

# Inflation Reduction Act's Elective Pay Fact Sheet and Guide

## **Fact Sheet**

**Agency:** U.S. Internal Revenue Service (IRS)

**Category:** Environmental Tax Credits

**Eligible Applicants:** [Per the IRS](#), eligible applicants include tax-exempt organizations, States, and political subdivisions such as local governments, Indian tribal governments, Alaska Native Corporations, the Tennessee Valley Authority, rural electric co-operatives, U.S. territories and their political subdivisions, and agencies and instrumentalities of state, local, tribal, and U.S. territorial governments.

**Total IRA Funding:** N/A. Total Elective pay-eligible tax credits are uncapped.

**Overview:** The Inflation Reduction Act of 2022 (IRA) provides elective pay (often called “direct pay”) provisions for clean energy technologies. Tax-exempt and government entities will be able to receive a payment equal to the full value of tax credits for qualifying clean energy projects, including work to expand EVs/EV charging, clean energy generation, and housing/commercial building efficiency.

**FY25: Grant Funding:** N/A

**Match Requirements:** N/A. Elective pay reimburses eligible applicants for a portion of their investment in clean energy. The credit amount varies [by tax provision](#).

**Key Dates:** Tax-exempt entities and governments must first pre-register with the Internal Revenue Service (IRS) no earlier than the start of the year in which they intend to earn the credit and at least 120 days before the due date for that year’s tax return.

The [deadlines](#) to file a tax return can be February 15, May 15, or November 15, depending on each city’s fiscal year. This is November 15 for most tax-exempt and governmental entities. Pre-registering and filing a tax return are prerequisites for receiving payment.

The recently-enacted One Big, Beautiful Bill Act maintains Elective Pay but accelerates the phase out of certain tax credits. Key provisions are listed below and a detailed breakdown is available from the [Sabin Center for Climate Change Law](#).

- Solar and wind projects should begin construction within one year of OBBB enactment or be placed into service by the end of 2027 in order to receive the Investment Tax Credit (48E) and Production Tax Credit (45Y).

- The timeline for other clean energy projects such as geothermal, hydropower, nuclear and battery storage has increased; the investment and production tax credits are retained through 2033, with phase out beginning in 2036.
- Clean commercial vehicles (45W) must be acquired by September 30, 2025.
- Property for alternative fuel charging (30C) must be placed into service by June 30, 2026.
- Supply chain requirements related to Foreign Entities of Concern will apply to 48E and 45Y projects that begin construction after Dec. 31, 2025.

**Key Funding Criteria:** Criteria for receiving funding vary by [tax provision](#).

**Additional Funding Opportunities:** Additional tax credits, also called bonuses, are available for qualifying energy projects. Several [tax credits](#) increase by 10 percent or percentage points if projects are located in energy communities.

**Eligible Activities:** Tax-exempt and government entities can use elective pay for twelve tax credits provided by the IRA. These tax provisions address energy generation and carbon capture, manufacturing, vehicles, and fuels. Eligible projects include clean energy generation, battery storage, community solar projects, electric vehicle (EV) charging infrastructure, and purchasing clean vehicles for state or municipal fleets. Criteria for receiving funding vary by [tax provision](#).

**Additional Information:** Additional program information is available on the [IRS](#) website and [Publication 5817](#). Information on the tax provisions eligible for elective pay is available via [Publication 5817-G](#).

## **Comprehensive guide**

The Local Infrastructure Hub has developed a [comprehensive guide](#) designed to help cities navigate the **Inflation Reduction Act's Elective Pay provision**, which allows non-taxable entities to receive direct payments in lieu of tax credits for investments in clean energy projects.

The materials provide practical guidance to help cities apply for IRA Elective Pay, including how to file for tax credits, coordinate across agencies, and maximize financial and community benefits. It is especially useful for cities with completed or in-progress projects in areas such as clean energy generation, battery storage, EV charging, or zero-emission vehicles.

### **Topics covered**

Click the section titles below to view materials covering each topic.

1. **[Understand the Tax Credits](#)**: An overview of key Inflation Reduction Act (IRA) tax credits, including the Investment Tax Credit (ITC), Production Tax Credit (PTC), Clean Commercial Vehicle Credit, and Refueling Station Credit. Includes how these credits can be leveraged to advance local clean energy and infrastructure goals.
2. **[Pre-Filing & Filing Process](#)**: Overview of the steps of the Elective Pay process—from IRS registration and submission timelines to required forms and documentation to prepare accurate, compliant filings and avoid common administrative pitfalls.
3. **[Collaborate with Internal Stakeholders](#)**: How to build buy-in from internal teams, including legal, finance, and leadership; learn how to coordinate effectively, gather necessary authorizations, and streamline internal decision-making for smooth, timely filings.
4. **[Compliance & Procurement](#)**: Overview of key compliance requirements, including foreign entity restrictions, “beginning of construction” rules, and procurement guidelines, to maintain eligibility and document compliance across all project phases.
5. **[Strategy & Case Studies](#)**: Insights into strategies to maximize tax credit value through effective project structuring and funding alignment. Includes how to stack complementary financing sources and apply lessons from successful clean energy projects.
6. **[Tools & Resources](#)**: A curated list of mapping tools, filing resources, and FAQs to help cities prepare complete, compliant, and well-documented Elective Pay filings.

Explore more resources at <https://www.nlc.org/initiative/local-infrastructure-hub-initiative/>

*The Local Infrastructure Hub was a US-focused, nationwide program that helped city leaders connect with resources and expert advice to access and implement federal infrastructure funding from July 2022 to March 2026. This resource was created in February 2026 and is intended to be used as a general guide to apply for the IRA Elective Pay.*

