



Heather B. Navarro Director Midwest Climate Collaborative



Robert B. Harry Real Estate Partner Stinson, LLP

IRA and Federal Funding Session 1

MIDWEST C L M A T E COLLABORATIVE





What can IRA and BIL do for you? Federal funding for energy efficiency and clean energy Missouri Energy Policy Series by MEI

August 20, 2024

Our vision

Carbon neutral

Climate resilient

Interconnected

Midwest region



MCC Members

Academy of Science – St. Louis American Lung Association City of Ann Arbor, MI City of Brentwood, MO **Building Energy Exchange Kansas City** Building Energy Exchange St. Louis Capital Area Regional Planning Commission Carleton College Case Western Reserve University City of Carbondale, IL City of Carmel, Indiana **Case Western Reserve University** Children's Museum of Indianapolis City of Clayton, MO Clean Air Task Force **Climate Central** Climate Action KC City of Columbus, Ohio Cook County, IL **Delta Institute**

Donald Danforth Plant Science Center Earth Charter Indiana **Employment Connection** EnergyCare City of Evanston, Illinois City of Evansville, Indiana Foundation for Regeneration KERAMIDA ENVIRONMENTAL, Inc. Illinois Agri-Food Alliance Indiana University Indiana University – Purdue University Indianapolis City of Indianapolis, IN Iowa Natural Heritage Foundation Iowa State University City of Kansas City, Missouri Kansas City Zoo & Aquarium Keep Indianapolis Beautiful Lincoln University Loyola University of Chicago

Technology Morton Arboretum **MOST Policy Initiative** MRETS City of Naperville, IL **Education Center** Northland College Principia College Renew Missouri Saint Louis Zoo

- Missouri Botanical Garden Missouri Gateway Green Building Council
- Missouri Historical Society
- Missouri University of Science &
- National Audubon Society
- National Great Rivers Research and
- Northwestern University
- City of St. Louis, Missouri
- Saint Louis Science Center
- Sierra Club, Hoosier Chapter

- Southern Illinois University Edwardsville
- The Nature Conservancy in Illinois
- The Nature Conservancy, Nebraska Program
- Northland College
- The Ohio State University
- The Resilient Activist
- University of Chicago
- University of Michigan
- University of Wisconsin Madison
- **Urban Harvest STL**
- Upper Midwest Association for Campus Sustainability
- Urban Land Institute St. Louis
- Village of Northbrook, IL
- Washington University in St. Louis

MCC Projects

Connecting, amplifying, filling gaps, and building capacity



Midwest Climate Research Agenda Bridging the gap between research & practice



Connecting the scientific community to decision-makers and building capacity for greater engagement



Climate Resource Network

Leveraging successes and sharing resources





Midwest Climate Summit

Bringing together climate leaders across sectors

Federal Funding Fridays!



Climate Ambassadors

Educator Community of Practice

Connecting, sharing resources, and preparing future leaders

Tracking Climate Commitments

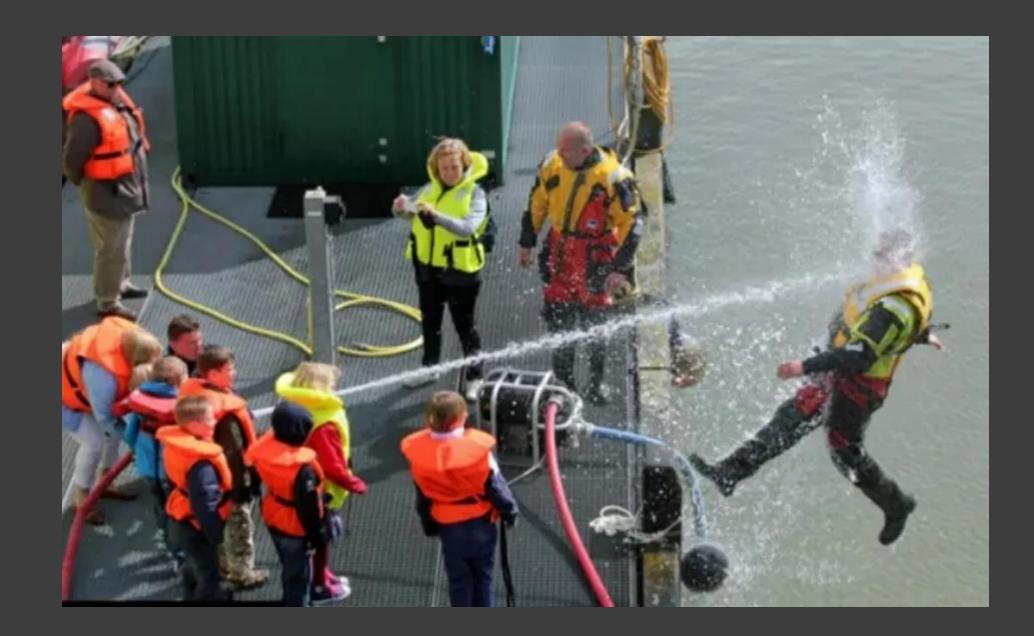
Supporting ambitious, science-informed mitigation and adaptation targets

How is this money flowing?

- Formula funding
- Competitive grants
- Loans
- Tax Credits / Direct Pay









EPA CLEAN SCHOOL BUS



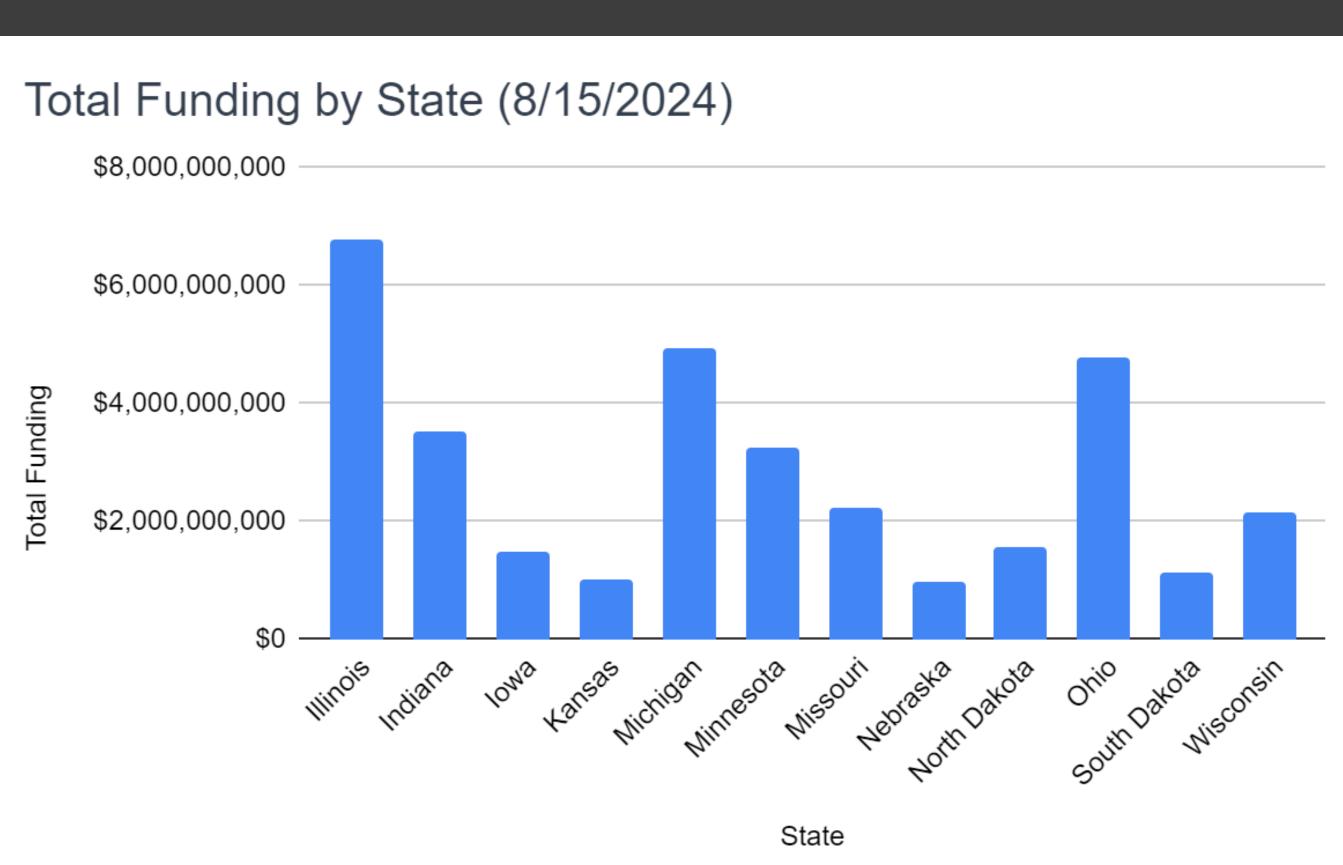
Tribal Electrification Program

Funding Awarded by Recipient Type

State Governments		Commercial/	NGOs
\$60.6bn		\$28.9bn	\$24.4bn
Public Transit Ag	Local Governments		Other
	\$16.1bn Federal Agen	cies	\$4 Tribal
\$18.4bn	\$11.5bn		

Open in Power Bl Outcomes Dashboard Data as of 8/16/24, 2:03 AM Filtered by Funding Awarded Only View (is Total), Funding Awarded View (is Total), Funding Type (groups) (is not Loan Program or Tax Credit)

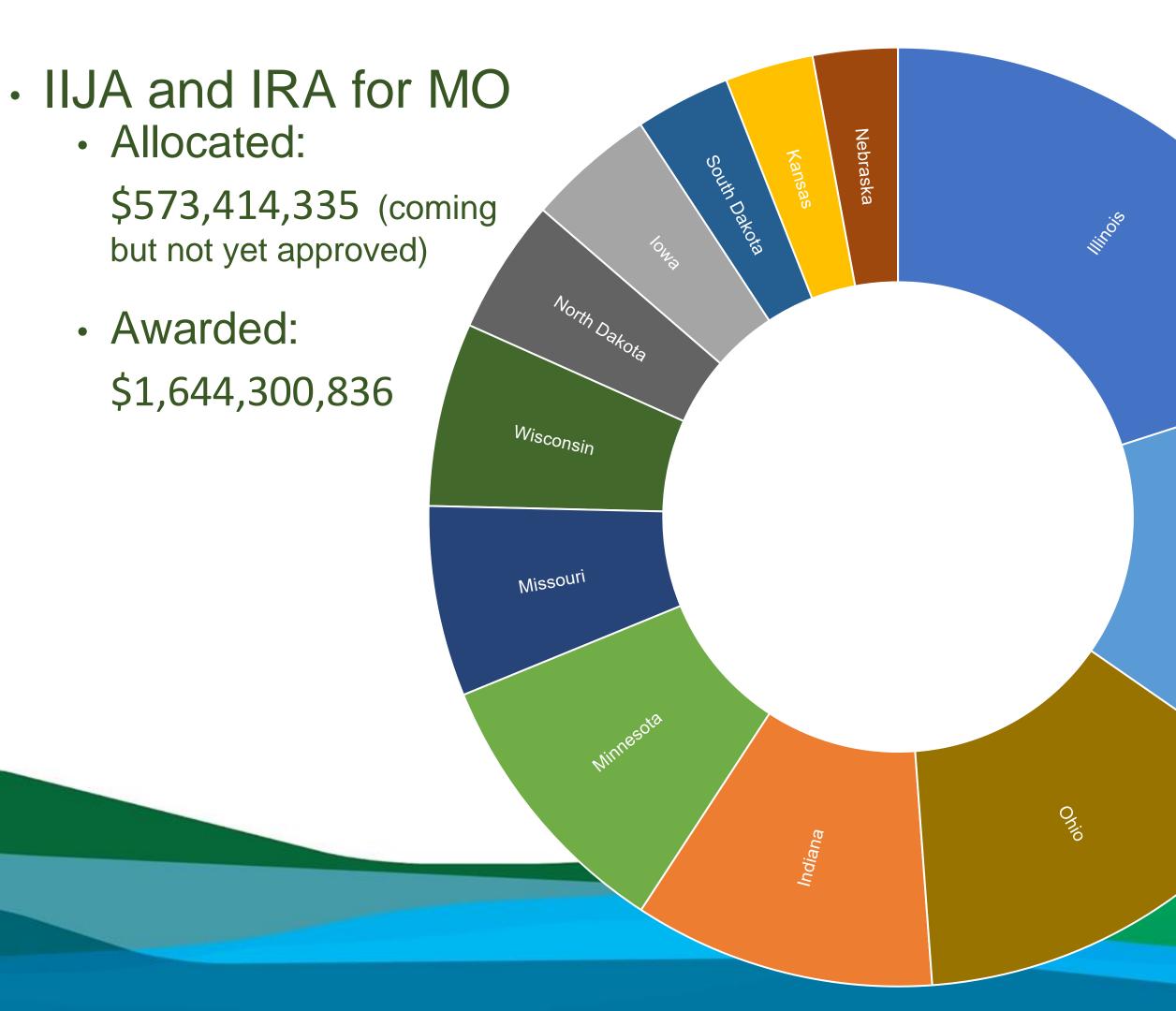
IRA and IIJA Funding in the Midwest



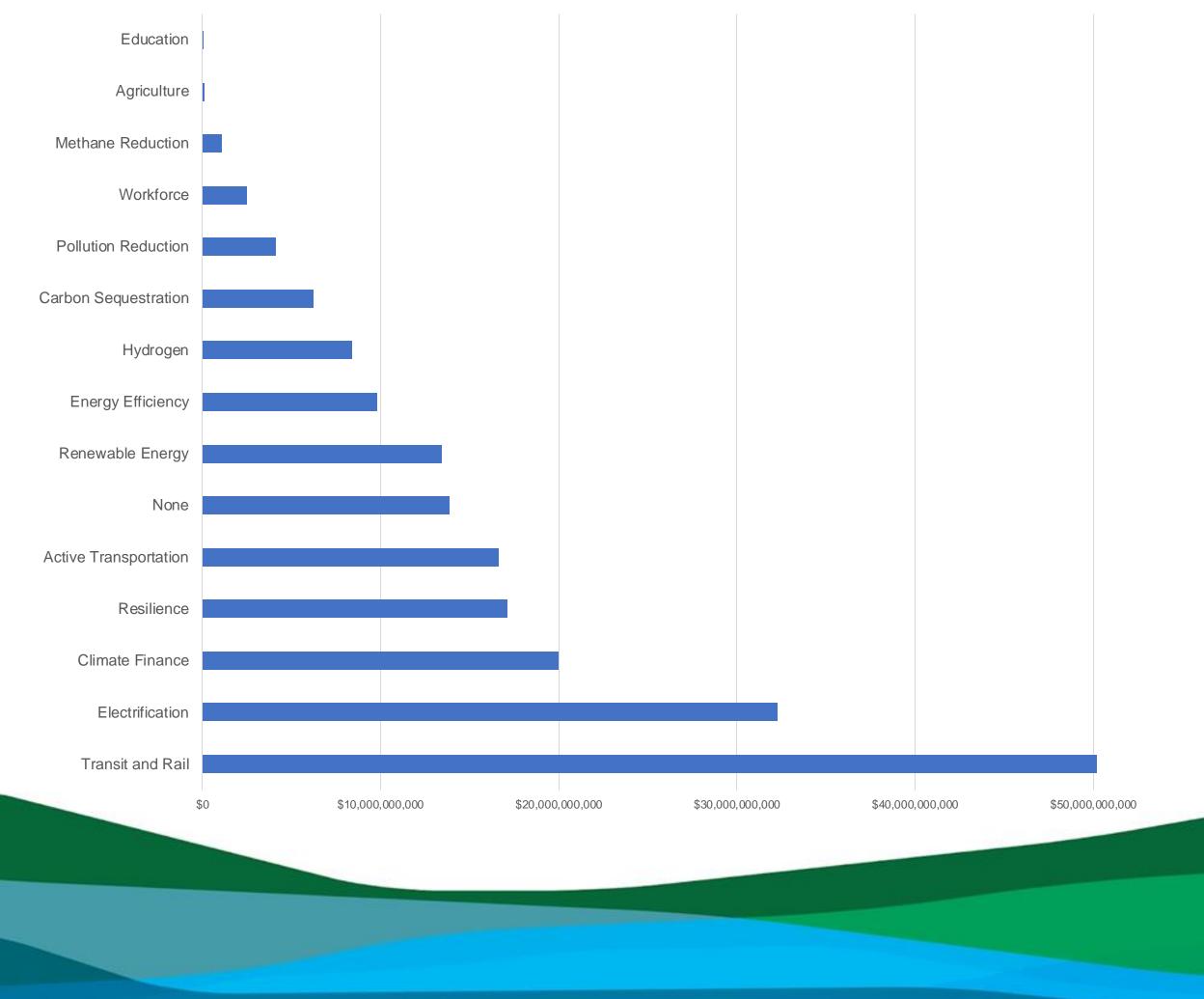
Midwest % of National Total

(8/15/2024)



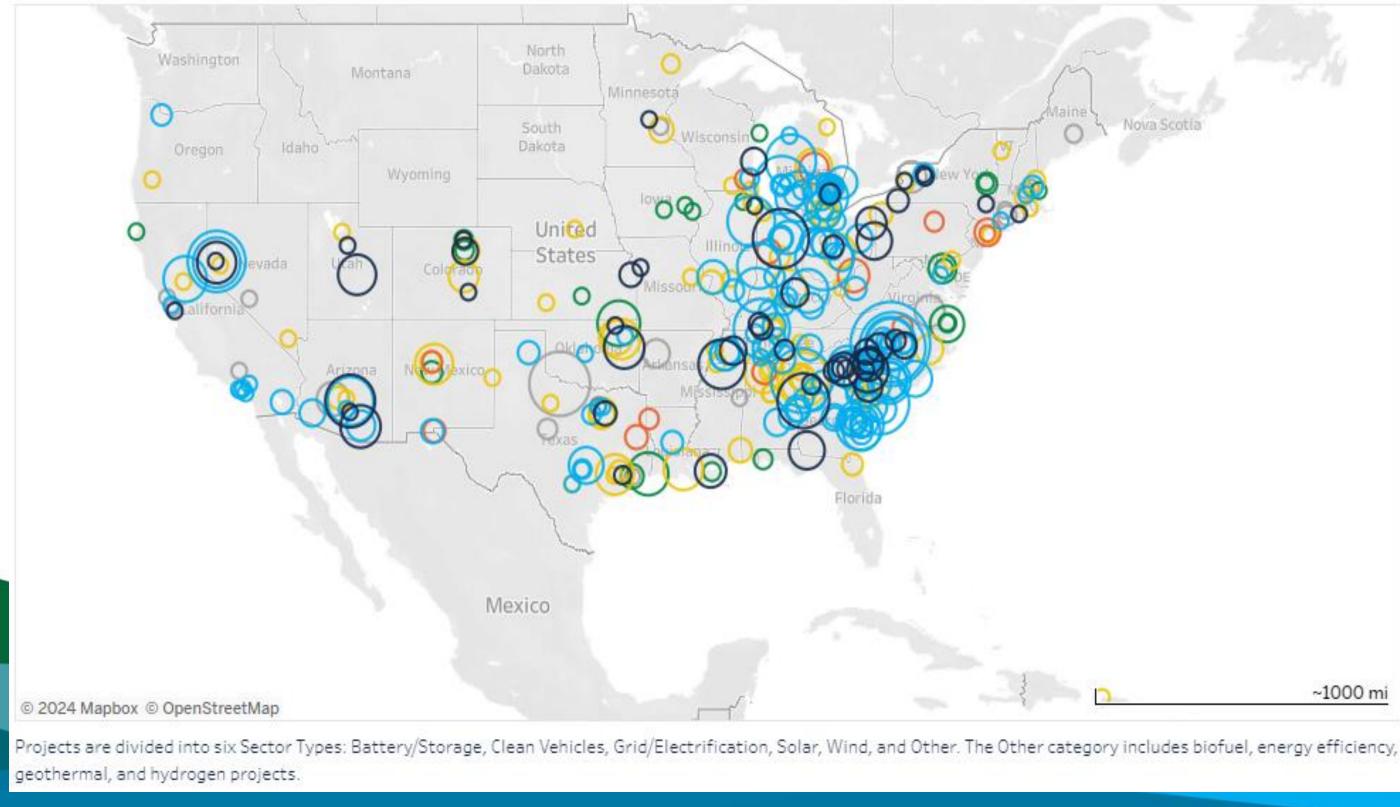


Michigan



\$60,000,000,000

Major Clean Energy Projects – E2.org



New Florence, MO Ameren Missouri

St. Louis, MO NewCo. Manufacturing / Solar \$100 M investment 250 jobs

Liberty, MO TAB Manufacturing / battery storage 50 new jobs

Solar for All - \$27 billion

- Missouri Environmental Improvement and Energy Resources Authority (EIERA)
 - \$156,120,000 (requested \$250 million)
 - To benefit 18,877 households
 - Forgivable loans to enable solar adoption
 - Low-interest loans through a revolving loan und
 - Mobilization of financing and private capital into solar projects
 - Residential distributed solar, storage, community solar



CPRG – Climate Pollution Reduction Grants

- Priority Climate Action Plans (PCAP)
 - Missouri
 - St. Louis
 - Kansas City
- Comprehensive Climate Action Plans (CCAP)
- \$4.6 billion in implementation funds

???What's next for Missouri??



Greenhouse Gas Reduction Fund (GGRF)

 Power Forward Communities 	Coalition for
 \$2 billion National financing program for single-family and multi-family housing owners and developers Heat pump systems, induction stoves, electric dryers, rooftop solar MO partners: Kansas City, KC Building Energy Exchange, and St. Louis County 	 \$5 billio Operate Loans, equity in 50% in Networ MO: Mi

or Green Capital

DN

e first US national green bank

guarantees, credit enhancements, investments

low-income and DAC

rk of green banks, CDFIs and CDCUs

issouri Green Banc

Greenhouse Gas Reduction Fund (GGRF)

Climate United Fund

- · \$6,970,000,000
- Energy efficiency homes
- Electrification upgrades
- Solar installations
- Direct investments into community lenders
- Develop customized financing solutions
- At least 60% in low-income and DAC
- 20% in rural communities
- 10% in Tribal communities

Market segments:

Consumers and single-family Multifamily housing Community infrastructure Schools, universities, MSIs Small business and small farms Community-based solar EVs and charging infrastructure

DOE Home Energy Rebates for Energy Efficiency and Electrification

- HOMES (home efficiency)
 - 1) Modeled energy system savings of not less than 20 percent but less than 35 percent
 - Provides up to \$2,000, or 50% of the project cost.
 - 2) Modeled energy system savings of not less than 35%
 - Provides up to \$4,000 or up to 50% of the project cost.
 - 3) Measured energy savings of not less than 15%
 - Provide a payment rate per kilowatt hour saved, equal to the \$2,000 for Case 1, or 50% of the project cost.

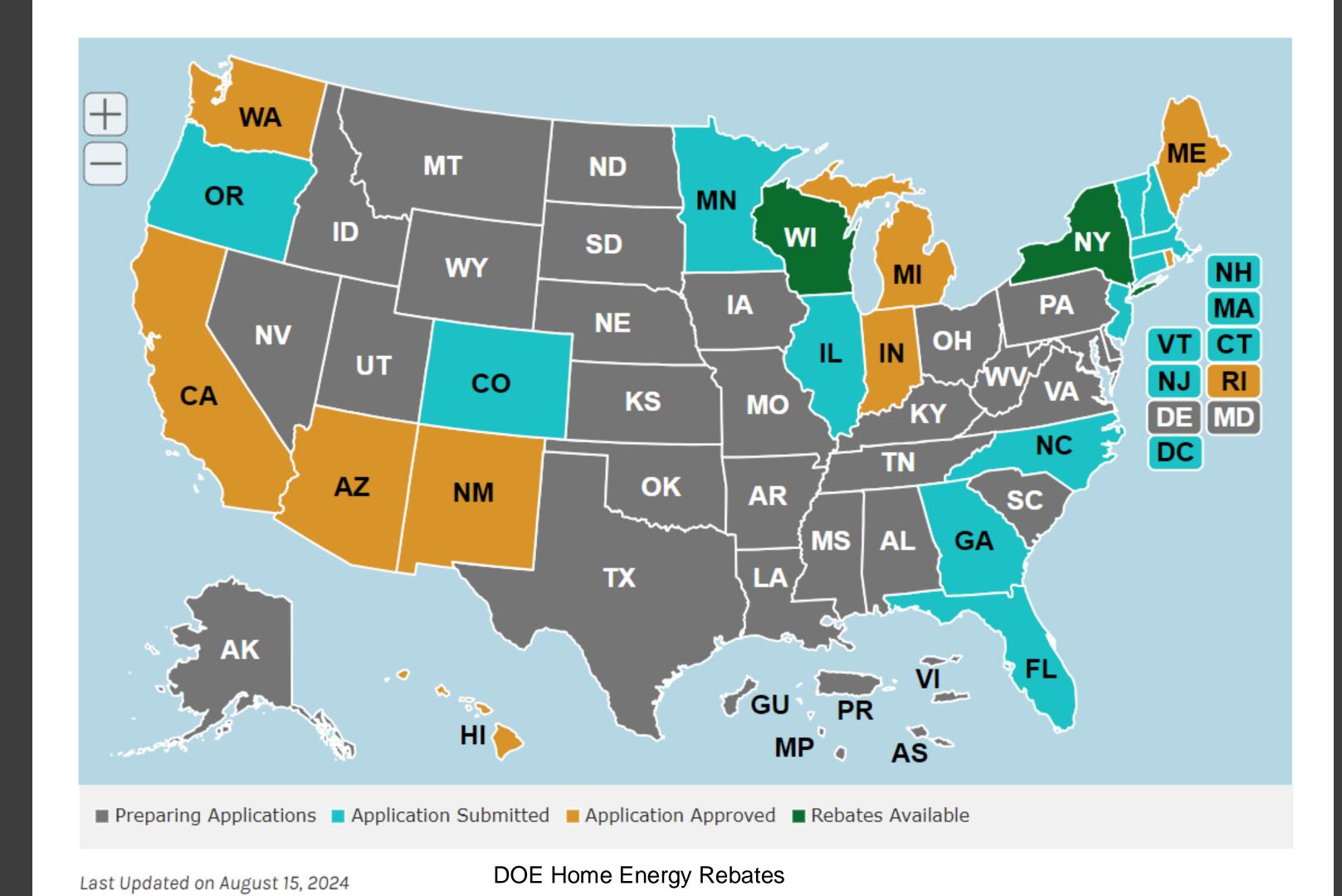
For multifamily buildings, these same cases and amounts apply, but Case 1 is capped at \$200,000 and Case 2 is capped at \$400,000. For single or multifamily homes where not less than 50% of the residents are low-income (by state definition), these dollar amounts are doubled and the percent of project cost is raised to 80% from 50%.

Home Electrification and Appliance Rebates

- •Up to \$1,750 for a heat pump water heater
- •Up to \$8,000 for a heat pump for space heating or cooling
- •Up to \$840 for an electric stove, cooktop, range or oven, or an electric heat pump clothes dryer.
- •Up to \$4,000 for an electric load service center upgrade
- •Up to \$1,600 for insulation, air sealing, and ventilation
- •Up to \$2,500 for electric wiring



The total limit is \$14,000. However, there are specific requirements to be considered an eligible entity for HEAR rebates



Resources

- Environmental Protection Network nonprofits and local gov'ts ٠
- State Funding Readiness Project
- Cohorts national labs, DOE, Great Plains Institute, Federal Infrastructure Hub, RMI •
- Lawyers for Good Government
- RMI •





- Funding is out there housing, infrastructure, weatherization, energy efficiency, clean energy
- . Resources are available to apply for funds
- Build partnerships across sectors
- Follow the funders
- Join a Federal Funding Friday

Heather B. Navarro hnavarro@wustl.edu 314.935.9541

Inflation Reduction Act

Elective Pay (aka Direct Pay) & Transferability

STINSON LLP STINSON.COM

STINSON

Overview

- The IRA changed the way that the owners and/or developers of renewable energy projects may take advantage of eligible clean energy tax credits.
 - Elective Pay (aka Direct Pay): A tax-exempt project owner receives money from the US Treasury in an amount equal to the tax credits.
 - Transferability: The project owner may sell the tax credits for cash, rather than enter into a complicated equity or lease structure.

Elective Pay aka Direct Pay







Eligibility

- Must be a tax-exempt organization
 - Agency or instrumentality of US territory or political subdivision,
 - States & municipalities,
 - TVA, Indian Tribal governments,
 - Rural electric cooperatives,
 - Section 501 entities (*e.g.*, public charities, private foundations, labor organizations, social welfare organizations).
 - Homeowners associations that are exempt under Section 528 of the Code
- The applicable entity must own the project AND conduct the activities giving rise to the credit.



Clean Energy Credits

- Energy Credit (48), (Form 3468, Part VI)
- Clean Electricity Investment Credit (48E), (Form 3468, Part V)
- **Renewable Electricity Production Credit** (45), (Form 8835, Part II)
- Clean Electricity Production Credit (45Y)
- **Commercial Clean Vehicle Credit** (45W), (Form 8936, Part V)
- Zero-emission Nuclear Power Production Credit (45U), (Form 7213, Part II)
- Advanced Manufacturing Production Credit (45X), (Form 7207)
- Clean Hydrogen Production Credit (45V), (Form 7210)
- Clean Fuel Production Credit (45Z)
- Carbon Oxide Sequestration Credit (45Q), (Form 8933)
- Credit for Alternative Fuel Vehicle Refueling / Recharging Property (30C), (Part 8911, Part II)
- Qualifying Advanced Energy Project Credit (48C), (Form 3468, Part III)

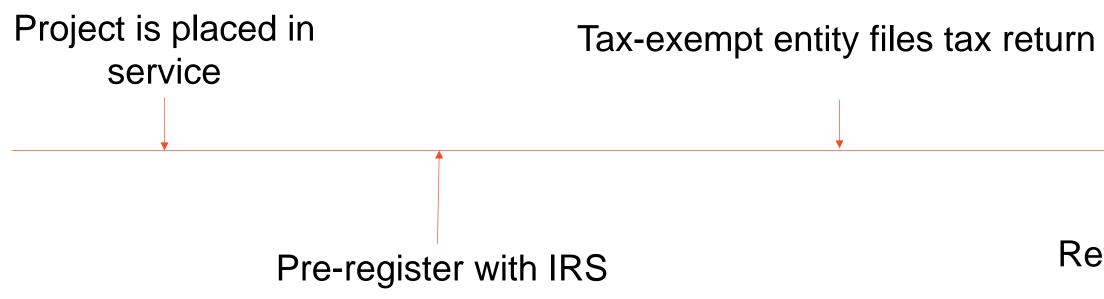


Applying for the Credit / Direct Pay

 The election for Direct Pay must be made on a tax return submitted by the project owner (*e.g.*, the applicable entity).



PROCEDURE





Return is processed

Pre-filing Registration

- The project owner must obtain a registration number for each applicable credit property.
- The registration number is only valid for one taxable year.
- IRS recommends submitting the request at least <u>120 days</u> before intending to file the tax return.
- However, the pre-filing registration request must be made no earlier than the beginning of the tax year in which the tax payer earns the credit (*e.g.*, placed in service date for ITC/PTC credits).



Due Date

 Applicable entities must file the tax return at the end of its taxable year, which can be based on either: 1) the calendar year, or 2) a fiscal year.





Credit Reduction

"Excessive Benefits" are not allowed: the amount of grants and forgivable loans will offset the credit amount.



Credit Reduction—Example

Public charity **B** receives a \$60,000 grant from a private foundation to build energy property, P, a qualified investment credit property that costs \$80,000. **B** uses \$20,000 of its own funds plus the \$60,000 grant to build **P**. **B**'s basis in P is \$80,000. Based upon acquisition cost, B can earn a section 48 investment credit (with bonus credit amounts) of \$40,000 (50% of basis). However, because the amount of the restricted tax-exempt grant (\$60,000) plus the section 48 credit (\$40,000) exceeds P's cost by \$20,000, B's section 48 applicable credit is reduced by \$20,000 so that the total amount of the section 48 investment credit plus the restricted tax-exempt amount equals the cost of **P**.

Transferability

- Applies to any eligible taxpayer that is NOT an applicable entity.
- The project owner essentially sells the credits to a transferee at a negotiated price.
- Applies to the same tax credits listed above.
- The project owner cannot transfer portions of the credits.
- Project owner must complete the pre-filing registration process, just the same as mentioned for Direct Pay.
 - The registration number is provided to the transferee, together with any other information regarding the eligible credit.
- Complete a transfer election statement with the transferee.
 - Both parties will need to file the transfer election statement with its tax returns.





Robert B. Harry 314.726.9217

DISCLAIMER: This presentation is designed to give general information only. It is not intended to be a comprehensive summary of the law or to treat exhaustively the subjects covered. This information does not constitute legal advice or opinion. Legal advice or opinions are provided by Stinson LLP only upon engagement with respect to specific factual situations.



STINSON