

Local Infrastructure Hub:

IRA Elective Pay

Updated: February 2026

How to Use This Presentation

This presentation is designed to help cities successfully 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.

It provides 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. The resource 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.

What You'll Learn

(Click a topic to go to that section)

1. **Understand the Tax Credits**: Get an overview of the Inflation Reduction Act (IRA) tax credits, including the investment tax credit (ITC), production tax credit (PTC), clean commercial vehicle credit, and refueling station credit.
1. **Pre-Filing & Filing Process**: Learn the steps of the Elective Pay filing process—from IRS registration and timelines to required forms and documentation.
1. **Collaborate with Internal Stakeholders**: Discover how to build buy-in from internal teams (legal, finance, and leadership) and manage the authorizations needed for filing.
1. **Compliance & Procurement**: Understand foreign entity restrictions, construction start rules, and other key compliance and procurement guidelines.
1. **Strategy & Case Studies**: Explore approaches to maximize tax credit value, stack funding sources, and optimize financing strategies for clean energy projects.
1. **Tools & Resources**: Access templates, examples, and references to help you prepare a complete, compliant filing package.

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.



1. Understanding the Tax Credits

A video recording of this section is available [here](#)

Elective Pay Overview

Elective Pay (also called “Direct Pay”) allows tax-exempt eligible entities (e.g. states, local governments, nonprofits) to get direct payments from the IRS for clean energy tax credits by filing tax forms

What’s all the fuss about?

- Tax credits account for 70% of IRA’s ~\$400b in climate funding
- Some credits available through 2032 (at least)
- Uncapped
- Covers diverse technologies

Common Projects:

- Rooftop solar
- Wind turbines
- Electric vehicle charging infrastructure
- Battery storage
- Ground source heat pumps
→(heat-exchange coils must be buried underground)

***Reimbursement 30% to 70% cost of clean energy
and clean vehicles projects***

Things to Keep in Mind

Need to Own Project - No Partnerships

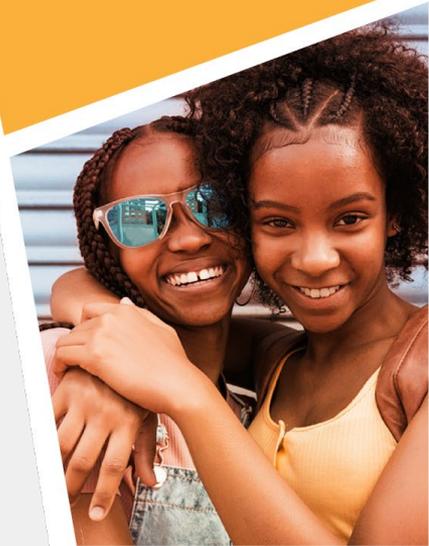
No Excess Benefit Rule: Capital stacking (combining multiple funding sources) is great, but cannot make more than project cost if you stack a restricted grant with elective pay.

Administrative Processes: Keep records for 7 years, including substantiating documents used for pre-filing registration.

Bonus Adders: Can increase the available credit amount if certain additional requirements are met.

- Multiple bonus adders are available.
- Bonus adders can be “stacked” (i.e. multiple adders can be used with a single credit).

H.R. 1 Overview



H.R. 1 Overview - Updates to Tax Credits

- H.R.1 made **major changes** to the credits and availability timelines:
 - **Wind & Solar** (Sections 45Y & 48E clean electricity production and investment tax credits):
 - If construction begins on or after July 4, 2026, energy property must be placed in service **before the end of 2027**. Possible Prohibited Foreign Entity restrictions.
 - Leased or rented solar water heaters and small wind property are made ineligible for the credits.
 - **Electric Vehicles:** Must acquire by **September 30, 2025**.
 - Entity must have a binding written contract to purchase *and* a nominal payment made
 - **Electric Vehicle Charging:** Must place in service by **June 30, 2026**.
 - **Geothermal & Energy Storage:** Begin construction by the end of **2033**. Future Prohibited Foreign Entity restrictions.

H.R. 1 Overview Continued

- H.R. 1 added complex and burdensome [Prohibited Foreign Entity \(“PFE”\) restrictions](#) to many of the credits.
 - Most restrictions apply to Sections 48E, 45Y, & 45X.
 - Includes, but is not limited to, the following: wind, solar, energy storage, and geothermal.
 - PFE restrictions discussed in greater detail in the next section.
- H.R. 1 did **NOT** change:
 - Elective Pay
 - Prevailing wage & apprenticeship bonus rules
 - Low Income Community Bonus
 - Credit for ground-source heat pumps (Section 48)

Updated Credit Timeline Post H.R. 1

**Geothermal, hydropower, and energy storage retain the original “begin construction” standard with a phase-out schedule beginning in 2034.*

**Ground-source heat pumps through 2034.*



Impacts in Practice

- Complex Requirements: multi-layered Prohibited Foreign Entity (“PFE”) rules, including a rule about materials sourced from foreign entities that begin construction after the end of 2025. Other PFE rules may apply in 2025.
 - PFE rules DO NOT apply to EV (45W), EV Chargers (30C), & ground source heat pumps (48)
- Placed in service by 2027 for wind and solar (45Y & 48E) projects that begin construction after July 4, 2026
- For wind and solar, need to begin construction QUICKLY
- Full Repeal of EV & EV Chargers

Ramifications of OBBBA on Electric Vehicle (EV) and Electric Vehicle Supply Equipment (EVSE)

- Accelerated timeline for tax credit retirement
- Simple next step – make your purchases *now!*



Source: [Electrification Coalition](#)



Vehicle Electrification Elective Pay Credits

| Tax Credit | Who's It For? | Eligible Project | Changes Under OBBBA |
|---|--|--|---|
| Commercial Clean Vehicle Credit (45W) | Fleet operators (both public and private) | Purchase and deployment of a light-, medium-, or heavy-duty EV | Vehicle must be purchased and a nominal down payment made by Sept 30, 2025 |
| New Clean Vehicle Credit (30D) | Individual consumer | Purchase of new, qualified EV. Up to \$7,500 | Vehicle must be purchased and a nominal down payment made by Sept 30, 2025 |
| Used Clean Vehicle Credit (25E) | Individual consumer | Purchase of used, qualified EV. Up to \$4,000 or 30% of vehicle price | Vehicle must be purchased and a nominal down payment made by Sept 30, 2025 |
| Alternative Fuel Vehicle Property Tax Credit (30C) | Consumers, fleets, and prospective charging site hosts | Residential charging or public EV charging infrastructure placed in rural or underserved communities | Charging infrastructure must be placed into service by June 30, 2026 |

Source: [Electrification Coalition](#)

45W - Vehicle Credit

- Up to \$7,500 back for light-duty vehicles (under 14,000 pounds gross vehicle weight rating (GVWR))
- The lesser cost of 30% of the base price or \$40,000 for medium and heavy-duty vehicles (>14,000 pounds GVWR)
 - *ex. if you buy a \$100,000 EV, you get \$30,000 (not \$40,000)*
- Plug-in hybrids are eligible for half of the credit if they have:
 - A battery capacity of at least 7 kWh if the GVWR is <14,000 lbs
 - A battery capacity of at least 15 kWh if the GVWR is >14,000 lbs

****No requirements relating to critical minerals or domestic sourcing****

****Must have a Vehicle Identification Number (VIN) to claim credit****

Source: [Commercial Clean Vehicle Credit](#)



Leasing vs. Owning

Generally, if...

- (1) the property is expected to have little or no economic value at the end of the lease
- (2) the lessee is guaranteed to acquire title at the end of the lease (or can acquire title to the property for a nominal amount at the end of the lease)
- (3) the terms of the lease effectively isolate the lessor from any economic risk

Then, there is strong argument in favor of *treating the lessee as the owner* for purposes of claiming elective pay under the IRA.

Example of 45W Project

City of Oranges purchases 5 fully electric Ford F-150 Lightnings for \$58,000 each with city funding.

City of Oranges placed all 5 Lightnings into service in 2024. They confirm that the vehicles weigh <14,000 pounds, qualifying them for \$7,500 per vehicle.

City of Oranges pre-files their projects and submits their elective pay forms ahead of their deadline, November 15, 2025.*

*Deadline depends on your fiscal year and may differ.

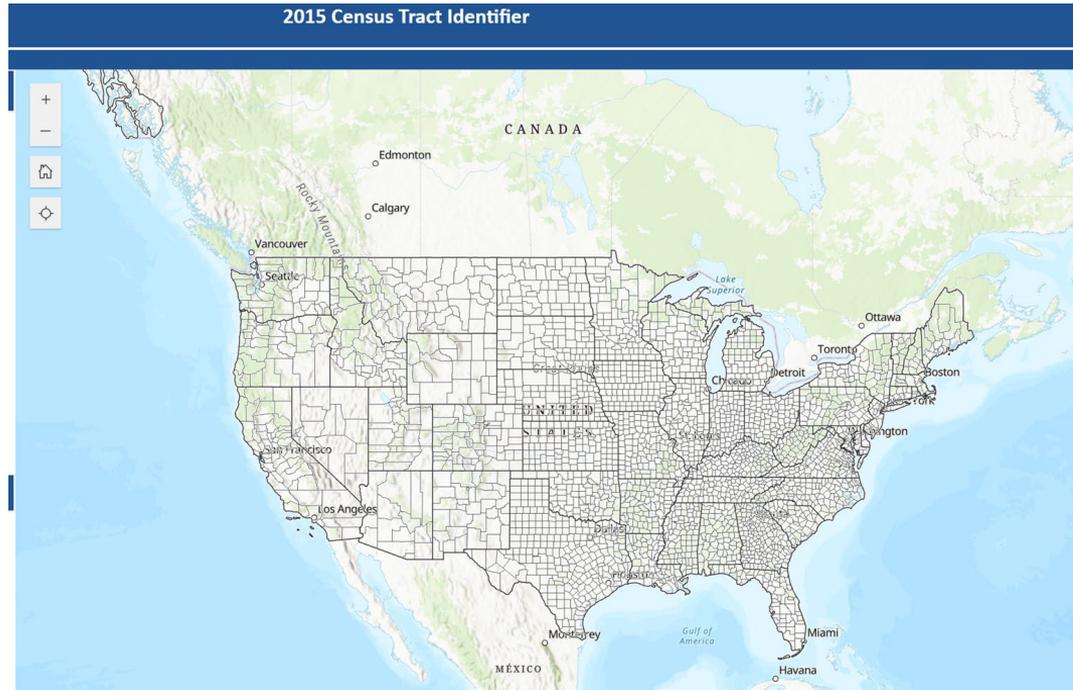
City of Oranges receives \$37,500 back for their electric vehicle investments.

30C - Charging Station Credit

- **6%** of the cost of your charging station back, **not to exceed \$100,000 per item of property**
- Can be increased to **up to 30%** if certain prevailing wage and apprenticeship requirements are met
- Applies to infrastructure installed for your fleet and/or for public use
- Must be in a census tract identified as **non-urban or low-income area**



30C Eligibility through Census Tract Identifier



Sources: [30C Tax Credit Eligibility Locator](#) & Electrification Coalition

2. Demystifying the Pre - Filing & Filing Process

A video recording of this section is available [here](#)



Expected learning outcomes for this topic

Upon successful completion of this topic, city teams will be able to:

- ✓ Determine your filing deadlines based upon your fiscal year.
- ✓ Register your projects in the IRS pre-filing portal.
- ✓ Identify the required backups for filing.
- ✓ Download the cocktail of tax forms relevant for your project.

Elective Pay Works Similarly to your Personal Tax Refund

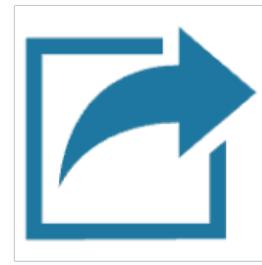
To claim and receive a tax credit through elective pay, you must **file a tax return with the IRS.**

Tax credits are claimed on projects completed in the **previous fiscal year.**

Returns are due on the **15th day of the 5th month after the end of your fiscal year.**

One Step At a Time...

- **Step 1:** Determine filing deadline
- **Step 2:** Submit pre-filing registration for all projects
- **Step 3:** File tax forms
- **Step 4:** Get paid!



Step 1. Filing Deadlines

General Rule: File your tax forms 4.5 months after the end of the tax year your project was completed, or 10.5 months *IF* you use the extension.

If calendar tax year (Jan.-Dec.)
then filing deadline is:

May 15th, 2026

If July to June fiscal tax year then
filing deadline is:

November 15th, 2025

You can request a **6-month extension** on your deadline using [Form 8868](#). → File extension request **by your original deadline**.

Step 1. Filing Deadlines (continued)

Gather information and documents

Begin gathering the information and documents you will need to pre-file and file.



Now

January 2026



Sign into IRS pre-filing registration portal and begin inputting and uploading information.

Remember to wait to submit your pre-filing registration until you have **all** of your projects in the portal.

Submit your pre-filing registration

Once project is placed in service & all the information and documents ready, submit your pre-filing registration application request to the IRS.



February-March 2026

May 15th, 2026

Electrification Coalition

On or before May 15th, 2025, send in your final tax return filing to the IRS with the returned registration numbers.

Step 2. Pre - filing Registration

Before filing your actual tax return to claim the credit, you must **pre-register** each property or facility you plan to claim a tax credit through elective pay for.

Each facility or property you claim will need to receive its own registration number, which you will then reference in your later tax filing.

- Each electric vehicle local government procures and places in service will receive its own number.
- Each EV Charging port will receive its own registration number
- However, a microgrid project will likely only receive one registration number as it is one facility with multiple qualifying parts.

IRS will need general information on your entity as well as specific information and documentation for each facility or property you plan to claim.

Step 2. Pre - filing Registration: Using the Portal

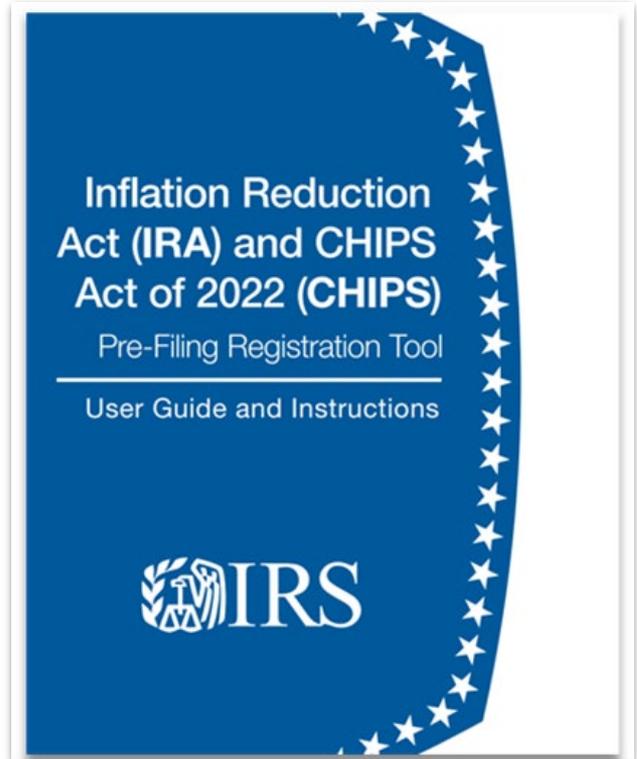
- Who will be the CEO?
- What information will they need to use the portal?
- Should there be restricted access?



Clean Energy Authorization Permission Management

Step 2. Pre - filing Registration: Portal Considerations

1. You may already have an ID.me account!
2. Things to have handy:
 - Login credentials (see [ID.me Help Center](#))
 - Placed into service date
 - EIN and tax filing period
 - Banking information
 - “Ownership” verification
 - Facility(ies) information
 - [Census tract information](#)
3. Who was a part of the process?
4. Understanding the attestation
5. Considerations for tax year/fiscal year



30C Pre - filing Registration Documentation Needs

- A construction permit that clearly ties the facility/property to its physical location.
- Equipment purchase documentation that shows the taxpayer as the buyer, identifies the seller, and specifically identifies the purchased property.
- A permit issued by a government authority with jurisdiction over operation of alternative fuel refueling properties in the community where the facility/property is located.

45W Pre - filing Registration

- Documentation Needs:
 - Certificate of title showing ownership of the vehicle/machinery (including a certificate of title indicating a lien held by a financial institution or other lender)
 - Time of sale documents, including a bill of sale or similar purchase agreement.
 - If registered for on-road use, a copy of a registration document issued by an appropriate government authority.
 - Evidence of “nominal down payment”, to establish when a vehicle is “acquired” for purposes of the September 30th phase-out
- IRS FAQs (FS-2025-05) provided that portal will close to new user registration:
 - *"New user registration for the Clean Vehicle Credit program through the Energy Credits Online portal will close on **September 30, 2025**. The portal will remain open beyond September 30, 2025, for limited usage by previously registered users to submit time of sale reports and updates to such reports, such as when a vehicle has been returned."*

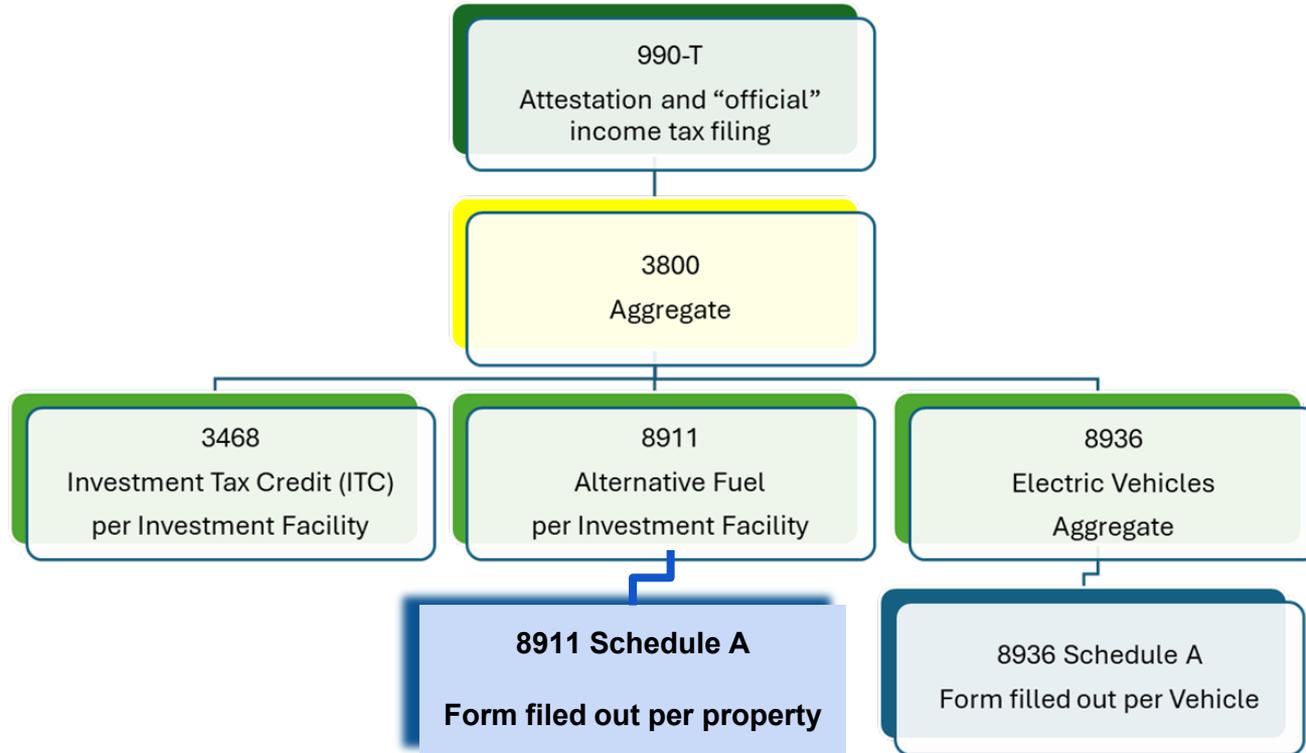
48E/45Y Pre - filing Registration Documentation Needs

- Proof of ownership of the facility/property with respect to which the credit is computed.
- Construction permit showing commencement of construction.
- Permits to operate from utility (only if connected to the grid, or if not connected to the grid electrical permits to operate from an authority having jurisdiction)

Step 3: File Tax Forms

- Complete tax forms by filing deadline.
- One packet for all projects!
 - File all eligible projects completed within same tax year on same filing with IRS.
 - Every eligible project needs a unique ID.
- Tax form packets vary based on project type→
 - Prepare a combo of tax forms based on which credit(s) you're using.
 - 990-T and 3800 almost always required if you've never filed before.
 - [Annotated forms](#) are available

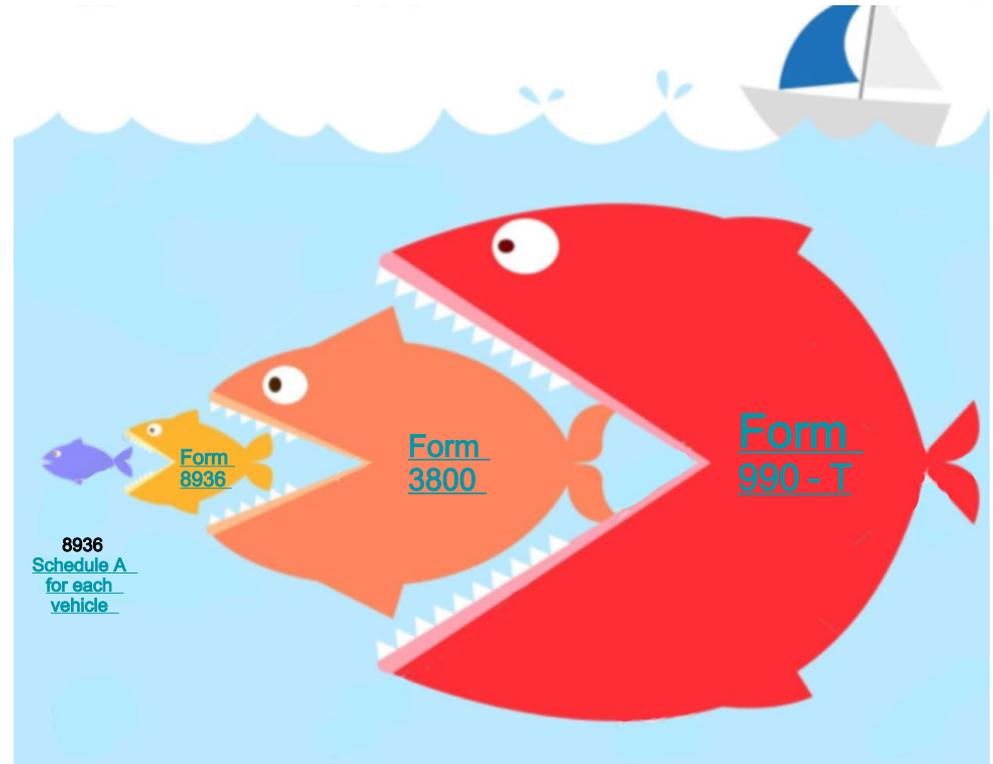
Hierarchy of Filing



Step 3. File Tax Forms

Tax forms will “feed” into each other.

See fleet electrification example!



Each Credit Will Involve a Cocktail of Tax Forms

EV Purchases (Section 45W)

- [Form 990-T](#): Exempt Organization Business Income Tax Return, or other applicable income tax return
- [Form 3800](#): General Business Credit
- [Form 8936](#): Clean Vehicle Credit, plus
 - [Schedule A](#) for each vehicle

Energy ITC Section (Section 48)

- [Form 990-T](#): Exempt Organization Business Income Tax Return, or other applicable income tax return
- [Form 3800](#): General Business Credit
- [Form 3468](#): Investment Credit

EV Charging Infrastructure (Section 30C)

- [Form 990-T](#): Exempt Organization Business Income Tax Return, or other applicable income tax return
- [Form 3800](#): General Business Credit
- [Form 8911](#): Alternative Fuel Vehicle Refueling Property Credit
 - [Schedule A](#) for each property

Every credit cocktail will include Forms 990-T and 3800

Step 4. Get Paid!



Pateros, Washington filed for an ITC tax credit on a 53.6 kW solar array to power their reservoir and wastewater treatment plant. Between public and private grants and direct pay, **Pateros was able to cover 100% of project costs.**



Bloomington, Indiana filed for EV tax credits on 8 electric vehicles placed in service in 2023. **They received \$63,908.99 from IRS, earning almost \$4,000 in interest.**



3. Collaborating with Internal Stakeholders

A video recording of this section is available [here](#)

Expected learning outcomes for this topic

Upon successful completion of this topic, city teams will be able to:

- ✓ Understand your funding situation.
- ✓ Create an internal city team to manage IRA Elective Pay processes.
- ✓ Coordinate across legal and financial departments.
- ✓ Ensure effective project setup and reporting.
- ✓ Use the Clean Energy Tax Navigator.

Funding Consideration #1

- Municipal Bonds

You can use tax-exempt debt (municipal bonds, etc.) to finance a project and claim elective pay for it.

- However, for all EV, EVSE, and renewable generation tax credits, the tax credit will be **reduced by the percentage of tax-exempt debt funds** used to pay for it **up to 15%.**



If a \$100,000 rooftop solar installation on a municipal courthouse is funded entirely by municipal bonds, the town can still claim the ITC for the project through elective pay.

However, instead of being \$30,000, the tax credit will be \$25,500 (85% of the originally assessed credit).

Funding Consideration #2

- No Excess Benefit

Direct pay is designed to work with other funding and financing sources, including federal grants and financing.

But, for “restricted grants,” the **total value of restricted grant funding plus an elective pay refund cannot exceed total cost of project.**

Grants are considered “restricted” if they are received “for the specific purpose of purchasing, constructing, reconstructing, erecting, or otherwise acquiring an investment-related credit property.”

Source: [Department of Treasury](#)



A school district receives a \$375,000 tax-exempt grant and spends \$400,000 on an electric school bus.

The value of the tax credit (\$40,000) plus the grant (\$375,000) is \$415,000, which is over the total cost of bus.

The value of the elective pay refund is reduced to \$25,000, so that the value of the grant plus the tax credit doesn't exceed \$400,000.

Funding Consideration #3 - Recapture

The ITC tax credit you receive can be “**recaptured**” by the IRS if the project you claim becomes no longer eligible for the credit **within five years from when the project is placed in service.**

Recapture is triggered if the property is disposed of or is sold to another party.

If recapture is triggered, you will need give back some or all of the money you received to the IRS, depending on how long it has been since the project was placed in service.



Assemble Your Elective Pay Team

To successfully file for Elective Pay the City will need a significant level of **cross-departmental collaboration**.

Key departments include **sustainability, legal, and finance**.

Other important departments and officials to bring into your process include **public works, fleet management, building managers, and energy managers**.



Get to Know Your Partners: Finance Officers

Your Finance Officer can assist with:

- 1. Budget/Capital Planning Support**
 - a. Budget timing and sequence
 - b. Capital stack → grants
- 2. General Fund/Investment Management**
 - a. Cash management
 - b. Fund creation and tracking
 - c. Short term lending and borrowing
- 3. IRS Filing**
- 4. Accounting and Auditing**



Get to Know Your Partners: Sustainability & Facilities Officers

Oversight & Coordination

- Function as the **central coordinator** (similar to Hawaii's comptroller role) to:
 - Liaise with the IRS and internal stakeholders on behalf of the city.
 - Consolidate filings, documentation, document retention, and data repositories across departments.
 - Serve as the "go-to" for Elective Pay strategy and execution.

Strategic Internetworking & Advocacy

- Orchestrate **inter-agency collaboration** among:
 - Finance/Accounting teams (GAAP compliance, basis tracking, payment logistics)
 - Legal counsel (eligibility vetting, contract guidance, compliance)
 - Facilities/Energy staff (site/project identification)
- Embed clean energy goals into broader City sustainability planning and operations.

Technical Assistance & Capacity Building

- Lead the **Elective Pay process** from start to finish:
 - Awareness → Pre-development → Financial & technical planning → Pre-filing → IRS submission → Fund allocation.

Get to Know Your Partners: Legal Advisors

Legal Advisory in Cities:

1. Policy Formulation:

- a. Advise the Council on code formulation and revision
- b. Cross referencing code compliance with itself
- c. Process-focused

2. Advisory Services:

- a. Contract review and compliance matters
- b. Advise agencies on code interpretation and application

3. External Representation for a WIDE Variety

- a. Bond counsel/advisory as well as tax advisory
- b. Contract review in capital planning, associated litigation



Key Concept: Your legal team often has a very high-level view of the organization, but may need additional support in IRS code interpretation, as this is the first time your city organizes an “income tax filing”.

Written Policies and Procedures for Internal Controls

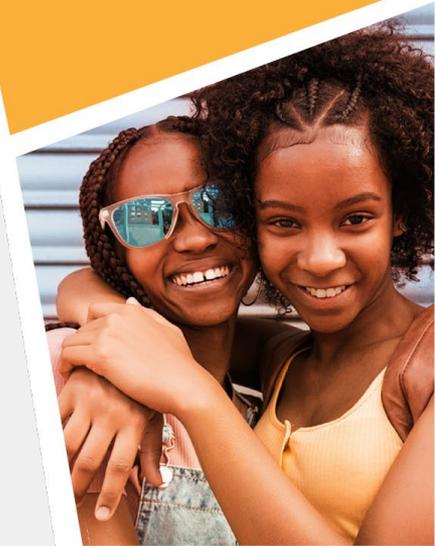
1. Plan for a process that **identifies eligible projects early on** in the capital planning process.
2. Designate access and responsibilities by **POSITION not PERSON**
 - Ex) Finance Officer XX will be designated Clean Energy Officer for entity's pre-filing purposes. Placed in service date will be verified by Capital Planning Officer XX.
3. House data in **mutually accessible folders**
 - Ex) Pre-filing information will be housed in Entity's Share File XX and accessible by all designated Clean Energy Officers
4. Assign tasks with **specified timelines**
 - Ex) Entity's fiscal year is XX. Entity's tax filing year is XX. Prefiling must be completed by XX and filing by XX.



Clean Energy **TAX NAVIGATOR**

Powered by **L4GG**

<https://cleanenergytaxnavigator.org>



Take your Marks: Elective Pay Sprint Hub Intake Open!

This is a sprint, not a marathon — timely action is critical. The race to secure tax credits is on, and every moment counts.

With experienced guidance and strategic support from L4GG and our network of partners, we'll help you move quickly, efficiently, and confidently through the regulatory hurdles so you don't miss out on valuable opportunities.



Visit our website at

<https://www.lawyersforgoodgovernment.org/elective-pay-sprint>

Let's cross the finish line together with maximum impact!



4. Compliance & Procurement

A video recording of this section is available [here](#)



Expected learning outcomes for this topic

Upon successful completion of this topic, city teams will understand:

- ✓ Beginning of Construction Guidance
- ✓ Prohibited Foreign Entities (PFE) Restrictions & How to Prepare for PFE
- ✓ Safe Harbors for Material Assistance
- ✓ Procurement and Request for Procurement

Beginning of Construction

Governing Guidance

- **IRS Notices [2013-29](#) and [2018-59](#)** provide the primary safe harbors that taxpayers can follow to be deemed to have **beginning of construction** for credits including sections 48 & 45, the predecessors to the sections 48E & 45Y (ITC & PTC).
- These notices were confirmed to apply to sections 48E & 45Y by Notice [2022-61](#).

Two Methods to Establish Beginning of Construction

1. Physical Work Test Safe Harbor:

- Established when physical work “of a significant nature” begins on the project.

2. Five Percent Costs Safe Harbor:

- Established when 5% or more of total eligible costs of eligible equipment (including overruns) are paid or incurred.

Ongoing Requirement

In both methods, the project owner must show continuous progress toward completion to preserve the construction start date. *Energy property placed in service by the end of the calendar year that is 4 years after beginning of construction is deemed to meet the requirements for continuous construction.*

Beginning of Construction Key Dates (48E & 45Y)

September 2, 2025, or later for wind and solar > 1.5 MW

- **Projects that begin construction** on or after this date:
 - Under Notice 2025-42, only the Physical Work Test safe harbor applies. Have 4 years to place in service.

Before or on December 31, 2025 (all technologies)

- **Projects that begin construction** on or before this date:
 - **Not subject** to the new Prohibited Foreign Entities (PFE) material assistance restrictions.
 - **Simplified documentation** requirements for materials sourcing and funding.

Between January 1, 2026, and July 4, 2026

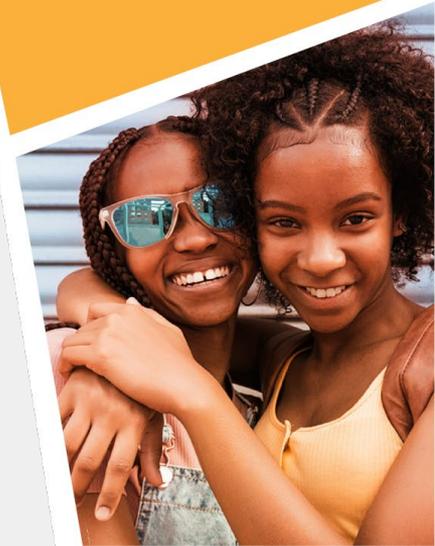
- **Must comply** with PFE-related restrictions (including material assistance restrictions).
 - If construction begins by July 4, 2026 the 2027 placement in service deadline does not apply.

After July 4, 2026

- **Must comply** with PFE-related restrictions (including material assistance restrictions).
- **Must be placed in service before the end of 2027** to remain eligible for ITC or PTC.

Source: <https://l4gg.docsend.com/view/wgc43stu9vi5dyxc>

Prohibited Foreign Entities Restrictions



PFE Restrictions Overview

- PFE restrictions provide onerous restrictions for entities with connections to covered nations (China, Iran, Russia, and North Korea) through ownership, control, and sourcing of materials.
- **PFE rules fall into three categories:**
 1. **Entity-level rules**
 2. **Payment rules**
 3. **Material assistance rules**
- Violating **one** of these rules means you cannot claim the credit.
- A PFE may be either a **Specified Foreign Entity (SFE)** or a **Foreign Influenced Entity (FIE)**.
- To date, Treasury has **not** published guidance specific to the PFE restrictions, but guidance is anticipated.

PFE Restrictions – Entity - Level

- **Entity-Level Rules:** Specified ownership and influence by covered nations or from other entities/persons with ties to covered nations make an entity an FIE or SFE.
 - Example: Entity organized in China, owned by a citizen of China, or if a Chinese person/entity can appoint an officer of the entity.
 - **Timing:** Applies to an entity's taxable years beginning after July 4, 2025.

PFE Restrictions – Payment

- **Payment Rules:** Entity made a payment in the previous taxable year under a contract that gives SFE *effective control*.
 - Example: Exclusive right to repair or most licensing agreements.
 - For ITCs, there is a 10-year recapture period.
 - **Timing:** Applies to an entity's taxable years beginning after July 4, 2025, but also prior year payments affect a taxable year.

PFE Restrictions – Material Assistance

- **Material Assistance Rules:** Source of materials incorporated into facility. A specified percentage of materials must be produced by a non-PFE; the percentages increase over time.
 - **Timing:** Do **not** apply if construction has begun **on or before** December 31, 2025.

Material Assistance Rules Continued

- The material assistance cost ratio must be less than the threshold percentage ratio, which is determined based on the year during which construction begins:

| Qualified Facility | |
|--------------------|-------------------|
| Construction Year | Threshold % Ratio |
| 2026 | 40% |
| 2027 | 45% |
| 2028 | 50% |
| 2029 | 55% |
| Beyond 2029 | 60% |

| Energy Storage Technology | |
|---------------------------|-------------------|
| Construction Year | Threshold % Ratio |
| 2026 | 55% |
| 2027 | 60% |
| 2028 | 65% |
| 2029 | 70% |
| Beyond 2029 | 75% |

Material assistance cost ratio = $\frac{\text{cost of non-PFE manufactured products incorporated into the facility or property (total costs - cost of PFE products)}}{\text{total cost of manufactured products}}$.

Safe Harbors: Material Assistance Cont.

- Under H.R. 1, Treasury is required to publish safe harbor tables to identify the percentage of total direct costs of a manufactured product attributable to PFE(s).
- Before Treasury publishes these tables (or within 59 days after publication), entities can rely on **Notice 2025-08** and **supplier certifications** to establish the material assistance cost ratio.
 - **Notice 2025-08:** provides assigned cost percentages for certain manufactured products and product components for entities to use for purposes of the domestic bonus content credit amount for the ITC and PTC.
 - **Supplier certification:** Certification that the component/product was not produced or manufactured by a PFE.
 - Must include the supplier's employer identification number (or similar foreign identification number), be signed under penalty of perjury, and be retained by the entity and the supplier for 6 years.

Preparing for PFE Restrictions

Entities can prepare for these rules by:



Monitoring when the restrictions begin to apply (look at taxable year)



Assessing ownership/influence of the entity to ensure it isn't an SFE or FIE



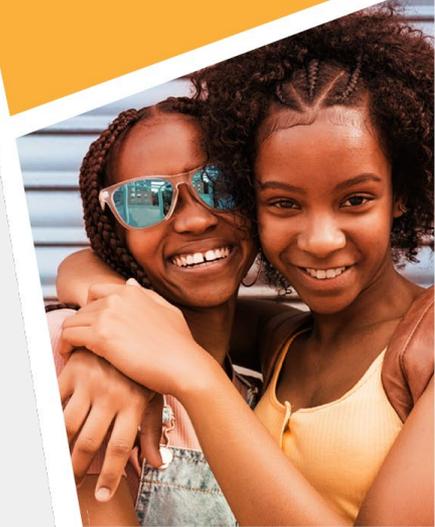
Reviewing current and future contracts, including technology licensing, to ensure that they don't violate the payment rules



Evaluating planned projects to determine which projects can begin construction on or before the December 31, 2025, deadline

- Strive to accelerate the beginning of projects in order to meet the December 31, 2025, beginning of construction deadline

Procurement



Procurement & RFP

RFPs for Elective Pay Credit Projects – Why It Matters

Key Points

- IRA credits often require **bonus compliance** (Prevailing Wage & Apprenticeship, Domestic Content).
- Entities must **call out these requirements** in RFPs/RFQs and procurement contracts.
- RFPs should be vetted by legal counsel.
- RFP/contract language varies by jurisdiction and credit type (e.g., 48E ITC vs. 30C EV infrastructure).

Source: [L4GG Guidance Brief](#).

PWA Language

Sample RFP Language:

Contractor understands that the County intends to apply for elective payment of the Clean Electricity Investment Credit available under Section 48E of the Internal Revenue Code of 1986, as amended, (the “Credit”) with respect to the property that will be installed and that the County intends to seek the additional credit amount allowed under Code Section 48E(a)(2)(ii)(III)(aa). In order to receive this increased credit amount, the County must be able to demonstrate that it has complied with the applicable Prevailing Wage and Apprenticeship requirements set forth in Code Sections 48(a)(10) and 45(b)(8) as incorporated into the Credit by Code Sections 48E(d)(3) and (4), respectively, as those requirements may be amended by law (collectively, the “PWA Requirements”).

Contractor represents that it, and its Subcontractors, shall comply with the PWA Requirements, and any applicable Treasury Regulations; shall pay no less than the prevailing wage rate to all persons engaged in the performance of services; Contractor and Subcontractor, in accordance with applicable law, shall keep accurate payroll records; and that Contractor shall provide the County with such payroll records (including a written declaration that information in such payroll records is true and correct) as the County reasonably deems necessary to substantiate that Contractor and any Subcontractors have met the applicable PWA Requirements.

Procurement & RFP Continued

Drafting Guidance

RFPs vs. Contracts

- **RFPs:** Identify requirements; vendors attest they can comply & price bids accordingly.
- **Contracts:** Must include enforceable mechanisms in order to hold vendors liable if they fail to meet requirements.

References to Code

- Tailor provisions to correct **Code Section** (48E, 30C, etc.).
- Some bonus rules reference **other Code Sections** → ensure all cross-references are correct.
- Best practice: work closely with **legal counsel & procurement officers** to refine language.



5. Strategy & Case Studies

A video recording of this section is available [here](#)

Expected learning outcomes for this topic

Upon successful completion of this topic, city teams will be able to:

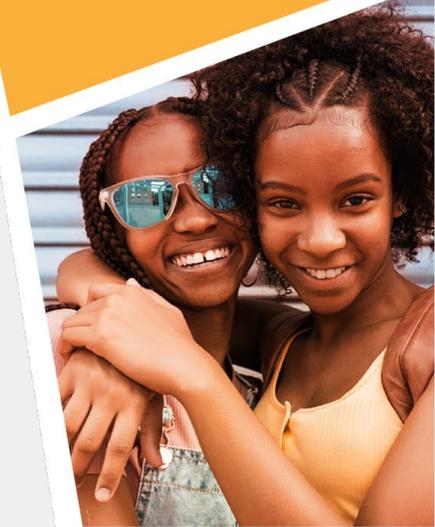
- ✓ Understand your existing elective pay opportunities
- ✓ Utilize the various bonus credits
- ✓ Stack and pursue different funding and financing options
- ✓ Strategize for maximum impact

Tax Credits Are Phasing Out, but There Are Still Opportunities

- EV charging must be installed by June 30th, 2026 to be eligible for the 30C tax credit.
- Energy credits for solar and wind are available for projects placed in service before December 31, 2027.
 - Projects that start construction before July 4th, 2026 have four years to be placed in service and still be eligible for the tax credit.
- Storage is still eligible for the 48E tax credit through 2032, although it must meet FEOC requirements.
- Geothermal heat pumps are still eligible for the Section 48 Tax credit through 2032.

Any eligible projects placed in service in this past year can still claim tax credits under old rules!

Utilizing Bonus Credits



Bonus Credits Can Add Significant Value

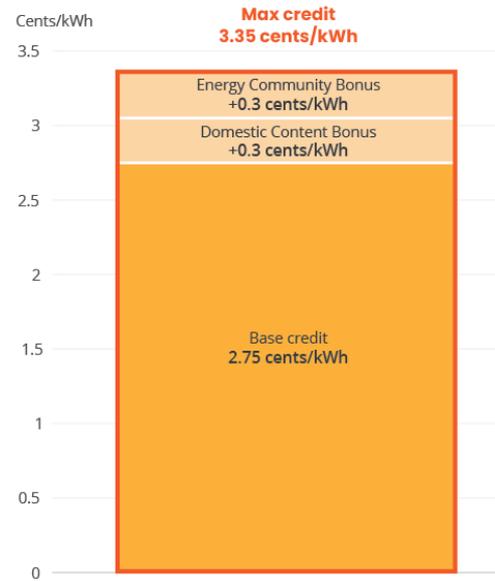
INVESTMENT TAX CREDIT (ITC)

For every dollar invested in clean electricity installation, the IRA will pay up to 70% of the cost of eligible projects



PRODUCTION TAX CREDIT (PTC)

For every kWh generated by a clean electricity project, the IRA will pay up to 3.35 cents



● Base credit ● Bonus credits

Source: [World Resources Institute](#)

Bonus Credit 1 - Prevailing Wage and Apprenticeship

The PWA requirements raises the value of the ITC from 6% to 30%, and the value of the PTC from 0.55 cents/kWh to 2.75 cents/kWh.

Consists of two parts:

- **Prevailing Wage:** Employers must pay the standard wage based on industry surveys. This sets a minimum pay rate. For more details, check the Department of Labor's [FAQ](#).
- **Apprenticeship:** At least 15% of the total construction hours must be worked by apprentices registered with the Department of Labor. This doesn't apply if the project has 3 or fewer workers.

Documentation Requirement: You must keep records showing that your company and its contractors paid the correct wages.

Types of Records to Keep:

- The wage rates that apply
- Names of workers who did the construction
- The types of work they did
- Hours worked in each job type
- The wages paid for each job

Note: The increased amounts are automatically received by projects smaller than 1 MW.

Bonus Credit 2 - Domestic Content

The domestic content bonus adds +10 percentage points to the ITC or 10% increase in the PTC.

For direct pay entities, the domestic content bonus requirements **become a requirement**, and will reduce your credit based on the year of **starting construction**.

Depending on the starting year, if you do not meet the requirements, you will receive:

- 2024: 90% of credit
- 2025: 85% of credit
- 2026 and beyond: **No credit (0%)**

There are two parts to the requirements:

- Iron and Steel: 100% must be produced in the U.S.
- Manufactured Products:
 - 40% of total cost of all “manufactured products” must be produced in the United States
 - Required percentage increases over 3 years to 55%

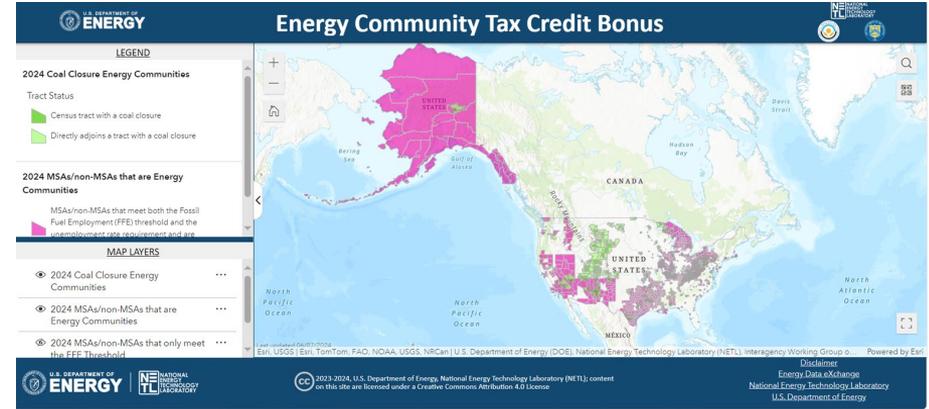
Note: Domestic content phaseout provisions do not apply if project is under 1 MW in capacity.

Bonus Credit 3 - Energy Communities

The energy communities bonus adds a **10 percentage point bonus to the ITC or a 10% increase to the PTC** if a project is located in an “energy community.”

Energy communities are defined as:

- 1) Brownfield sites
- 2) Areas with significant fossil fuel industry employment and above average unemployment
- 3) Census tracts in which a coal mine closed after 1999 or a coal-fired power plant retired after 2009



You can use the DOE’s [Energy Communities Bonus Mapper](#) to confirm your projects is located in an eligible area.

Bonus Credit 4 - Low Income Communities

The Low-Income Communities Bonus Credit adds either **10 or 20 percentage points to the ITC.**

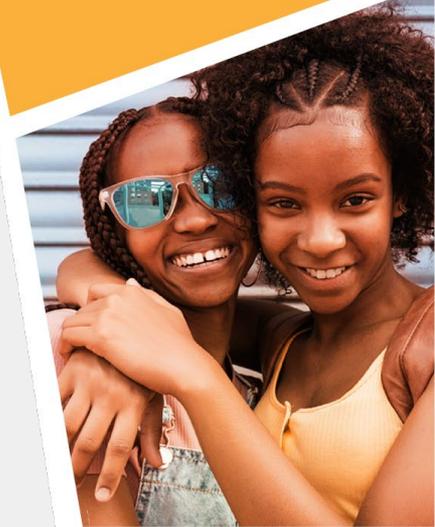
This bonus is only available for projects claiming the ITC **under 5 MW in maximum net output.**

Unlike other bonus credits, projects **must apply for an allocation through a [DOE application portal](#).**

There are four eligible categories of projects:

- **Category 1:** 10%, Located in a low-income community
- **Category 2:** 10%, Located on Indian land
- **Category 3:** 20%, Low-income residential building project (affordable housing programs)
- **Category 4:** 20%, Low-income benefit project (financial benefits to low-income/affordable Housing)

Stacking Funding and Financing Sources



Common Financial Challenges

- Municipalities often face a number of challenges that elevates financing as a valuable tool to implement sustainable infrastructure activities.
 - **Budget Constraints:** Limited municipal funds and bonding capacity often compete with other community priorities.
 - **Upfront Costs:** High initial capital requirements for technologies like solar panels and energy storage systems.
 - **Long Payback Periods:** Reluctance to invest due to extended time frames for receiving financial returns.
 - **Complex Funding Processes:** Navigating grants, incentives, and financing options can be overwhelming.
 - **Risk Perception:** Many sustainable projects are perceived as high risk due to uncertainties around emerging technologies and market volatility.

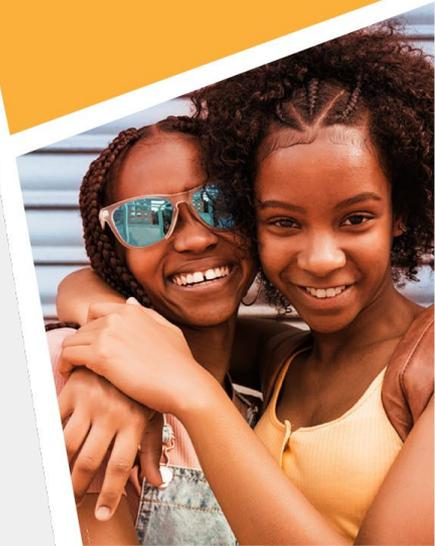
Financing Alternatives

- Municipalities have three primary ways to fund/ finance sustainable infrastructure priorities:
 - **Revenue/ Pay as You Go (PAYGO):** Utilize current revenue or future revenue to pay for priorities out of cash flow.
 - **Municipal Bonds (Public Finance):** Utilize balance sheet to borrow directly from investors to accelerate implementation and pay obligation over time.
 - **Public Private Partnerships (P3):** Utilize private partners capital to pay for upfront project costs with repayment governed by a long-term contractual arrangement (Energy Services Agreement, Power Purchase Agreement, Leases and others).

Public Finance

- Municipalities can leverage their balance sheet through two primary funding mechanisms accessing the largest source of capital for municipal infrastructure:
 - **General Obligation Bonds:** Bonds that are secured by the full faith and credit (taxing power) of the issuer with access to all revenue sources for repayment.
 - **Revenue Bonds:** Bonds that are secured by a specific revenue source which is pledged to bondholders and serves as the sole source of repayment.

Strategies for Maximizing Elective Pay Impact



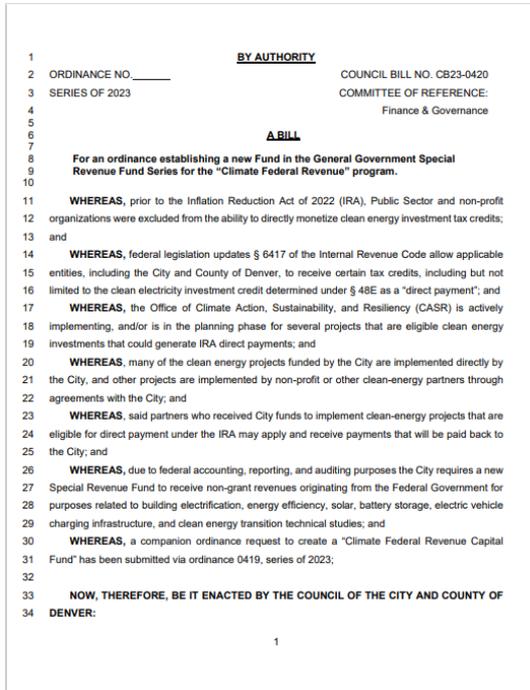
1. Use Your Elective Pay Proceeds for Maximum Effect

Tax credits are received as lump sum cash payments, either as a check or a direct deposit. These are **unrestricted sources of funds** that your jurisdiction can choose to use however it sees fit.

Elective pay payments can be:

- Returned to general fund
- Used to pay down interest or principal on finance
- Used to fund operations, maintenance, or future expansion
- **Invested in future sustainability projects**

Example: Denver Climate Federal Revenue Operating/Capital Funds



In 2023, the City of Denver passed an ordinance creating the Climate Federal Revenue Operating and Climate Federal Revenue Capital Funds.

These funds receive elective pay tax credit money and are dedicated to being used for future investment in sustainability/climate related actions, including:

- Building electrification
- Energy efficiency
- Solar + battery storage
- EV charging infrastructure
- Clean energy transition studies

Source: [PowerPoint Presentation](#); [City and County of Denver - File #: 23-0420](#)

2. Embrace the Sprint and Be Creative

New deadlines for tax credits can help you make the case for **speeding up** the timing of projects you want to see your jurisdiction undertake.

Alternatively, you can work with a developer or installer on **“safe harbor”** options, which enable you to claim the tax credits using older rules that do not include PFE or beginning of construction requirements.

Example: Driscoll School, Brookline, MA

In July 2025, the town of Brookline, Massachusetts' Select Board voted to move forward with procurement of a 131.5 kW solar array for one of its K-8 public schools.

Brookline's Select Board decided to move forward quickly with the contract due to concerns over safe harbor rules, as well as have non-profit consultant PowerOptions work with their developer to help with procurement.



3. Help Peers and Community Members

Even if your department or jurisdiction doesn't have or plan to invest in an eligible project, other organizations you work with may have opportunities. With your knowledge and organization capacity, you can **help support their elective pay filings.**

Examples of other eligible organizations you can help include:

- Local community-based non-profit organizations
- Faith-based institutions
- Transportation authorities
- School districts

Example: Buncombe County, NC



In Buncombe County, NC, Sustainability Officer Jeremiah LeRoy has worked with Asheville City Schools, Buncombe County Schools, and Asheville-Buncombe Technical Community College to install multiple megawatts of rooftop solar on school buildings.

For all direct pay eligible projects, Buncombe County helped these entities file for tax credits on their solar facilities.

Your Strategy Discussion

As you plan your projects, consider the following strategic questions to guide your next steps:

- Are you seeking to file for Elective Pay for projects completed in 2024?
- Are you seeking to fulfill the requirements of Elective Pay for projects underway or to be started in 2025?
- Do you have gaps in funding and financing for your municipal or community wide clean energy projects?
- Have you started discussions across your legal, financial and sustainability leadership team?
- Do you need to prioritize your intended clean energy project portfolio?



Tools & Resources

Resources to help you understand and strengthen core components of your grant application

Tools & Resources (1/5)

- [IRA Elective Pay Fact Sheet & Guide 2025](#)
Local Infrastructure Hub's overview and guidance for applying for the IRA Elective Pay

Elective Pay Blueprints

- [Electrification Coalition Blueprint](#)
Overview of elective pay implementation strategies, including best practices and stakeholder guidance.

45W Vehicle Credit

- [IRS Commercial Clean Vehicle Credit](#)
IRS overview of tax credits available for commercial clean vehicle purchases.
- [Leasing vs. Owning Guide](#)
Comparison of financial and tax implications between leasing and owning clean vehicles.

Eligibility & Mapping Tools

- [Alternative Fuel Infrastructure Eligibility Map](#)
Interactive Census-based tool to check eligibility for the 30C Alternative Fuel Infrastructure Tax Credit.
- [Census Tract Finder](#)
Quick lookup tool to identify census tract locations for eligibility or reporting purposes.
- [DOE Community Bonus Mapper](#)
Map-based tool showing areas eligible for DOE low-income and energy community bonus credits.

Tools & Resources (2/5)

Verification & Support Tools

- [ID.me Help Center](#)
Support portal for verifying identity required by IRS and other federal systems.
- [Annotated Tax Forms \(L4GG\)](#)
Step-by-step examples and annotations to help nonprofits complete key tax forms accurately.

Elective Pay Implementation & FAQs

- [IRS Elective Pay & Transferability FAQ](#)
Clarifies elective pay and credit transfer options for municipalities, nonprofits, and public entities.
- [L4GG Elective Pay Sprint Hub](#)
Centralized resource hub offering templates, guides, and webinars on elective pay implementation.

Tools & Resources (3/5)

IRS Forms & Filing Resources

- [Form 990-T \(Exempt Organizations\)](#)
Guidance and deadlines for exempt organizations filing tax returns related to business income.
- [Form 8868](#)
Application form for automatic extension of time to file exempt organization returns.
- [IRS Publication 5884](#)
Details on the Work Opportunity Tax Credit for employers hiring from targeted groups.
- [Form 8936 \(Clean Vehicle Credit\)](#)
Claim form for clean vehicle tax credits (for individuals and businesses).
- [Schedule A \(Form 8936-SA\)](#)
Supplemental schedule used to report specific clean vehicle credit details.
- [Form 3800 \(General Business Credit\)](#)
Used to claim general business credits, including clean energy and elective pay

Tools & Resources (4/5)

Low-Income Community Resources

- [DOE Application Portal](#)
Official DOE submission portal for Low-Income Communities Bonus Credit applications.
- [L4GG Low-Income Community Fact Sheet](#)
Summary of eligibility, documentation, and filing steps for lowincome bonus credits.

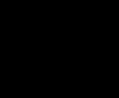
Further Reading & Thought Leadership -Sustainable Capital Advisors

- [Beyond Federal Funding, What's Next for U.S. Climate Investments?](#)
Analysis of emerging trends in climate finance, exploring how U.S. investments can evolve beyond federal funding programs to attract private and institutional capital.
- [Connecting Capital to Sustainable Projects](#)
Overview of strategies to align investors, developers, and communities to accelerate funding for sustainable and clean energy projects.
- [Removing the Economic Risks to Deploy Clean Energy](#)
Examination of financial tools and policy mechanisms that reduce risk and improve bankability for clean energy deployment.

Tools & Resources (5/5)

Local Infrastructure Hub Workshop Recordings

1. **[Understand the Tax Credits](#)**: Get an overview of the Inflation Reduction Act (IRA) tax credits, including the investment tax credit (ITC), production tax credit (PTC), clean commercial vehicle credit, and refueling station credit.
1. **[Pre-Filing & Filing Process](#)**: Learn the steps of the Elective Pay filing process—from IRS registration and timelines to required forms and documentation.
1. **[Collaborate with Internal Stakeholders](#)**: Discover how to build buy-in from internal teams (legal, finance, and leadership) and manage the authorizations needed for filing.
1. **[Compliance & Procurement](#)**: Understand foreign entity restrictions, construction start rules, and other key compliance and procurement guidelines.
1. **[Strategy & Case Studies](#)**: Explore approaches to maximize tax credit value, stack funding sources, and optimize financing strategies for clean energy projects.



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