


# Elective pay and transferability

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## More In Credits & Deductions



**Note:** [Revenue Procedure 2024-39](#)  granted certain applicable entities that are making an elective payment election a six-month automatic extension of time to file an original or superseding Form 990-T, Exempt Organization Business Income Tax Return, with relevant schedules and forms.

This relief means that applicable entities that were required to but did not file a timely extension on Form 8868, Application for Extension of Time to File an Exempt Organization Return, will be granted a six-month automatic extension of time to file a Form 990-T for purposes of making an elective payment election from the original return due date.

Tax-exempt and governmental entities can benefit from certain clean energy investment and production credits using new options enabled by legislation enacted in 2022. In some situations, other taxpayers can also benefit from the tax credits in new ways.

**Elective pay** makes certain clean energy tax credits and the CHIPs manufacturing credit effectively refundable (see [Elective pay and transferability frequently asked questions](#)). The entity can receive the full value of the credit because the IRS treats the elective payment amount as a tax payment. We then count it as overpayment on the return and refund it to the entity.

**Note:** Elective pay is sometimes also known as "direct pay," which shouldn't be confused with the [IRS payment method](#).

**Transferability** allows entities that can't use elective pay but do qualify for an eligible tax credit to transfer all or a portion of the credit to a third-party buyer in exchange for cash. The buyer and seller would negotiate and agree to the terms and pricing.

Purchases of new and used clean vehicles by individuals involve a [different kind of credit transfer](#) that is negotiated with the dealer at the time of sale.

The information below will help you find answers to questions about:

- Eligibility of your business, organization or entity
- Process for claiming and receiving payment
- Applicable credits and bonuses
- Entities with no regular filing requirement
- Implementation updates and other news

## Pre-filing registration

## Elective pay election and statutory exceptions to credit phaseouts

Applicable entities making an elective pay election with respect to a production tax credit or investment tax credit may be subject to a reduced credit amount (“phaseouts”) if the qualified facility or energy project does not satisfy the domestic content requirement or does not have maximum net output of less than 1 megawatt.

Applicable entities may be excepted from the phaseouts if:

1. the inclusion of steel, iron or manufactured products that are produced in the United States increases the overall costs of construction of qualified facilities by more than 25 percent, or
2. relevant steel, iron or manufactured products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality.

[Notice 2024-84](#) [PDF](#) extends the transition process for claiming a statutory exception to the elective payment phaseouts. Therefore, if an Applicable Entity provides an attestation and follows the record keeping requirements for an Applicable Credit Property which construction begins before the later of Jan. 1, 2027, or the issuance of further guidance, the Treasury Department and the IRS will treat the attestation as establishing that a Domestic Content Exception is met.

## Related

- IR-2024-292, [Treasury, IRS finalize more partnership clean energy regulations and propose related administrative requirements](#)
- IR-2024-267, [IRS announces extension of time for certain applicable entities to make an elective payment election on Form 990-T](#)
- IR-2024-120, [IRS releases final guidance on transfers of certain credits under the Inflation Reduction Act](#)
- [Elective pay and transferability frequently asked questions](#)
- IR-2023-117, [Treasury, IRS issue guidance for the advanced manufacturing investment credit](#)
- IR-2023-116, [IRS releases guidance on elective payments and transfers of certain credits under the Inflation Reduction Act](#)
- [Inflation Reduction Act of 2022](#)
- Video: [How to complete Form 990-T for elective payment election](#)
- Video: [IRA and CHIPS Act Pre-filing Registration Tool Overview](#)

## Publications

- [Elective Pay Overview, Publication 5817](#) [PDF](#)
- [Rural Electric Cooperatives, Publication 5817-A](#) [PDF](#)
- [U.S. Territorial Governments, Publication 5817-B](#) [PDF](#)
- [Alaska Native Corporations, Publication 5817-C](#) [PDF](#)
- [Tax-Exempt Organizations, Publication 5817-D](#) [PDF](#)
- [State and Local Governments, Publication 5817-E](#) [PDF](#)
- [Indian Tribal Governments, Publication 5817-F](#) [PDF](#)
- [Clean Energy Tax Incentives: Elective Pay Eligible Tax Credits, Publication 5817-G](#) [PDF](#)
- [Inflation Reduction Act \(IRA\) and CHIPS Act of 2022 \(CHIPS\) Pre-Filing Registration Tool -- User Guide and Instructions, Publication 5884](#) [PDF](#)
- [Clean Energy Authorization Permission Management User Guide, Publication 5902](#) [PDF](#)

## Payment Phaseouts

- [NPRM Administrative Requirements for an Election to Exclude Applicable Unincorporated Organizations from the Application of Subchapter K](#)
- [Election to Exclude Certain Unincorporated Organizations Owned by Applicable Entities from Application of the Rules on Partners and Partnerships](#)
- [Revenue Procedure 2024-39, Rules for making elective payment election](#) PDF
- [NPRM Section 6417 Elective Payment of Applicable Credits](#)
- [NPRM Section 6418 Transfer of Certain Credits](#)
- [NPRM Elective Payment of Advanced Manufacturing Investment Credit](#)
- [Temporary Regulations Pre-Filing Registration Requirements for Certain Tax Credit Elections](#)
- [Notice 2024-27](#)
- [NPRM: Election to Exclude Certain Unincorporated Organizations Owned by Applicable Entities from Application of the Rules on Partners and Partnerships](#)
- [Final Regulations: Elective Payment of Applicable Credits](#)
- [Final Regulations: Transfer of Certain Credits](#)

Page Last Reviewed or Updated: 10-Dec-2024

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