



Summary of Inflation Reduction Act provisions related to renewable energy

This page summarizes information in the Inflation Reduction Act related to renewable energy project tax provisions. While EPA does have some Inflation Reduction Act funding opportunities <https://epa.gov/invest/epa-funding-announcements-bipartisan-infrastructure-law-and-inflation-reduction-act>, the Green Power Partnership does not and is only presenting this material for informational purposes. This page will be updated as Treasury and other federal agencies develop guidance and responses related to the Inflation Reduction Act.

The Inflation Reduction Act of 2022 (pdf) <https://www.congress.gov/117/bills/hr5376/bills-117/hr5376/enr/pdf> is the most significant climate legislation in U.S. history, offering funding, programs, and incentives to accelerate the transition to a clean energy economy and will likely drive significant deployment of new clean electricity resources. Most provisions of the Inflation Reduction Act of 2022 became effective 1/1/2023.

The Inflation Reduction Act incentives reduce renewable energy costs for organizations like Green Power Partners – businesses, nonprofits, educational institutions, and state, local, and tribal organizations. Taking advantage of Inflation Reduction Act incentives, such as tax credits, is key to lowering GHG emission footprints and accelerating the clean energy transition.

- Investment Tax Credit and Production Tax Credit
- Clean Energy ITC / Clean Energy PTC
- Tax Credit Monetization
- Additional Resources

Investment Tax Credit and Production Tax Credit

The Investment Tax Credit (ITC) and Production Tax Credit (PTC) allow taxpayers to deduct a percentage of the cost of renewable energy systems from their federal taxes. These credits are available to taxable businesses entities and certain tax-exempt entities eligible for direct payment of tax credits (see Tax Credit Monetization below).

Certain projects are eligible for either the ITC or PTC, but not both.

Eligible for ITC or PTC	Eligible for ITC	Eligible for PTC
multiple solar and wind technologies, municipal solid waste, geothermal (electric), and tidal	energy storage technologies, microgrid controllers, fuel cells, geothermal (heat pump and direct use), combined heat & power, microturbines, and interconnection costs	biomass, landfill gas, hydroelectric, marine and hydrokinetic

Through at least 2025, the Inflation Reduction Act extends the Investment Tax Credit (ITC) [↗](https://programs.dsireusa.org/system/program/detail/658) of 30% and Production Tax Credit (PTC) [↗](https://programs.dsireusa.org/system/program/detail/734) of \$0.0275/kWh (2023 value), as long as projects meet prevailing wage & apprenticeship requirements for projects over 1 MW AC.

For systems placed in service on or after January 1, 2025, the Clean Electricity Production Tax Credit and the Clean Electricity Investment Tax Credit will replace the traditional PTC / ITC.

Projects can qualify for additional credit amounts, described below:

Category	Amount* for Projects less than 1MW_{AC} (Cumulative)	Amount* for Projects greater than or equal to 1MW_{AC} (Cumulative)
Base Tax Credit	ITC: 30% PTC: 2.75¢/kWh	ITC: 6% PTC: 0.5¢/kWh
Wage & Apprenticeship Requirements (Requires a percentage of total labor hours performed by qualified apprentices)	ITC: N/A PTC: N/A	ITC: +24% PTC: +2.25¢/kWh

*The ITC amount is a percentage of the total qualifying project cost basis. All values assume labor requirements are met.

Bonus Credit:

Category	Amount* for Projects less than 1MW_{AC} (Cumulative)	Amount* for Projects greater than or equal to 1MW_{AC} (Cumulative)
Domestic Content Minimums (% attributable to U.S. Manufactured Products)	ITC: +10% PTC: +0.3¢/kWh	ITC: +10% PTC: +0.3¢/kWh
Siting in Energy Community ex. Brownfield site, area related to mining operations)	ITC: +10% PTC: +0.3¢/kWh	ITC: +10% PTC: +0.3¢/kWh
Siting in Low-Income Community or on Indian Land (<5 MW _{AC})	ITC: +10% PTC: N/A	ITC: +10% PTC: N/A

Category	Amount* for Projects less than 1MW _{AC} (Cumulative)	Amount* for Projects greater than or equal to 1MW _{AC} (Cumulative)
Qualified Low-Income Residential Building Project or Economic Benefit Project	ITC: +20% PTC: N/A	ITC: +20% PTC: N/A

Tax Credit Monetization

Here's how Inflation Reduction Act's new **direct pay** and **transfer** options allow more organizations to utilize clean energy tax credits for equipment placed in service on or after January 1, 2023 and through December 31, 2032:

- The **direct pay option** allows certain non-taxable entities to directly monetize certain tax credits for entities such as state, local, and tribal governments, rural electric cooperatives, the Tennessee Valley Authority, and others to directly monetize specific tax credits (pdf) <https://home.treasury.gov/system/files/136/fact-sheet-ira-equitable-clean-energy-economy.pdf> including many renewable energy credits such as the ITC and the PTC. Applicable entities may elect to treat these tax credits as refundable payments of tax. Such entities are eligible to receive a direct payment from the IRS for any amount paid in excess of their tax liability for credits.
- The Inflation Reduction Act also allows eligible taxpayers that are not tax-exempt entities to **transfer** all or a portion of certain tax credits, including the ITC and PTC, to an unrelated party.

See the Treasury Department's notice to collect input from stakeholders, experts, and the public on Inflation Reduction Act's credit monetization provisions (pdf) <https://www.irs.gov/pub/irs-drop/n-22-50.pdf>.

EPA anticipates that there will be more opportunities (through tax credits) to directly participate in projects. For more information on individual opportunities, see The Database of State Incentives for Renewables & Efficiency (DSIRE)'s database of all U.S. renewable energy incentives and programs <https://programs.dsireusa.org/system/program>, and DSIRE's database of federal incentives [https://www.dsireusa.org/federal-incentives](#).

Clean Energy Production Tax Credit and Clean Energy Investment Tax Credit

Starting January 1, 2025, the Inflation Reduction Act replaces the traditional PTC with the Clean Energy Production Tax Credit (§1 3701) and the traditional ITC with the Clean Electricity Investment Tax Credit (§ 13702).

These tax credits are functionally similar to the ITC/PTC but is not technology-specific. It applies to all generation facilities (and energy storage systems under ITC) that have an anticipated greenhouse gas emissions rate of zero. The credit amount is generally calculated in the same manner as described above but will be phased out as the U.S. meets greenhouse gas emission reduction targets.

Additional Resources

- EPA's Inflation Reduction Act Web Area <<https://epa.gov/inflation-reduction-act>>
- EPA's Funding Announcements from the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act <<https://epa.gov/invest/epa-funding-announcements-bipartisan-infrastructure-law-and-inflation-reduction-act>>
- ENERGY STAR - Federal Tax Credits and Incentives for Energy Efficiency <<https://www.energystar.gov/about/federal-tax-credits>>
- The IRS's Inflation Reduction Act Web Area [🔗](https://www.irs.gov/inflation-reduction-act-of-2022) <<https://www.irs.gov/inflation-reduction-act-of-2022>>
- Department of Treasury – Inflation Reduction Act Guidance [🔗](https://www.irs.gov/inflation-reduction-act-of-2022) <<https://www.irs.gov/inflation-reduction-act-of-2022>>
- Database of State Incentives for Renewable & Efficiency (DSIRE)'s database of all US renewable energy incentives and programs [🔗](https://programs.dsireusa.org/system/program) <<https://programs.dsireusa.org/system/program>>

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