

Key Inflation Reduction Act Opportunities for Municipalities:

Presentation to League of Wisconsin Municipalities Roundtable

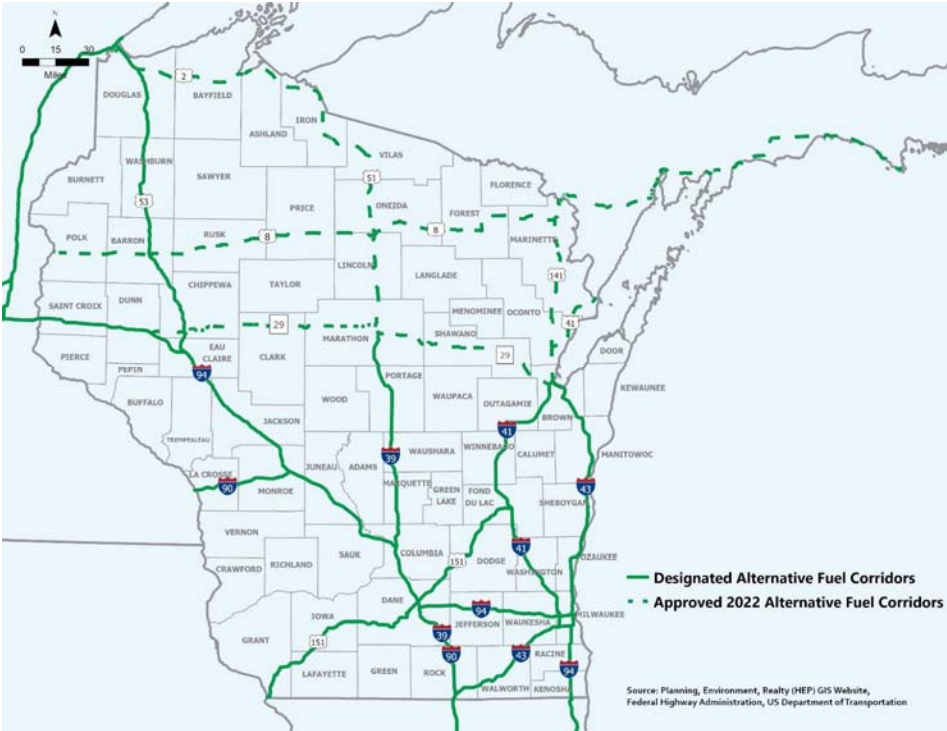
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Infrastructure Act EV Grants for Charging and Fueling

- ▶ Competitive Grant Program to be established by November 15, 2022, for:
 - ▷ Projects along Designated Alternative Fuel Corridors (DFAC)
 - ▷ Community Grants
- ▶ States, metropolitan planning organizations, local governments, special purpose districts or public authorities with a transportation function, Indian tribes and territories are eligible.
- ▶ \$2.5 billion funding over five years (Fiscal Years 2022 through 2026).
- ▶ Federal share up to 80% of total project cost.

DAFC in Wisconsin Map



Community Grants

- ▶ 50% of funding reserved for Community Grants.
- ▶ Maximum community grant up to \$15 million.

Investment Tax Credits under the Inflation Reduction Act

Extension and Modification of ITC under Inflation Reduction Act

- ▶ Investment tax credit for solar was 26% and was scheduled to be reduced to 10% by 2024.
- ▶ With the Act:
 - ▷ Base credit rate of 6%
 - ▷ But increased to 30% if certain requirements met.
- ▶ 30% credit also available for: geothermal, combined heat and power, biogas, energy storage, and microgrid controllers.
- ▶ 30% credit also available by election in lieu of production tax credit for: wind, biomass, landfill gas facilities, trash facilities, qualified hydropower facilities, and marine and hydrokinetic renewable energy facilities.
- ▶ 30% credit also available for interconnection property (below 5 MW).

Requirements for 30% Tax Credit

- ▶ Less than 1 megawatt AC (project includes one or more energy properties part of single project), or
- ▶ Construction begins before 60 days after guidance on prevailing wage and apprenticeships, or
- ▶ Meets prevailing wage and apprenticeship requirements.

Opportunities for Increased Credits

- ▶ 10% increase if meet domestic content requirements (essentially all steel and iron from U.S. and 40% of manufactured product costs).
- ▶ 10% increase if in “energy community” (includes brownfield sites and census tracts including and surrounding coal fired electric generating units retired after 12/31/2009).
- ▶ Potential 10% credit increase if in low-income community or on Indian lands or 20% additional credit if low-income residential building project or low-income economic benefit project (1,800 MW limit in 2023 and in 2024)

Inflation Reduction Act Allows Political Subdivisions to Directly Receive Tax Credit

- ▶ Governments and tax-exempt entities allowed to elect to be treated as having made a payment of tax equal to the value of the credit.
- ▶ File request for refund of deemed tax overpayment.
- ▶ Can directly receive tax credit without needing partnership with investor.
- ▶ Does not apply to depreciation deductions, so in some situations it may be better to partner with investor.

Its Not Just Tax Credits: Funding for Municipalities and Others

Climate Pollution Reduction Grants

- ▶ \$5 billion in funding
- ▶ States, municipalities, and tribes eligible
- ▶ For programs, policies, measures, and projects that will achieve or facilitate the reduction of greenhouse gas air pollution
- ▶ Provides planning grants (\$250 million).
- ▶ Provides implementation grants (\$4.75 billion) grants to those that receive planning grants.
- ▶ Eligible applicants can seek a planning grant to scope out several clean energy and other GHG reduction projects and an implementation grant to pay for them potentially in combination with tax credits and other incentives.

Environmental and Climate Justice Block Grants (ECJBG)

- ▶ \$2.8 billion in funding
- ▶ Eligible entities:
 - ▷ community-based organizations or
 - ▷ partnerships of those organizations with municipalities, tribes or institutions of higher learning
- ▶ Focused on benefitting disadvantaged communities

Eligible Uses of ECJBG

- ▶ Community-led air and other pollution monitoring, prevention and remediation,
- ▶ Investments in low- and zero-emission and resilient technologies
- ▶ Mitigating climate and health risks from urban heat islands, extreme heat, wood heater emissions, and wildfire events
- ▶ Climate resiliency and adaptation
- ▶ Reducing indoor toxics and indoor air pollution or
- ▶ Facilitating engagement of disadvantaged communities in State and Federal public processes.

Greenhouse Gas Reduction Fund

- ▶ \$27 billion in grants to certain non-profit entities to provide funding and financing of green energy and other clean projects.
 - ▷ \$7 billion for funding and financing zero-emission projects in low-income and disadvantaged communities (states, municipalities and tribes able to compete as direct recipients that provided grants, loans and other financial assistance).
 - ▷ Approximately \$12 billion for projects, activities and technologies that reduce or avoid or assist communities in reducing or avoiding greenhouse gas emissions and other forms of air pollution
 - ▷ \$8 billion for same purposes but focused on low income and disadvantaged communities
- ▶ Provides additional opportunities for low-cost funding for community and private-public partnership renewable energy, energy efficiency and other clean energy projects.

Partially Forgivable Loans for Rural Electric Generation

- ▶ The Inflation Reduction Act provides for Partially Forgivable Loans for Rural Electric Generation.
- ▶ \$1 billion for electric loans under the Rural Electrification Act of 1936 for electric generation (including energy storage) from renewable energy resources for resale to rural and nonrural residents.
- ▶ Loans are potentially forgivable up to 50%
- ▶ Interest rates equal to the average tax-exempt municipal bond rate of similar maturities.

Significant Increase in 179D Tax Deduction for Building Energy Efficiency

- ▶ Increases the current maximum tax deduction of \$1.88/sq. ft. to \$5.00/sq. ft. to incentivize energy efficient construction and rehabilitation that meets prevailing wage and apprenticeship requirements.
- ▶ Available for commercial buildings and multifamily buildings that are four stories or taller.
- ▶ Must be at least 25% more efficient than reference building and 50% more efficient to receive full \$5.00/sq. ft. cap (starts at \$2.50 and increases \$0.10 for each percent above 25%).
- ▶ Governments can allocate 179D tax deductions to architects, engineers, and designers responsible for designing a building's energy efficient systems.

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Questions?



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