



PUBLIC SECTOR SERVICES

Navigating Tax Credits in the 2022 Inflation Reduction Act

New Tax Credits for Governments and Non-profits

The Inflation Reduction Act (IRA) expands, extends and establishes new tax incentives to advance the clean energy initiatives within public sector agencies. The IRA extends these incentives to entities that generally do not benefit from income tax credits, such as state, local and tribal governments and other tax-exempt entities. The IRA law does this through a direct-pay mechanism that permits tax-exempt entities to claim a direct cash payment in lieu of certain tax credits.

Beginning in 2023, this new direct-pay option, allows public agencies, like, state and local municipalities, school districts and municipal utilities to be able to apply for and receive a refund equal to the amount of the credit rather than receiving a tax credit against tax due balances like a typical taxpayer. Many of these can be received as direct pay, meaning that an entity can claim the full amount even if its tax liability is less than the credit. Engaging early with A&M enhances the optimization of time-sensitive funding opportunities.

Credit	Examples and Description
Alternative Fuel Vehicle Refueling Property Credit	Charging stations for electrified bus fleets or other property used to store or dispense clean-burning fuels
Qualified Commercial Clean Vehicles	Electrify public schools and municipal public transit provider bus fleets and central fleet vehicles
Clean Electricity Production	A technology-neutral credit for any electricity generation with zero greenhouse gas emissions. Wastewater facility's installation of floating solar on recycled water ponds at wastewater facility to offset the energy demand of the treatment plant. Nonprofit groups put solar panels on the roofs of their buildings and help rural energy collectives invest in renewables
Renewable Energy Investment	Any re-equipping, expansion, or creation of facilities to reduce greenhouse gas emissions or to produce or recycle clean energy equipment and vehicles. Government building invests in new geothermal heat pump technology
Clean Electricity Investment	Any investment in electricity-generating facilities that produce no greenhouse gas emissions, solar installation on new or existing municipal owned buildings
Other Investments	Carbon Oxide Sequestration, Zero-Emission Nuclear Power Production, Clean Hydrogen Production, Clean Fuel Production

What This Could Mean for Your Budget



Transit: Claim up to 30 percent of the cost of qualified commercial clean vehicles as a direct payment, and an additional six percent property tax credit when investing in qualified alternative fuel/refueling programs.



Energy: Investments in qualified clean energy generation and storage facilities placed into service after December 31, 2024, may be eligible for a six percent credit, while production of clean electricity may qualify for an additional credit of 0.3 cents/kWh.



Utilities: Investments to increase the energy efficiency of wastewater treatment facilities or to add photovoltaic power to support operations may qualify for a credit of six percent.



Workforce: Projects and investments meeting prevailing wage and apprenticeship criteria may also qualify for a five times credit multiplier, heightening the total credit to 30 percent of the investment in many areas.

How A&M Can Help

A&M's experienced tax and government consultants have a deep understanding of infrastructure funding issues facing governments and school districts. Our seasoned consultants can assist you in the review of your agency's capital improvement plans to identify potential projects that may be eligible for the IRA tax incentive funding. Specifically, A&M can analyze expenses and identify refundable credit opportunities to optimize and maximize your potential credits. Then, we can assist in the pre-registration, the credit application process and negotiations needed to obtain the funds.

Additionally, we can help you manage the capital project implementation and funds management with other federal and state grant funds. Our consulting team has worked with both public and private agencies with tax incentive programs and federal grant reporting with a proven track record.

How State and Local Governments Can Navigate the IRA Credits



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About A&M State and Local

A&M believes in state and local government's ability to empower people to live their best life. Our team leaders are recognized experts in person-centered practices; these values are instilled across our staff. Unlike traditional consulting firms focused only on reporting and making recommendations, A&M partners with state agencies to plan, implement, execute, evaluate and refine. We build a stronger and sustainable foundation for state government to have a positive and meaningful impact on the lives of its constituents. Additionally, we can help you manage the capital project implementation and funds management with other federal and state grant funds. Our consulting team has worked with both public and private agencies with tax incentive programs and federal grant reporting with a proven track record.

A&M has an established purchasing contract with OMNIA Partners. OMNIA Partners is the largest and most trusted cooperative purchasing organization for public sector procurement. A&M is participating member of OMNIA's purchasing cooperative through Fairfax County, VA Contract No. 4400005869.

ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 9,000 people providing services across six continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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