



PUBLIC SECTOR SERVICES

Navigating Tax Credits in the 2022 Inflation Reduction Act

New Tax Credits for Governments and Non-profits

On August 16, 2022, President Biden signed the Inflation Reduction Act (IRA) into law. The IRA expands, extends and establishes new tax incentives to advance the clean energy initiatives within public sector agencies. The IRA extends these incentives to entities that generally do not benefit from income tax credits, such as state, local and tribal governments and other tax-exempt entities. The IRA law does this through a direct-pay mechanism so that these entities may be able to directly access many of the incentives.

Beginning in 2023, this new direct-pay option, allows public agencies, like, state and local municipalities, school districts and municipal utilities public entities to be able to apply for and receive a refund equal to the amount of the credit rather than receiving a tax credit like a typical individual taxpayer. Many of these can be received as direct pay, meaning that an entity can claim the full amount even if its tax liability is less than the credit.

Credit	Examples and Description
Alternative Fuel Vehicle Refueling Property	Charging stations for electrified bus fleets or other property used to store or dispense clean-burning fuels
Electricity Produced from Certain Renewable Resources	Non-profit groups put solar panels on the roofs of their buildings and help rural energy collectives invest in renewables
Carbon Oxide Sequestration	State and local government initiatives involving the sequestration of any carbon oxide emissions are eligible for direct payment
Zero-emission Nuclear Power Production	Credits are available for both existing nuclear power plants as well as newly deployed plants
Clean Hydrogen Production	Retrofit or new facilities are eligible for direct pay credits based off the carbon intensity and volume of hydrogen production
Qualified Commercial Clean Vehicles	Electrify public schools and municipal public transit provider bus fleets and central fleet vehicles
Clean Electricity Production	A technology-neutral credit for any electricity generation with zero greenhouse gas emissions
Clean Fuel Production	Applies to the production of sustainable aviation and non-aviation fuels
Advanced Energy Projects	Any re-equipping, expansion or creation of facilities to reduce greenhouse gas emissions or to produce or recycle clean energy equipment and vehicles
Clean Electricity Investment	Any investment in electricity-generating facilities that produce no greenhouse gas emissions

What This Could Mean for Your Budget



Transit: Claim up to 30 percent of the cost of qualified commercial clean vehicles as a direct payment, and an additional six percent property tax credit when investing in qualified alternative fuel/refueling programs.



Energy: Investments in qualified clean energy generation and storage facilities placed into service after December 31, 2024, may be eligible for a six percent credit, while production of clean electricity may qualify for an additional credit of 0.3 cents/kWh.



Utilities: Investments to increase the energy efficiency of wastewater treatment facilities or to add photovoltaic power to support operations may qualify for a credit of six percent.



Workforce: Projects and investments meeting prevailing wage and apprenticeship criteria may also qualify for a five times credit multiplier, heightening the total credit to 30 percent of the investment in many areas.

How A&M Can Help

A&M's experienced tax and government consultants have a deep understanding of infrastructure funding issues facing governments and school districts. Our seasoned consultants can assist you in the review of your agency's capital improvement plans to identify potential projects that may be eligible for the IRA tax incentive funding. Specifically, A&M can analyze expenses and identify refundable credit opportunities. Then, we can assist in the application and negotiation process with the U.S. Treasury to obtain the funds.

Additionally, we can help you manage the capital project implementation and funds management with other federal and state grant funds. Our consulting team has worked with both public and private agencies with tax incentive programs and federal grant reporting with a proven track record.

How State and Local Governments Can Navigate the IRA Credits



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A&M believes in state and local government's ability to empower people to live their best life. Our team leaders are recognized experts in person-centered practices; these values are instilled across our staff. Unlike traditional consulting firms focused only on reporting and making recommendations, A&M partners with state agencies to plan, implement, execute, evaluate and refine. We build a stronger and sustainable foundation for state government to have a positive and meaningful impact on the lives of its constituents. Additionally, we can help you manage the capital project implementation and funds management with other federal and state grant funds. Our consulting team has worked with both public and private agencies with tax incentive programs and federal grant reporting with a proven track record.

A&M has an established purchasing contract with OMNIA Partners. OMNIA Partners is the largest and most trusted cooperative purchasing organization for public sector procurement. A&M is participating member of OMNIA's purchasing cooperative through Fairfax County, VA Contract No. 4400005869.

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