new, but the ability of tax-exempt entities to access directly (rather than via transferring a credit) is a new process.

### WHAT IS DIRECT PAY?

The IRA offers tax credits for investment in a range of clean energy and energy efficiency technologies, including solar and battery storage. Previously, only tax-liable entities like private energy project developers had been able to take advantage of such credits in the form of a reduced tax obligation. But with the IRA’s establishment of direct pay, entities that don’t owe federal income tax can receive the same benefit in the form of a direct cash payment from the IRS. In effect, direct pay thus functions as a rebate that is paid after a project is placed into service.

One valuable feature of direct pay is that eligible entities can be certain that they will be able to claim reimbursement if program requirements are met. This is in contrast to competitive financing or grant programs, in which interest may exceed available funds. Funding for federal tax incentives is unlimited; anyone who files and meets relevant requirements will be reimbursed. Those using direct pay will receive a cash payment from the IRS.

### HOW MUCH ARE IRA CLEAN ENERGY TAX CREDITS WORTH?

Base tax credits are worth 30% of a project’s total cost. Bonus credits can be stacked to bring the total value of the tax credits to 70% of project costs.

- Base credit (30%): For development and installation of clean energy projects.
- Domestic content (10%): For use of domestically-produced materials.
- Energy communities (10%): For projects in communities most affected by the energy transition. [See map](#) for eligibility.
- Low-income or Tribal communities (10-20%): [For projects located in low-income or Tribal communities](#) (10%) and on affordable residential housing or part of a qualified economic benefit project in low-income communities (20%). (Note: this is a competitive tax credit.)

These credits can also be stacked with other incentives from your state or local governments, or utility company.

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## WHO CAN USE DIRECT PAY?

- Governmental entities, such as state, Tribal, and local governments, school districts, water districts, libraries, and public universities
- Nonprofit organizations that are registered as a 501(c)(3), such as schools, universities, hospitals, and houses of worship
- Other entities exempt from taxation under section 501(a) of the tax code

The tax-exempt entity must own the newly installed or upgraded energy technology to be eligible for direct pay. For example, for a nonprofit to claim tax credits for installation of rooftop solar on its building, the nonprofit must own the solar panels (rather than the solar developer, as is common in solar power purchase agreements).

Tax-liable entities—such as individual homeowners, landlords, and private energy project developers—do not need to use direct pay to access IRA clean energy tax credits. In the above example, if the nonprofit rents from a landlord that owns both the building and newly installed solar panels, the nonprofit would be unable to claim tax credits. Rather, the landlord would claim the tax credits directly. Tax-liable property owners and renters can use the [Rewiring America Incentive Calculator](#) to navigate residential and incentives.

## WHAT PROJECTS DO IRA TAX CREDITS FUND?

A [wide range](#) of clean energy technologies are eligible, including:

- Solar energy
- Energy storage
- Clean vehicles
- Electric vehicle charging infrastructure
- Geothermal energy

## Resources from [Lawyers for Good Government](#)

Worksheets & Maps for Identifying Eligible Projects:

- [Electric Vehicle Purchases](#)
- [Electric Vehicle Infrastructure](#) (non-urban and low income only)
- EV Infrastructure - [30C Tax Credit Eligibility Locator Map](#) from DOE
- [ITC/PTC Projects](#)

Annotated Tax Forms:

- [Form 3468](#) - Section 48/Investment Tax Credit (ITC) - from GFOA & L4GG
- [Form 8936](#) & [Schedule A](#) - Section 45W/EV purchases - from Electrification Coalition
- [Form 8911 & Worksheet 1](#) - Section 30C/EV infrastructure - from Electrification Coalition
- [Form 3800](#) - General Business Income - from GFOA & L4GG
- [Form 990-T](#) - Exempt Org. Business Tax Return - from GFOA & L4GG

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## Fact Sheets:

- [Low-Income Communities Bonus \(LICB\) 2024 Fact Sheet](#)
  - [Energy.gov LICB Program Home, LICB Dashboard](#), and [2024 DOE webinar](#)
  - 2024 Program Year applications open as of May 28, 2024 (9am ET)
  - 2023 Program Year applications opened 10/19/23, closed 2/29/24
- [Prevailing Wage & Apprenticeship \(PWA\) Requirements Fact Sheet](#)
- [“Am I a First-Time Filer?” Fact Sheet](#)
- [ITC-Eligible Renewable Energy Generation Projects Fact Sheet](#)

## Additional Resources

### General

- [Climate Portal's Project Finance Hub + Technical Assistance directory](#) (registration required but free)
- [Center for Public Enterprise: Model for Direct Pay projects](#)
- White House [Direct Pay Overview](#)
- CPC Center [Direct Pay Resource List](#)
- Lawyers For Good Government (L4GG) [Elective Pay and IRA Tax Incentives Resources Page](#)
- L4GG [Clean Energy Tax Navigator](#)
- BlueGreen Alliance [Making Clean Energy Tax Credits Deliver for the Public: A User Guide for Governments, Schools, and Nonprofits](#)
- Climate United's [Guide to Direct Pay + Tax Financing](#)
- Environmental and Energy Study Institute [Two Pager on Direct Pay](#)

### Schools

- Undaunted K12 [Schools and the IRA](#) including [5 Actions to Get Started](#)
- Undaunted K12 [Webinar on Schools and Direct Pay](#)
- Undaunted K12 [Fort River Elementary and the IRA: A Case Study](#)
- IRS [Fact Sheet on Schools and Direct Pay](#)
- Article in EdWeek: [Schools Can Use These Little-Known, Unlimited Funds...](#)
- BlueGreen Alliance [Three Pager on Schools and Direct Pay](#)
- Massachusetts Green Building Authority [Webinar on Schools and Direct Pay](#)

### State & Local Governments

- Congressional Progressive Caucus Center and Local Progress Impact Lab: [Cash for Communities: Leveraging Historic Federal Funds for Racial, Economic, and Climate Justice](#)
- Center on Budget & Policy Priorities: [States' Key Role in Ensuring Direct Pay Benefits Low Income Communities](#)

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- National League of Cities: [How Local Governments Can Use Direct Pay on Clean Energy Projects](#)
- Center for American Progress: [Key Role of States in Unlocking Direct Pay for Clean Energy](#)

Nonprofits and community-based organizations

- Clean Energy Group: [What Nonprofits Need to Know When Applying for Direct Pay](#)
- Interfaith Power & Light: [Direct Pay for Houses of Worship](#)
- Energy Tax Savers [Webinar on IRA Clean Energy Tax Credits](#)

## Case Studies

- [Advent Health](#), Altamonte Springs, FL
- [Boston Medical Center](#), Boston, MA
- [Ohio Health](#), Mansfield, OH
- [Valley Children’s Hospital](#), Madera, CA
- [UndauntedK12’s map of schools](#) pursuing IRA-supported projects and [5 school districts](#) implementing projects

## Frequently Asked Questions

QUESTION: The eligible projects listed for direct pay focus on electrification and renewable energy expansion, but I thought IRA tax credits were supposed to include incentives for energy efficiency improvements (such as upgrading street lighting to LED). Are energy efficiency projects eligible for Direct Pay?

- L4GG ANSWER: Energy efficiency upgrades are not eligible for direct pay. Specifically energy efficiency tax credits under Section 179D are not allowed to be claimed by applicable (tax exempt) entities for direct pay. In cases where the “energy efficient commercial building property” is installed on or in property owned by a federal, state, or local governmental entity or a specified tax-exempt entity (e.g., non-profits), those entities may be able to allocate their deduction to the “designer” of the property and work with the contractor to pass the cost-savings onto the public owner of the building.

QUESTION: Can only one type of tax credit (PTC, ITC, etc.) be applied for in each year’s tax return filing?

- L4GG ANSWER: Only one type of tax credit is available per eligible project. However, multiple projects can be included in the same annual tax filing. For each individual project, you can only select/claim one credit (either ITC or PTC). For example: On a single solar project, you can only claim ITC or PTC on that project

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QUESTION: Where can we find the rules about these tax credits?

- <https://www.irs.gov/credits-deductions/elective-pay-and-transferability>

QUESTION: where do I pre-register for my school project?

- <https://www.undauntedk12.org/ourwork/irs-launches-elective-pay-pre-filing-portal>

QUESTION: Where can I find information for my church, synagogue or mosque?

- <https://interfaithpowerandlight.org/coolcongregations/resources-2/>

QUESTION: How do I know when to file? What is the timeline?

- L4GG A: For election pay filings, the filing date is typically 4.5 months after the close of your taxable year (May 15th if you're on the calendar year). You would make the election on your return for the tax year in which you placed your credit property into service (e.g., if you place an EV into service in 2023, and if you're on the calendar year, you would file your return and make the election by May 15th, 2024, if you don't extend, or by Nov 15, 2024, if you use the automatic 6-month extension for first-time filing government entities).
- From UndauntedK12:
  - Place eligible clean energy equipment into service
  - Complete a pre-filing registration using the IRS' Elective Pay portal to receive a registration number for the eligible equipment
  - File Form 990-T using the registration number provided
  - Receive payment from the IRS after submission is approved

QUESTION: How do I pre-register my project?

- See the IRS' guide to pre-registration portal (with screenshots) here:  
<https://www.irs.gov/pub/irs-pdf/p5884.pdf>

QUESTION: If projects are smaller than 1 MW, do they need to meet the PWA requirements for the full 30% base credit?

- A: If the project is less than 1 MW, it does not need to satisfy PWA in order to qualify for the 30% base credit. Projects over 1 MW do have to meet this requirement, otherwise the incentive is 6% as opposed to 30% of project cost.

QUESTION: Where do I get started?

- Convene partners to understand what projects you're looking to build and what pathways and incentives would be most relevant
- Start with what is already in motion – are you installing clean energy technologies? Converting a vehicle fleet? Interested in vehicle chargers?
- Reach out to partners working in your target area or sector to identify common priorities

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QUESTION: Where can I get help for my community/project?

- Visit the [Climate Portal's technical assistance directory](#)
- For legal and technical assistance, Lawyers for Good Government supports legal and technical assistance via [their intake form](#)
- Congressional Progressive Caucus Center supports technical assistance and resource sharing through their [intake process](#)
- National Renewable Energy Lab maintains [resources](#) for peer to peer learning and more in depth collaboration

QUESTION: Where should I look for capital funding?

- Look at the [Rhode Island Infrastructure Bank's programs and offerings](#)
- Reach out to your local community development financial institution and/or credit union to learn about their financing options for clean energy projects. CDFI locator map [here](#). Credit unions (members of [Inclusiv, a GGRF awardee](#)) map [here](#).

## New England Examples

- Providence's [Climate Jobs City resolution](#)
- Providence's [Carbon Neutral Buildings Ordinance](#)

*Additional FYI note for New England stakeholders: A few months ago, the Environmental Protection Agency selected Health Resources in Action (HRiA) to implement the [Environmental Justice Thriving Communities Grantmaking program \(TCGM\)](#) for New England, in partnership with Alternatives for Community & Environment, Inc. (ACE) and New England Grassroots Environmental Fund (Grassroots Fund). This opportunity seeks to seed and build deeper capacity for a sustainable environmental justice movement to address environmental hazards, climate resiliency, and energy justice, and build livable and healthy communities. This funding, which includes \$40 million in grants over three years, comes as an effort by the Biden-Harris Administration to strip away traditional barriers communities have faced in applying for federal grants. [The project team is seeking nominations for anchor organization designation and a Governance Council](#). To receive updates about this initiative, [sign up here](#).*