

# Inflation Reduction Act

High-Level Takeaways:

1. Increases term and value of tax credits for many distributed generation technologies
2. Provides eligibility to solar assets for PTC and stand-alone storage assets for ITC
3. Introduces adders to increase the tax incentive eligibility of projects that qualify
4. Establishes direct pay and transferability mechanisms to recognize tax incentives with cash (applies only in limited circumstances)
5. Tax credits transition to a tech agnostic policy in 2025 for projects for which GHG emissions are  $\leq 0$

## NEW EQUIPMENT ELIGIBLE FOR ITC



Battery Storage  
(5 kWh minimum)



Microgrid  
Controllers



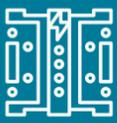
Interconnection  
Property

### Microgrid Controller ITC Qualifications

Must be designed and used to monitor and control microgrid energy resources and loads

Must be part of a qualified microgrid:  
 - minimum 4kW, max 20 MW capacity  
 - grid tied  
 - islandable  
 - not part of a bulk-power system

## ITC EXTENSION OF OTHER DISTRIBUTED GENERATION TECHNOLOGIES



Fuel Cells



Combined  
Heat + Power



Commercial  
EVs



EVCS



Microturbines\*  
\*10% maximum ITC eligibility

To be eligible for full tax credit value, projects must comply with wages + apprenticeship (W+A) requirements. Projects meeting certain requirements may be eligible for an additional 10% or 20% credit.

## ITC/PTC SCHEDULE

Schedule		ITC (% of eligible capex)		PTC* (cents per kWh)		
Year	Extension	Base Rate	W+A Compliant	Base Rate	W+A Compliant	
2022-32	100%	6%	30%	0.30	1.50	*PTC adjusts with inflation
2033	100%	6%	30%	0.30	1.50	
2034	75%	5%	23%	0.23	1.13	
2035	50%	3%	15%	0.15	0.75	
2036	0%	0%	0%	0.00	0.00	

### WAGES

Laborers and mechanics during the applicable tax credit period must be paid wages at rates not less than the prevailing rates as determined by the Secretary of Labor. (5 yrs for ITC, 10 yrs for PTC)

### APPRENTICESHIP

A percentage of total construction labor must be performed by participants of a registered apprentice program.

## TAX CREDIT ADDERS

<b>Domestic Content</b>	Steel, iron or manufactured products made in USA	+10% to ITC/PTC
<b>Energy Community</b>	Brownfield sites, or areas w/significant relationship to fossil fuels	+10% to ITC/PTC
<b>Low Income Community</b>	Low-income communities or Indian lands Low-income residential buildings or low-income economic benefit project	+10% to ITC +20% to ITC

### DIRECT PAY

Allows tax-except and government entities to receive ITC as a cash refund on their tax return from the IRS

### TRANSFERABILITY

Allows tax credits for projects meeting certain criteria to be sold for cash to a third party but does not allow the transfer of depreciation benefits

### Implications of Tax-Exempt Financing

For facilities financed with tax exempt bonds, the credit amount would be reduced by the lesser of:

15% or

The fraction tax exempt over the total funding used to finance the project

For full bill details and language, visit: <https://www.congress.gov/bill/117th-congress/house-bill/5376>

**Disclaimer:** The Inflation Reduction Act (IRA) includes various caps, additional requirements, and deadlines to qualify for Investment Tax Credits (ITC) or Production Tax Credits (PTC). Implementation of the IRA is subject to IRS interpretation and rulemaking; the IRS has not yet released rules or guidelines for implementation. Scale Microgrid Solutions does not provide legal, tax, or accounting advice; please contact your legal, accounting, and tax professionals for interpretation of the IRA as it relates to your specific circumstances. Please contact us for more details.