



Clean Energy Tax Credits - Relevant FAQs

Pre-Filing FAQs

- **Does receipt of a registration number guarantee that I am eligible for the credit and that payment will occur once I file a timely tax return making the elective pay election?**
 - No, a registration number does not confirm credit eligibility. Pre-filing registration provides the IRS with information that helps ensure the prompt processing of the election and payment after a tax return is filed. You still must establish eligibility for the credit on your tax return before a payment will occur. In addition, you must substantiate your eligibility for the credit if selected for an IRS audit.
- **Do I have to make an elective payment election if I receive a registration number through the pre-filing registration process?**
 - No. Completing the pre-filing registration process does not require that you make an elective payment election when filing a return. Also, the pre-filing registration process is unnecessary if you will not be using elective pay.

Other FAQs

- **What is the effect of making an elective payment election?**
 - An applicable entity that makes an elective payment election is treated as having made a payment against Federal income taxes for the taxable year with respect to which an applicable credit was determined, in the amount of such credit. If the applicable entity has no federal income tax liability, the refund will be equal to the full amount of the applicable credit.
- **Can I apply elective pay to taxable years beginning before December 31, 2022?**
 - No. Elective pay is only effective for taxable years beginning after December 31, 2022. As a result, if your taxable year begins in the middle of the calendar year, even though one of your taxable years ends during 2023, section 6417 only applies to the taxable year that begins in 2023.
- **My organization is not ordinarily required to file a tax return. Do I need to file a return to make an elective payment election?**
 - Yes. Entities not ordinarily required to file tax returns must file a tax return to make the elective payment election. Local governments will need to submit properly completed source credit forms, a properly completed Form 3800, General Business Credit (or its successor), and any required return attachments and information required in instructions to the relevant forms.
- **At what stage of development, construction, or operations are projects eligible**

for elective pay? (re: "placed in service" date)

- Elective pay is only available after an applicable credit is earned and able to be claimed on the relevant annual tax return. In general, a tax credit is earned during the taxable year the applicable credit property is placed in service (investment tax credits) or eligible production occurs (production tax credits). An applicable entity can use elective pay with respect to 12 credits as long as it meets the tax credit's underlying requirements.
- **Are there any special rules relating to applicable credits that are part of ITC (sections 48, 48C, and 48E)?**
 - Yes, the relevant applicable credit reduces the basis of the investment credit property. If the investment credit property giving rise to the applicable credit ceases to be investment credit property during the five years after the property is placed in service, then recapture applies.
- **Can I revoke the election?**
 - No. For applicable entities, any elective payment election is irrevocable and applies with respect to any applicable credit for the year for which the election is made.
 - For applicable entities making the elective payment election with respect to the section 45 credit [Renewable Electricity Production Tax Credit] or section 45Y credit [Clean Electricity Production Tax Credit], the election generally applies for 10 years.
- **I funded the purchase of an investment-related credit property with grants and forgivable loans exempt from taxation. Can I include those amounts in the basis of the property for purposes of calculating the amount of the credit?**
 - Yes. Any income, including income from certain grants and forgivable loans, that is exempt from taxation (Tax-Exempt Amounts) used to purchase, construct, reconstruct, erect, or otherwise acquire an applicable credit property is included in the basis for computing the applicable credit amount determined with respect to the investment-related credit property, regardless of whether basis is required to be reduced (in whole or in part) by such amounts under other provisions of the Code.
 - However, if you receive Tax-Exempt Amounts for the specific purpose of purchasing, constructing, reconstructing, erecting, or otherwise acquiring an investment credit property (Restricted Tax-Exempt Amount), and the Restricted Tax-Exempt Amount plus the applicable credit otherwise determined with respect to that investment-related credit property exceeds the cost of the investment-related credit property, then the amount of the applicable credit is reduced so that the total amount of applicable credit plus the amount of any Restricted Tax-Exempt Amount equals the cost of investment credit property.
 - For example, School district A receives a tax-exempt grant in the amount of \$400,000 from a federal agency to purchase electric school bus B. A purchases B for \$400,000. A's basis in B is \$400,000. B qualifies for the maximum section 45W credit [Commercial Clean Vehicle Credit], \$40,000. However, because the amount of the restricted tax-exempt grant plus the amount of the section 45W credit exceeds the cost of B, A's section 45W credit is reduced by the amount necessary so that the total amount of the section 45W credit plus the restricted tax-exempt

amount equals the cost of B. A's section 45W credit is therefore reduced by \$40,000 to zero.

- Now assume that the grant above is in the amount of \$300,000. A purchases B using the grant and \$100,000 of A's unrestricted funds. A's basis in B is \$400,000 and A's section 45W credit is \$40,000. Since the amount of the restricted tax-exempt grant plus the amount of the section 45W credit (\$340,000) is less than the cost of B, A's 45W credit under section 6417(b)(6) is not reduced.
- **What if my project needs bridge financing, debt financing, or tax-exempt bond financing before I receive payment, can I still claim the credit using elective pay?**
 - Yes. Using bridge or debt financing of the project generally does not affect the elective payment election. Tax-exempt bonds may result in a reduction of the underlying credit amount. Please check the requirements of the underlying credit.
- **Can I make an elective payment election for credits that I purchased or that were transferred to me?**
 - No. Any credits for which an election for elective payment is made must have been determined with respect to you. You must own the underlying eligible credit property or, if ownership is not required, you must otherwise conduct the activities giving rise to the underlying eligible credit.

For more FAQs and information please visit: www.irs.gov/credits-deductions/elective-pay-and-transferability-frequently-asked-questions