

Inflation Reduction Act of 2022 Funding for Tax Exempt Entities

WHITE PAPER

The **Inflation Reduction Act of 2022 (IRA)** invests in domestic energy production while promoting clean energy. It was passed and signed into law August 16, 2022. The bill was the result of negotiations on the Build Back Better Act, which explains why it takes such an expansive role in promoting energy reduction and clean energy. This law is the largest investment into addressing climate change in United States history.

The law includes a **\$158 billion** investment into clean energy technologies, mainly thru tax incentives. The act pays a percentage of construction costs for specific *clean energy technologies* including:

Alternative Energy Credits - §48, ITC 2022					
Technology	Base Credit	5x Bonus Credit (2022)	Domestic Content (2023)	Energy Community (2023)	Range
Solar Technologies (2022)	6%	30%	2%/10%	2%/10%	6%-70%
Ground Source Heat Pump (GSHP) 2022	6%	30%	2%/10%	2%/10%	6%-50%
CHP (2022)	6%	30%	2%/10%	2%/10%	6%-50%
Microgrid Controller (2023)	6%	30%	2%/10%	2%/10%	6%-50%
Fuel Cell (2022)	6%	30%	2%/10%	2%/10%	6%-50%
Interconnection Property (2023)	6%	30%	2%/10%	2%/10%	6%-50%
Electrochromic Glass	6%	30%	2%/10%	2%/10%	6%-50%

The law now provides **direct payments to tax exempt** entities upon completion of construction. This is a game changer for schools and others who previously could not receive tax advantages from clean energy projects.

Funding levels are high enough that they may be a **Net Positive** benefit to the project budget. Meaning they bring more money than they cost and lower the overall out-of-pocket cost of projects. For example, if GSHP projects cost 30% more than standard HVAC, the incentive pay could be 50% and the **net positive benefit to the project could be as much as 20%**.

Capital Engineering specializes in MEP Design & Consulting including GSHP. Over our 75+ year history we have worked on over 6,000 K-12 and higher education projects, including projects that utilize technology and systems included in the IRA. Capital celebrates bringing innovation to all our projects, striving to deliver the perfect balance of proven technology with leading edge solutions. We welcome talking to you more about these opportunities. Please reach out to Aaron Wintersmith, Director of Sustainability.



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[IRA Guidebook,
The White House:](#)



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