

FORVIS

Clean Energy for Healthcare Entities

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Welcome!



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IRA – Legislative History

- **History of the Act:**
 - Based on the Build Back Better framework
 - Originally included in the Biden Administration’s policy goals
 - Signed into law on 8/16/22 by President Biden
- **Included within the IRA:**
 - Corporate Alternative Minimum Tax
 - Stock buyback excise tax
 - Clean energy provisions

IRA – Clean Energy Credits

CAPITAL EXPENDITURES

- Clean energy property
- Construction/renovation

MANUFACTURING

- Manufacture of clean energy property
- Re-equip/expand manufacturing facility of clean energy property

CARBON SEQUESTRATION

- Capture – Dispose or Utilize

ALTERNATIVE FUELS

- Clean Nuclear
- Biodiesel & others
- Clean Hydrogen
- Aviation Fuels

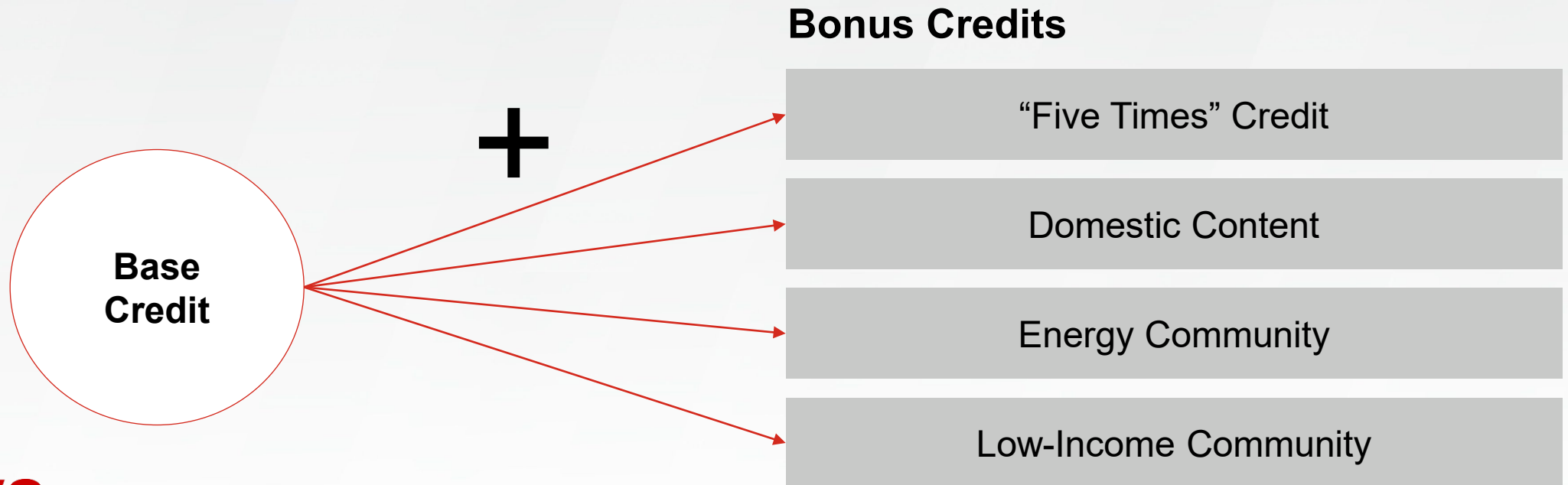
ELECTRIC VEHICLES

- Vehicles
- Charging stations
- Mobile machinery

ENERGY PRODUCTION

Credit Mechanics

- General framework: “base” with “bonus” opportunities
- Once all is considered, IRA provides for higher credit amount opportunities
 - “Old” credit base generally cut 80% starting 1/1/2023



Bonus Credits

- “Five Times” Bonus Credit – Either:
 - Project less than 1 megawatt, OR
 - Prevailing wage & apprenticeship requirements (PWA)

BASE X 5

Prevailing Wage Requirement

- Pay at least prevailing wage to all laborers & mechanics on project
 - Employed by taxpayer, contractor, or subcontractor
 - Consider including in contracts
- Wage determination: <http://www.sam.gov>
- Recordkeeping requirements
- Cost/benefit analysis of increased pay versus credit benefit

Apprenticeship Requirement

- If four workers, must have at least one qualifying apprentice
- Request from qualifying apprenticeship programs
- Recordkeeping requirements
 - Daily “proof” required

2023 Clarifications – Prevailing Wage & Apprenticeship (PWA)

- **Proposed Regs – Prevailing Wage & Apprenticeship (PWA)**
 - General guidance
 - Good Faith Exception (apprenticeship requirement)
 - Acknowledgement of request meets requirement
 - Follow-up request required within 120 days
 - Partial denial not full denial
 - Documentation & Retention
 - Supplemental wage determination requests
 - Recordkeeping
 - Penalty, interest, & correction payments
 - “Cure” now available – penalty & correction payments, allows for increased credit despite not meeting PWA requirements
 - “Cure” responsibility of transferor

Bonus Credits

DOMESTIC CONTENT

10%

- Content requirements:
 - Steel & Iron – 100% U.S. Sources
 - Manufactured product – 40% U.S. components

ENERGY COMMUNITY

10%

- Defined as:
 - Brownfield Site
 - Statistical area – specific requirements
 - Census tract with (or adjoining) closed coal mine
- Website/map available

LOW-INCOME HOUSING

10%-20%

- Only available for certain:
 - Solar facilities
 - Wind facilities

IRA – Example

- Company X placed a solar panel in service in 2023. The basis of the property is \$100,000. Assuming all bonus credit requirements are met, the credit calculation would be:

Pre IRA

Description	Rate/ Calculation	Credit Amount
Base credit	30%	<u>\$30,000</u>

Post IRA

Description	Rate/Calculation	Credit Amount (Cumulative)
Base credit	6%	\$6,000
5 times bonus	x5	\$30,000
Domestic content	10%	\$40,000
Energy community	10%	\$50,000

Monetizing Credits

Transferability – “Selling” Credits

- Taxable entities eligible
- Potentially expected discount: 10-20%
- Registration of projects required – more to come
- Risk involved – recapture risk moves to transferee, PWA requirement risk stays with transferor
 - Insurance available
 - Contracts important

Direct Pay – Cash “Refund”

- For most credits, only available for tax-exempt entities
- Cash instead of tax reduction
- Registration of projects required
- For taxable entities:
 - Section 45X – Advanced Manufacturing Production Credit
 - Section 45Q – Carbon Sequestration
 - Section 45V – Production of Clean Hydrogen

Inflation Reduction Act of 2022 (IRA)

Applicable Credits for Elective Payments

Credit	Code Section
Alternative Fuel Vehicle Refueling Property Credit	30C
Renewable Energy Production Credit	45
Carbon Oxide Sequestration Credit	45Q
Zero-Emission Nuclear Power Production Credit	45U
Clean Hydrogen Production Credit	45V
Credit for Qualified Commercial Clean Vehicles	45W
Advanced Manufacturing Production Credit	45X
Clean Electricity Production Credit	45Y
Clean Fuel Production Credit	45Z
Renewable Energy Investment Credit	48
Qualifying Advanced Energy Project Credit	48C
Clean Electricity Investment Credit	48E

Elective Payments

- Cash payment available instead of credit
- **Benefit:**
 - Tax-exempt entities
 - For example, State or political subdivisions, TVA, Indian Tribal governments, Alaska Native Corporations, certain corporate co-ops that provide electric energy
 - Taxable entities (45V, 45Q, & 45X only)
- Elective Payments available through 12/31/32
- Election is irrevocable for tax year once made
- For some credits, only 90% of credit available if domestic content not met **&** the maximum net output is 1MW or greater (after 12/31/2023)

Transferring Credits

Credits can only be sold for cash, & within a certain time frame to unrelated third parties

Cash received = tax-exempt income to transferor & not a deduction for the transferee

Transferee cannot resell or transfer the credit a second time

Taxpayers subject to Section 469 will normally characterize these credits as passive

No direct pay on transferred credits

2023 Clarifications – Registration

- **Registration requirements (T.D. 9975 & FAQs)**
 - Registration required to transfer credits or make direct pay election
 - Register on [IRS electronic portal](#)
 - [Publication 5884](#) provides step-by-step guide to using the portal
 - Property must be placed in service prior to registration
 - Credits registered should be reported on the correct Forms within the annual tax return filings
 - Pub 5884 includes chart with listing of credits/Forms
 - Note: Taxpayers not normally required to file an annual tax return (such as state or local governments) would file a Form 990-T with the registration number to claim direct pay

2023 Clarifications – Registration

“Bulk” uploads allowable: Sections 30C, 45, 45W, 48

- Separate registration number required for each facility/property
- Multi-year credits require renewed registration numbers

IRS reviews registration submissions in order it receives them

- IRS has stated to expect a 120 day “lag” from submission to receipt of registration number

Changes to submission, or additional submissions only allowed after processed

2023 Clarifications – Registration

- **Information needed for pre-registration:**
 - General
 - For example: EIN, address, type of entity, bank account info
 - Credit specific, for example:
 - Project information: coordinates, date construction began, date placed in service, source of funds used, etc.
 - Permits
 - Engineer certification, commissioning report
 - Evidence of ownership
 - Life cycle analysis

Investment/Production Tax Credit

	Section 48 – Investment Tax Credit	Section 45 – Production Tax Credit
How is it calculated?	<ul style="list-style-type: none"> • Credit is a % of cost 	<ul style="list-style-type: none"> • Credit per unit of energy produced
How much is the credit?	<ul style="list-style-type: none"> • 6% base • Bonus credits eligible (50% possible) 	<ul style="list-style-type: none"> • 0.3 cents/kWh • Bonus credit eligible (1.8 cents/kWh possible) • Adjust for inflation
When can I take the credit?	<ul style="list-style-type: none"> • Taken when property placed in service • Construction to begin before 1/1/25 for some property (then Section 48E) 	<ul style="list-style-type: none"> • Credit over 10-year period • Construction to begin before 1/1/25 for some property (then Section 45Y)
Examples	<ul style="list-style-type: none"> • Battery storage • Heating/cooling equipment using ground or ground water • Combined heat & power system • Dynamic glass • Solar panels 	<ul style="list-style-type: none"> • Closed or open-loop biomass facilities • Qualified hydropower facilities • Gas or trash facilities • Wind facilities • Solar or geothermal facilities

Questions to Ask ...

Indicators of Section 45 (PTC)/48 (ITC) Credits:

- Are you experiencing increasing energy prices greater than national average?
- Are you planning for new construction or capital improvements to buildings?
- Do you have vacant land or available roof space? Land could include undeveloped lots or parking lots

Client Examples

- A chain of clinics installed solar panels on the roofs of its buildings
- A client incorporated dynamic glass & new heat pumps into its office building
- A client in Hawaii analyzed new solar projects due to escalating energy prices provided by the “grid”

Building & Construction

- **Section 179D – Energy Efficient Commercial Buildings Deduction**
 - Deduction for construction & improvement of buildings
 - Property reduces energy costs by 25% or more vs. building meeting ASHRAE standards
 - Available for improvements or new construction
 - Building envelope, HVAC, hot water systems, interior lighting
 - **Changes made by IRA:**
 - Now a permanent credit
 - “Max” potential deduction \$1 or \$5 per square foot (subject to inflation)
 - Annual rather than lifetime cap
 - Lower ASHRAE standards target
 - Tax-exempt entities can “transfer” credit to designer

Building & Construction

- **Section 45L – New Energy Efficient Home Credit**
 - Per unit credit: ranges from \$500 to \$5,000
 - Energy Star requirements vary based on property category (single family, multifamily, or manufactured home)
 - Zero energy ready homes receive “maximum” possible credit
 - Prior “three story” limitation no longer in place
 - Note: not available for transfer or direct pay
 - Example: senior living facilities, dormitories, etc.

Electric Vehicles Related Credits

Section 45W – Qualified Commercial Electric Vehicle Credit

- Electric vehicle OR mobile machinery
- Credit limits: \$7,500 (GVWR <14,000 lbs.) or \$40,000 (all other)
- **Examples:**
 - Electric emergency vehicles & transport vans
 - Electric vehicle fleet

Section 30C – Alternative Fuel Vehicle Refueling Property

- “Charging stations”
 - Recharges electric vehicles
 - Stores or dispenses clean-burning fuel to a motor vehicle tank
- 6% base, bonus eligible up to 30%
- \$100,000 credit limit per item of property
- Non-urban or low-income area required
- **Examples:**
 - Electric charging stations
 - Clean fuel recharging stations

Questions to Ask ...

Indicators of Potential EV Credits

- Are you placing electric vehicles into service?
- Are you adding charging stations to support EV fleets?
 - Are operations in non-urban or low-income housing areas?
- Are you expanding to new locations? Such as satellite offices or campuses
- Do your patients/employees/vendors own electric vehicles? Would they utilize charging stations at your locations?

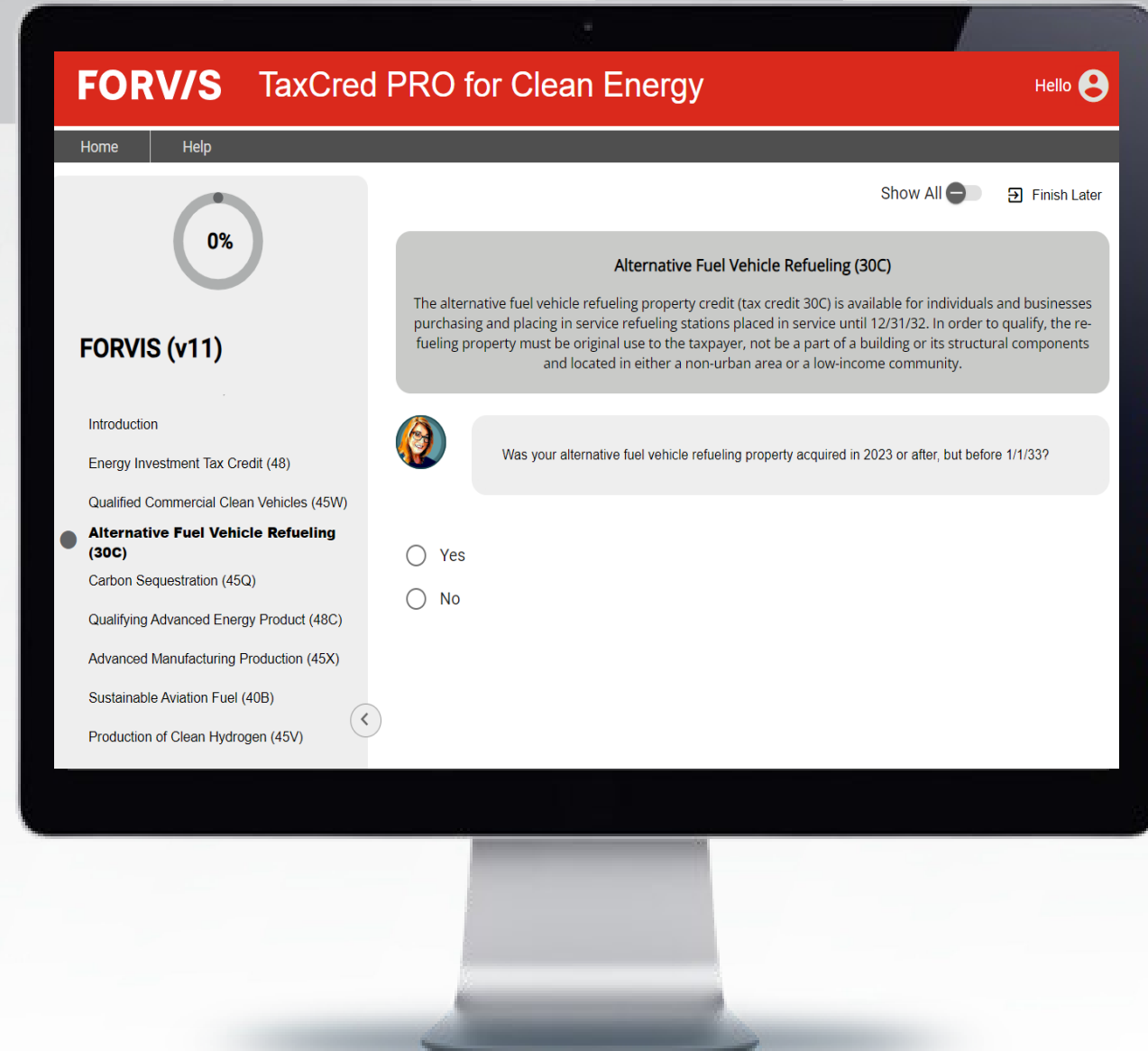
Questions to Ask ...

General Considerations

- Does the Healthcare entity have an Office of Sustainability?
- Has your client adopted ESG goals for operations, policies, & financials?
- Is clean energy involvement a part of employee satisfaction metrics?
- Do your owners expect a certain level of ESG involvement?
- Are you expecting a forthcoming sale?

TaxCred PRO for Clean Energy

- Available **for free** on FORVIS' website
- For **individuals & businesses** of all industries & sizes
- Easy questionnaire, resulting in educational reports
 - Summarizes opportunities
 - Calculates an estimated credit benefit based on the answers provided
- **Next steps**
 - Meeting with: Client, IRA Consulting Leader, Engagement Executive
 - Four phased engagement



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Thank You!

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