

Benefits of the Inflation Reduction Act for IMEG clients



The Inflation Reduction Act includes a large investment by the federal government to scale renewable energy, low carbon generation, energy storage, and electrification of the built environment. At a high level for IMEG clients, the act:

1. Adds several technologies into the federal tax credit structure that were not there before
2. Makes non-profits eligible for direct pay of the incentive (effectively a grant)
3. Fixes existing incentive levels at the high level
4. Prioritizes, for large systems, the prevailing wage, apprenticeship hours on projects, and domestic production of materials

Credits in green will be applicable to a larger percentage of IMEG's clients; the others will be eligible for some clients.*

CREDIT	ELIGIBLE TECHNOLOGIES/BUILDING TYPES	INCENTIVE LEVEL	RELEVANCE FOR IMEG CLIENTS
Production tax credit (PTC)	Wind , biomass, combustion of municipal solid waste, geothermal, hydro, marine and hydrokinetic energy	\$0.005-\$0.007/kWh over 10-year period; bonus for domestic content and qualified energy community. Must be zero-carbon generation facility.	Likely most relevant for large scale generation facilities. Not likely applicable at building or campus level.
Investment tax credit (ITC) Under 1 MW	Solar, geothermal , fiber optic solar, fuel cell, microturbine , small wind, offshore wind, CHP , waste energy recovery, stand-alone storage (batteries)	30% of system cost under 1 MW ; tax credit for private owners, qualifying non-profit eligible for direct pay	Most relevant for IMEG clients. Projects under 1 MW have a relatively straightforward process.
Investment tax credit (ITC) Over 1 MW	Solar, geothermal , fiber optic solar, fuel cell, microturbine , small wind, offshore wind, CHP , waste energy recovery, stand-alone storage (batteries)	Over 1 MW ; 6% base incentive + 24% (prevailing wage and 10% hours toward apprenticeship). Tax credit for private owners, qualifying non-profit eligible for direct pay.	Most relevant for IMEG clients. Over 1 MW will require prevailing wage and apprenticeship for meaningful incentive; will be a barrier for some projects.
Bonus Depreciation and Modified Accelerated Cost Recovery System (MARCS)	Solar, geothermal , fiber optic solar, fuel cell, microturbine , small wind, offshore wind, CHP , waste energy recovery, stand-alone storage (batteries)	Before 2023: 100% bonus depreciation 2023: 80% bonus, 20% MACRS 2024: 60% bonus, 40% MACRS 2025+: drops 20% each year	Private sector clients that have tax liability can depreciate energy cost, gaining another 15-25% reduction in cost on the system.
Sec 45L - New Home construction	Single family homes and any size multifamily whole home efficiency	\$2,500 per unit for Energy Star \$5,000 per unit for DOE Zero Energy ready	Now applicable for multifamily mid- and high-rise. Energy Star is a much more involved process for multifamily than typical commercial buildings.
Sec 179D Commercial Buildings	All commercial buildings; whole building efficiency compared to baseline.	\$2.50-\$5.00 per sf sliding scale from 25% to 50% above baseline New construction: latest 90.1 code baseline Existing building: existing energy baseline	For new construction, 25% better than latest ASHRAE 90.1; 2019+ will be aggressive. For existing buildings, 25% is likely in reach for older, low-performing buildings.

*This summary based on the legislation and articles by leading industry groups. Final guidance expected January 2023.