

[Home](#) / [News](#) / [Fact sheets](#)

/ Increased energy investment credit for solar and wind facilities benefitting low-income communities

Increased energy investment credit for solar and wind facilities benefitting low-income communities


More In News



FS-2023-21, Sept. 2023

The Inflation Reduction Act provides for an increase to the energy investment credit (under Internal Revenue Code Section 48) for qualifying solar and wind facilities benefitting certain low-income communities.

For a taxpayer to be eligible for this increase, the taxpayer must apply for and receive an allocation of environmental justice solar and wind capacity limitation (capacity limitation) with respect to their facility. If the facility continues to meet eligibility requirements and is placed in service within four years of the allocation award, the taxpayer that received that allocation may then claim the increased energy investment credit for the taxable year in which the facility is placed in service.

The Department of the Treasury and the Internal Revenue Service developed the Low-Income Communities Bonus Credit Program (Program) to allocate capacity limitation. The Treasury Department and the IRS released [Notice 2023-17](#) on Feb. 13, 2023, to establish the Program. Notice 2023-17 also provided initial guidance for potential applicants seeking allocations of capacity limitation for calendar year 2023. The Treasury Department and the IRS then issued [proposed regulations](#) to provide definitions and requirements that are applicable to the Program on May 31, 2023, which were finalized, with certain modifications, in the [final regulations](#) published on Aug. 15, 2023. With the final regulations, the Treasury Department and the IRS simultaneously issued [Revenue Procedure 2023-27](#)  to provide information on the application requirements and process for facility owners to apply for an allocation of capacity limitation.

Program overview

Taxpayers that own an eligible solar or wind facility must apply for their facility to be considered for an allocation of capacity limitation. Applications must be submitted to the portal hosted by the Department of Energy (DOE). The DOE will evaluate facility applications and provide a recommendation to the IRS regarding whether to award an applicant an amount of capacity limitation. Based on DOE's recommendation, the IRS will send applicants either an allocation award letter or a denial letter. Applicants may also receive a denial letter if there is no remaining capacity limitation available to award.

measured in alternating current (AC). Additionally, the facility must qualify under one of the four statutory project categories:

- Category 1: Located in a low-income community.
- Category 2: Located on Indian land.
- Category 3: Part of a qualified low-income residential building project.
- Category 4: Part of a qualified low-income economic benefit project.

A 10-percentage-point increase to the energy investment credit is available to eligible solar and wind facilities that are placed in service in low-income communities or on Indian land. A 20-percentage-point increase is available to eligible solar and wind facilities that are part of either a qualified low-income residential building project or a qualified low-income economic benefit project.

There are separate criteria for each of the four project categories, including the requirement for facilities under Category 3 and 4 to distribute financial benefits derived from the electricity produced by the facility. The final regulations describe the criteria specific to each category and define financial benefits for Category 3 and Category 4.

The annual capacity limitation for each of the calendar years 2023 and 2024 is 1.8 gigawatts. The annual capacity limitation is divided across the facility categories for calendar year 2023 as follows:

- Category 1: 700 megawatts
- Category 2: 200 megawatts
- Category 3: 200 megawatts
- Category 4: 700 megawatts

For 2023, 50% of the capacity limitation within each category is reserved for facilities meeting certain ownership and/or geographic selection criteria, known as additional selection criteria. The additional selection criteria are described in more detail in the [final regulations](#) and [Revenue Procedure 2023-27](#) [PDF](#). Within Category 1, 490 megawatts of capacity limitation are reserved for eligible residential behind the meter facilities.

Facilities that receive an allocation must be placed in service within 4 years of the date of the allocation award. Facility owners will report to the DOE that the facility has been placed in service through the same portal they used to apply. When reporting, the facility owner will need to submit additional information and documentation specified in [Revenue Procedure 2023-27](#) [PDF](#).

The DOE will determine whether the facility, as placed in service, continues to be eligible under the applicable Program requirements and will provide a recommendation to the IRS. After reviewing DOE's recommendation, the IRS will inform the taxpayer that they may claim the increased energy investment credit or that the facility, as placed in service, is no longer eligible and is therefore disqualified from claiming the increase.

Taxpayers that are eligible to claim the increase to the energy investment credit will calculate their energy investment credit and the increase by using the [Form 3468, Investment Credit](#). The credit increase will be calculated as the basis of eligible property in the solar or wind facility and the applicable increase of either 10 or 20 percentage points, based on the project category under which the facility was awarded an allocation. The basis of energy storage technology installed in connection with the qualified solar or wind facility is also includable in the credit increase. The final regulations define what it means for energy storage technology to be installed in connection with the qualified solar or wind facility.

Applicant portal and user guide

- Applicants must submit information for each facility for which they are seeking an allocation. Applications will require information such as the applicable category, ownership, location, facility size/capacity, whether the applicant or facility meet additional selection criteria, and other information.
- Applicants will complete a series of attestations provided in the online portal and upload certain documentation to demonstrate project eligibility and viability.
- Each individual completing an application on behalf of their organization will need a [Login.gov](#) account in order to register on the DOE portal and complete an application.

Applications submitted within the first 30 days will be treated as submitted on the same date and at the same time, and on a rolling basis thereafter. Depending on capacity, DOE plans to accept applications for the 2023 Program year through early next year.

Webinar for potential applicants

The DOE and the Treasury Department hosted a virtual informational webinar for potential applicants on Sept. 29, 2023. This webinar provided information and details about the Program.

Additional information can be found on the [Low-Income Communities Bonus Credit](#) and the [Department of Energy](#) websites.

Page Last Reviewed or Updated: 26-Sep-2024



OUR AGENCY	KNOW YOUR RIGHTS	RESOLVE AN ISSUE	LANGUAGES	RELATED SITES
About IRS	Taxpayer Bill of Rights	IRS Notices and Letters	Español	U.S. Treasury
Careers	Taxpayer Advocate Service	Identity Theft	中文 (简体)	Treasury Inspector General for Tax Administration
Operations and Budget	Independent Office of Appeals	Tax scams	中文 (繁體)	USA.gov
Tax Statistics	Civil Rights	Tax Fraud	한국어	USAspending.gov
Help	FOIA	Criminal Investigation	Русский	Vote.gov
Find a Local Office	No FEAR Act Data	Whistleblower Office	Tiếng Việt	
	Reliance on Guidance		Kreyòl ayisyen	
			English	
			Other Languages	

