



≡ | **Landfill Methane Outreach Program (LMOP)**

Renewable Electricity Production Tax Credit Information

Renewable Electricity Production Tax Credit

Information provided is for background reference only; consult a tax professional for guidance.

The renewable electricity production tax credit (PTC) is a per kilowatt-hour (kWh) federal tax credit included under Section 45 of the U.S. tax code for electricity generated by qualified renewable energy resources. For facilities placed in service after December 31, 2021, the PTC provides a corporate tax credit of **up to 1.5 cents/kWh** for electricity generated from landfill gas (LFG), open-loop biomass, municipal solid waste resources, and small irrigation power facilities, or **up to 2.75 cents/kWh** for electricity generated from wind, closed-loop biomass and geothermal resources. The credit is good for 10 years after the equipment is placed in service.

The Inflation Reduction Act of 2022 established new wage and apprenticeship requirements for systems placed in service after 2021 and more than 1 megawatt (MW) in size. For these projects, the tax credit starts at a base of **0.3 cents/kWh** or **0.55 cents/kWh**, depending on renewable energy type as noted above, but they qualify for the full credit if the labor-related requirements are met. In addition, the Inflation Reduction Act provided two bonus credits for projects of any size, one related to use of domestic steel/iron materials and the other dependent on project location within an “energy community” (a brownfield site or an area with reliance on coal, oil or natural gas extraction historically part of its economy coupled with high unemployment).

Projects less than 1 MW in size are eligible if construction begins after December 31, 2021, and before January 1, 2025; projects above this size threshold can begin construction on or after January 30, 2023 (60 days after the labor-related guidelines were provided by the IRS) and no later than January 1, 2025.

For More Information

Contact: Public Information
- IRS
U.S. Internal Revenue
Service

1111 Constitution Ave., NW
Washington, DC 20224

Phone: 800-829-1040

Website:

<https://www.irs.gov/forms-pubs/about-form-8835> 

Inflation Reduction Act-related Guidance:

<https://www.irs.gov/inflation-reduction-act-of-2022> 

The Inflation Reduction Act also added a direct pay option for non-taxable entities such as local or Tribal governments or non-profits to be able to directly monetize the PTC, for equipment placed into service on or after January 1, 2023, and before January 1, 2033.

Much of the guidance from the IRS for the new Inflation Reduction Act provisions is still pending. The IRS provided guidance on the prevailing wage and apprenticeship requirements on November 30, 2022, in Notice 2022-61 at <https://www.govinfo.gov/content/pkg/FR-2022-11-30/pdf/2022-26108.pdf>.

The IRS released guidance for how it determines eligibility for the PTC for renewable energy projects. To qualify, a facility must have begun construction before a specific date. A project is considered under construction if "physical work of a significant nature has begun" or at least 5 percent of the total cost of the project has been incurred. See Notice 2013-29 at https://www.irs.gov/irb/2013-20_IRB. The IRS released additional guidance clarifying how a taxpayer satisfies these criteria. See Notice 2013-60 at <https://www.irs.gov/pub/irs-drop/n-13-60.pdf>.

Additional information regarding the PTC can be found online using the Database of State Incentives for Renewables & Efficiency (DSIRE) at <https://programs.dsireusa.org/system/program/detail/734>.

Last updated on December 10, 2024

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