



The Inflation Reduction Act



IRA | Agenda

- Overview of the Inflation Reduction Act
- Next Steps: Implementation
- Pressures that Shaped the IRA



IRA | Overview

Inflation Reduction Act Summary	
Policy	Cost (-)/Savings (2022-2031)
Energy and Climate	-\$386 billion
Clean Electricity Tax Credits	-\$161 billion
Air Pollution, Hazardous Materials, Transportation and Infrastructure	-\$40 billion
Individual Clean Energy Incentives	-\$37 billion
Clean Manufacturing Tax Credits	-\$37 billion
Clean Fuel and Vehicle Tax Credits	-\$36 billion
Conservation, Rural Development, Forestry	-\$35 billion
Building Efficiency, Electrification, Transmission, Industrial, DOE Grants and Loans	-\$27 billion
Other Energy and Climate Spending	-\$14 billion
Health Care	-\$98 billion
Extension of Expanded ACA Subsidies (three years)	-\$64 billion
Part D Re-Design, LIS Subsidies, Vaccine Coverage	-\$34 billion
Total, Spending and Tax Breaks	-\$485 billion

Health Savings	\$322 billion
Repeal Trump-Era Drug Rebate Rule	\$122 billion
Drug Price Inflation Cap	\$101 billion
Negotiation of Certain Drug Prices	\$99 billion

Revenue	\$468 billion
15 Percent Corporate Minimum Tax	\$313 billion
IRS Tax Enforcement Funding*	\$124 billion
Closure of Carried Interest Loophole	\$13 billion
Methane Fee, Superfund Fee, Other Revenue	\$18 billion

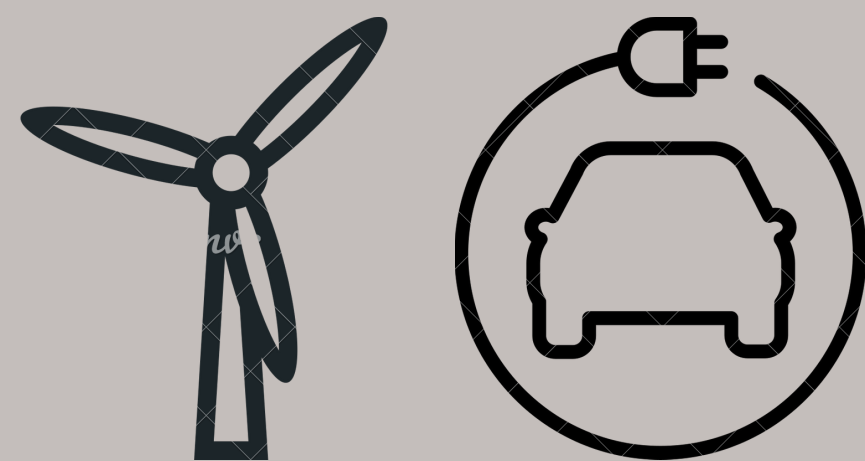
Total, Savings and Revenue	\$790 billion
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Net Deficit Reduction	\$305 billion
Memo: Deficit reduction with permanent ACA subsidy extension	~\$155 billion

*IRS funding provision involves an \$80 billion expenditure over ten years, which CBO estimates will yield \$204 billion in additional revenue for a net savings of \$124 billion.
Figures are rounded, based on available information as of 8/3/2022, and subject to change. Figures may not sum due to rounding

Source: Council for a Responsible Federal Budget

Tax Credits | Notable Incentives



Production and Investment Tax Credit (Sections 45, 48, 45Y, 48D)

- The ITC and PTC are extended until the end of 2024
 - PTC: wind, biomass, geothermal, solar, landfill gas, trash, qualified hydropower, and marine and hydrokinetic resource at a bonus rate of 2.6 cents or 1.3 cents per kWh when prevailing wage and apprenticeship requirements are met
 - ITC: A bonus rate of 30% for solar, fuel cells, waste energy recovery, combined heat and power, and small wind property, and 10% for microturbine property when prevailing wage and apprenticeship requirements are met
- Beginning in 2025 the credits will transition to technology-neutral PTC and ITC

Clean Hydrogen Credit (Section 45V)

- New PTC and ITC for clean hydrogen produced from different forms (i.e. green or blue hydrogen), up to \$3.00/kg during first 10 years of operation
- To qualify, hydrogen must be produced through a process resulting lifetime GHG emissions of no more than 4kgs of CO2e per kg of hydrogen, and facilities must begin construction before Jan. 1, 2033

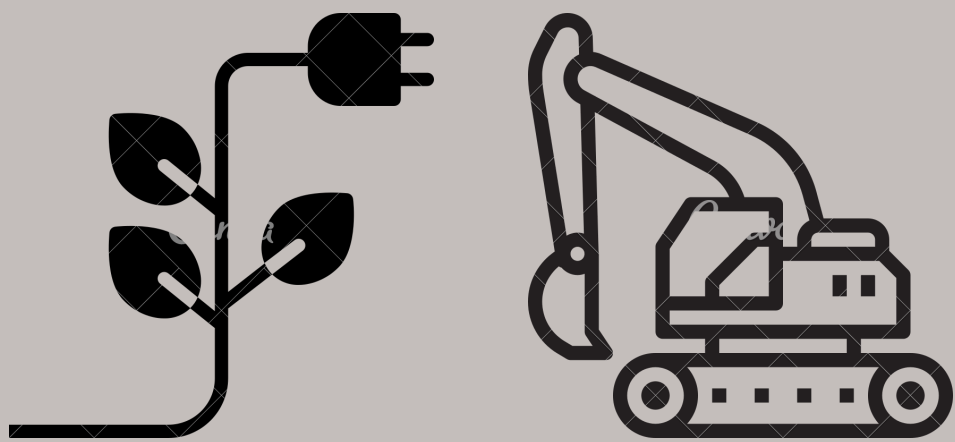
Advanced Manufacturing Production Credit (Section 45X)

- New Production Credit for production of components related to clean energy (ex. PV and components of cells and modules, inverters, offshore wind components, battery cells and modules, materials for batteries)

Electric Vehicle Credits (Sections 25E, 30D)

- New credit for buyers of previously owned clean vehicles for up to \$4,000 or 30% the sale price. Vehicles must be at least 2 years old and purchased before Dec. 31, 2032
- "New qualified plug-in electric drive motor vehicles" credit (section 30D) extended and modified, and will be worth up to \$7,500

Key Concepts | Bonus Credits



Prevailing Wage: A taxpayer must ensure that any laborers and mechanics are paid prevailing wages during the construction of a project and, during the relevant credit period, for the alteration and repair of such project. Must satisfy for full credit value.

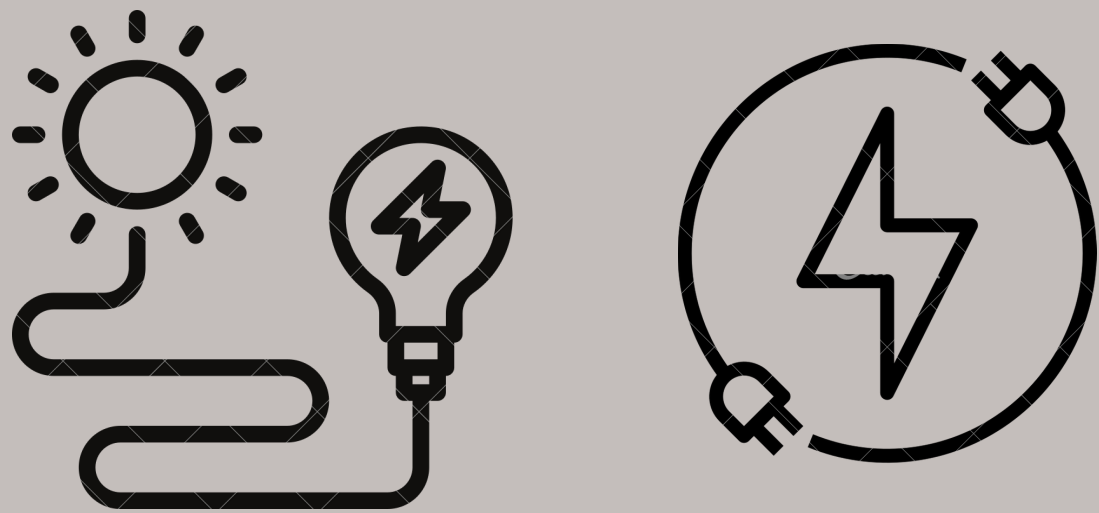
Apprenticeship: A taxpayer must ensure that no less than the applicable percentage of total labor hours for the construction of the project are performed by qualified apprentices. Must satisfy for full credit value.

Domestic Content: The taxpayer must certify that 100% steel, iron and at least 40% of manufactured products were produced in the United States. 10% bonus

Energy Community: Brownfield sites or communities that are highly dependent on fossil fuel industries (.17% of employment or 25% of local tax revenue or in/next to a census tract where a coal mine or coal plant was retired.) 10% bonus.

Low-Income: Applicable for wind and solar projects, low-income communities are defined as a census tract where the poverty rate is at least 20 percent or the median family income for such tract does not exceed 80 percent of statewide median family income. 10% or 20% bonus.

Key Concepts | Credit Monetization



Direct Pay:

- The IRA contains a valuable cash payment option that allows non-taxable entities to treat most tax credits including, the ITC and PTC, as payments of tax and then receive a refund for that tax.
- It also allows all business entities to elect direct payment of the clean hydrogen, carbon capture credits, and energy manufacturing credits.

Transferability:

- The IRA allows eligible taxpayers that are not eligible to elect direct pay to transfer covered clean energy credits to an unrelated taxpayer. Credits may be transferred only once.

Notable Investments



Greenhouse Gas Reduction Fund ("Green Bank"): \$27 billion: Establishes a new Greenhouse Gas Reduction fund to invest in nonprofit, state and local financing institutions designed to rapidly deploy low- and zero-emission technologies by leveraging investment from the private sector.

Loan Programs Office -Title 17 Loan Guarantee Authority and Funding \$40 billion in loan authority; \$3.6 billion for credit subsidy: Loan guarantees to eligible projects, including renewable energy systems, advancing fossil energy technology, hydrogen fuel cell technology, advanced nuclear energy facilities, carbon capture and sequestration projects, and more.

Energy Infrastructure Reinvestment Financing \$5 billion: New LPO program that will leverage \$250 billion in commitment authority for loan guarantees for projects that revitalize or replace energy infrastructure that has ceased operations, or enable operating energy infrastructure to avoid, reduce, utilize or sequester air pollutants or GHG emissions.

IRA | NEXT STEPS

Energy provisions that extend expiring provisions are generally effective in 2022, with new provisions generally effective in 2023.

Implementation Process:

1. Treasury and IRS prepare a Priority Guidance Plan (Winter 2022 or 2023)
2. Treasury is reviewing comments from initial Request for Information on various tax credits and requirements and has already begun issuing initial guidance and notices.

Political and Policy Pressures

- Multiple Policy Goals: climate, labor, environmental justice, supply chain and domestic manufacturing
- Senate Rules and 50-50 Senate



QUESTIONS?

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Agenda

Overview

Benefits

Next Steps