



Energy and Tax Credits in the Inflation Reduction Act

With our diverse practice areas in tax and energy accounting, Weaver can help you identify potential tax credits and other financial opportunities.

Over the next ten years, the federal government will provide \$369 billion in spending and tax credits as part of the Inflation Reduction Act of 2022. These include production and investment tax credits for existing and emerging zero-emissions energy sources, including solar and wind, energy storage, clean hydrogen, nuclear, and carbon capture technologies. These incentives are likely to transform the energy marketplace.

Now is the time to uncover potential opportunities for your energy business. Weaver can help.

With our diverse service offerings and decades of experience in the energy industry, our team has the knowledge and experience you need to identify potential tax incentives and benefit from other opportunities.

Contact us for information about tax credits that provide:

- ▶ Support for existing renewable energy technology
- ▶ Support for emerging zero-emissions energy sources
- ▶ New incentives for hydrogen and nuclear power
- ▶ Support for carbon capture technology
- ▶ Support for the domestic manufacturing of energy components.

Support for Existing Renewable Energy Technology

The Inflation Reduction Act extends and expands the renewable electricity production tax credit (PTC) under IRC Section 45 and investment tax credit (ITC) under IRC Section 48 for three years for projects that begin construction by January 1, 2025. It also restores the credits to pre-phaseout

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rates. The PTC applies to wind facilities, biomass, solar, landfill gas, municipal solid waste, hydropower, marine and hydrokinetic renewable energy facilities, and geothermal energy. The ITC now covers solar, wind, geothermal, fuel cell, combined heat and power systems, and waste energy recovery for projects, small stand-alone energy storage, qualified biogas, microgrid controllers, and certain interconnection property.

Support for Emerging Zero-Emissions Energy Sources

After 2024, the current PTC and ITC transition to “technology-neutral” tax credits under IRC Section 45Y and IRC Section 48E. This will provide incentives for zero-emissions energy production and innovation through at least 2032.

New Incentives for Hydrogen and Nuclear Power

The Inflation Reduction Act provides significant support for hydrogen, which is viewed as a potential fuel for energy-intensive industries, with the new IRC Section 45V Clean Hydrogen Production Tax Credit (CHPTC). It also recognizes nuclear energy as a zero-emissions energy source and helps to maintain production from existing facilities with the new IRC Section 45U PTC for nuclear power.

Support for Carbon Capture Technology

To mitigate emissions from the continued use of carbon-intensive power production, the Inflation Reduction Act extends the IRC Section 45Q carbon capture and sequestration tax credit to projects that begin construction before January 1, 2033. It also expands the credit by increasing the tax credit amount and by lowering the qualification threshold. This credit is available for a carbon capture, direct air capture, or carbon electricity generation project.

Support for Domestic Manufacturing of Energy Components

The Inflation Reduction Act extends the IRC Section 48C advanced energy project ITC to provide an incentive to build clean energy supply chains domestically. The Section 48C credit applies to investments in manufacturing facilities used for the production or recycling of clean energy equipment, including solar, wind, and carbon capture technologies. The credit also applies to facilities that manufacture energy storage systems, grid modernization equipment or components, electric and hybrid vehicles, property used to produce energy conservation technologies, and equipment that re-equips an industrial or manufacturing facility with equipment designed to reduce greenhouse emissions by at least 20 percent.

In addition to investment incentives, the Inflation Reduction Act also adds a new IRC Section 45X advanced manufacturing PTC. The eligible energy components include photovoltaic cells, photovoltaic wafers, solar grade polysilicon, polymeric backsheet, solar modules, wind energy components, torque tubes, structural fasteners, inverters, electrode active materials, battery cells, battery modules, and critical minerals.