

Executive Forum 2024: Navigating the New Landscape — understanding transferability of federal tax credits under the Inflation Reduction Act

Teaser Video Transcript

Key Differences Between ITC and PTC

All right. So there are a number of credits that are eligible for transfer. We've listed them here. We really wanted to get into in the next section is just talk about some of the more common ones and some of the considerations around those particular credits for buyers. But, but essentially this is the list of credits that can be transferred and it's done by the generating taxpayer or the developer of the entity that has the credit that is transferring to a buyer making an election on their tax return. And so that's just about any taxpayer can make that election to transfer the credit and that is done on the tax return for the seller.

John, just in terms of what you're seeing out there in the market currently, you know what, what do you see the most of in terms of these credits that are eligible?

Type of credit, Ellen? Yeah. So we see mostly solar and solar with storage. It's a very new market as we've discussed. We would expect as the market grows that more and more different type of credits will come to market, you know, hydrogen manufacturing, etc. But right now we're seeing a disproportionate amount of solar with storage and some wind.

And that would be the two credits generally under the 48 investment tax credit or the production tax credit under Section 45.? Yeah, go ahead, Mary.

Yeah, I mean, from my perspective, I'd say that's definitely true. Obviously for taxpayers 2023 you just most taxpayers just lucked into having a credit that was transferable because those were already enabled under the code. But we're seeing a lot of qualified biogas property that's RNG projects that's under section 48 and then a lot of 45X deals now because that is now eligible for 2024, 45X is manufacturing. So the demand side and in the solar wind battery and then the supply side is with the 45X credit.

Yeah. And it's interesting because I know some of these credits for certain taxpayers and for a certain number of years are, we're not going to get into that in a lot of detail are directly refundable to the taxpayer. But a lot of these companies are actually, you know, I only get a five year. For that refundability. And so they're kind of modeling out when do I want to start that five year.

So for purposes of the 45X credit, like you mentioned, Mary Kate and probably 45Q and 45V, it's really looking at like, you know, they might be selling some of those credits early on. And so you might be seeing more of those in the market too and certainly the new technologies coming forward.