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Investment Tax Credit for Energy Property – 26 U.S. Code § 48

TAX CREDIT

IRA Statutory Location:

13102

Tax Code Location:

26 U.S. Code § 48

New or Modified Provision:

Modified and extended to include standalone energy storage with capacity of at least 5 kWh, biogas, microgrid controllers (20MW or less), electrochromic glass, and interconnection property for small projects (5MW or less). Value of the credit tied to prevailing wage and registered apprenticeship requirements.

Eligible Recipients:

Solar, geothermal, small wind, fuel cell, microturbine, energy storage, waste energy recovery, biogas, microgrid controllers, electrochromic glass and combined heat and power properties.

Tribal Eligibility:

Yes

Bureau/Office

Funded by:

U.S. Department of Treasury



Description

Provides a tax credit for investment in renewable energy projects. Fuel cell, solar, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties.

Direct Pay Eligibility:

Yes, for tax-exempt organizations; states; political subdivisions; the Tennessee Valley Authority; Indian Tribal governments; Alaska Native Corporations; and rural electricity co-ops.

Transferability:

Yes





Stackability:

Credit reduced for tax-exempt bonds with similar rules as section 45(b) (3). Cannot claim both the §48 ITC and the § 45 production tax credit for the same facility.

Energy Community Bonus:

Yes

Relevant Announcements

- <https://www.irs.gov/pub/irs-drop/n-22-49.pdf> 
- <https://www.federalregister.gov/documents/2022/11/30/2022-26108/prevaling-wage-and-apprenticeship-initial-guidance-under-section-45b6bii-and-other-substantially> 
- <https://www.dol.gov/agencies/whd/IRA> 
- <https://www.apprenticeship.gov/inflation-reduction-act-apprenticeship-resources> 

Related Resources

Additional information is available on the [Resources](#) page.

Key Details

Period of Availability

Projects beginning construction before 1/1/25. For geothermal heat property, the base investment tax credit is 6% for the first 10 years, scaling down to 5.2% in 2033 and 4.4% in 2034.

Tax Mechanism:

Investment tax credit

Base Credit Amount:


6% of qualified investment (basis of energy property)

Bonus Credit Amount:


Credit is increased by 5 times for projects meeting prevailing wage and registered apprenticeship requirements. Initial guidance on the labor provisions is available [here](#). Credit is increased by up to 10 percentage points for projects meeting certain domestic content requirements for steel, iron, and manufactured products. Credit is increased by up to 10 percentage points if located in an energy community.

Eligibility:

<https://energycommunities.gov/energy-community-tax-credit-bonus/>

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