

## FEDERAL FUNDING FOR ENERGY WORK AT HOUSES OF WORSHIP

<https://www.fcnl.org/updates/2023-inflation-reduction-act-benefits-houses-worship>

As a result of the bipartisan Infrastructure Investment and Jobs Act (IIJA), **nonprofits and houses of worship now have easier access to clean energy funds and tax credits through a program called “direct pay.”** Before the IRA, only homeowners and commercial entities with some tax liability could claim tax credits when installing solar panels, wind turbines, or other eligible technologies on an eligible property. **Now, the “direct pay” option means non-taxable entities can also benefit from these credits.**

The IIJA provides the Department of Energy with \$50 million over five years for a new program, [the Renew America’s Nonprofits program](#). This program will provide grants of up to \$200,000 to nonprofits to improve the energy efficiency of their facilities.

- Tax-exempt entities, including nonprofits and religious organizations, can also use tax benefits and grants to help reduce their commercial carbon footprint and lower energy bills.
- Through the IRA’s benefits, houses of worship seeking to become more environmentally friendly can renovate their facilities and make them more efficient.

### Benefits Accessible to Houses of Worship

The Biden administration is still rolling out information about these incentives, but [key benefits](#) available this fiscal year are:

- **Clean Energy Investment Tax Credit (ITC)**
  - What it is: Investment tax credits for installing onshore and offshore wind, solar, geothermal, battery storage, and pumped-storage hydro energy.
  - What *exactly* does it do? It offers 6% in investment tax credits as a direct payment toward the base costs of a construction project. The organization can receive up to 30% if it meets the [contractual labor wage and apprenticeship requirements](#).
  - Example: A Quaker monthly meeting decides to install solar panels on the roof of its building. The installment costs \$20,000. This means that the

meeting can, as a tax-exempt organization, receive \$1,200 towards its tax returns or up to \$6,000, if complying to all requirements.

- **Clean Energy Production Tax Credit (PTC)**

- What it is: Tax credits as direct payment for utilizing solar, offshore and onshore wind, and geothermal energy. Organizations receive a tax credit to produce electricity based on the kilowatt-hour (kWh) of power produced.
- What *exactly* does it offer? A base tax credit of \$0.05 per kWh and a bonus tax credit of \$0.25 per kWh if contractual labor wage and apprenticeship requirements are met. The amount of return is increased over time according to inflation.
- Example: A Catholic church uses 30,000 kWh in a year. This means the church could receive \$1,500 in tax returns upon installing solar panels and potentially \$7,500 in bonus returns.

- **Renew America's Nonprofits**

- What it is: Grant funding for nonprofit organizations to renovate building materials to improve energy efficiency, lower utility costs, and reduce carbon emissions.
- What *exactly* does it offer? Funding for energy efficiency materials, including roofing, lighting systems, windows, and doors. It also funds the renovation of heating, ventilation, and air conditioning systems and components. It can be applied toward insulation, wiring, and plumbing improvements.
- Example: A synagogue is experiencing abnormal energy costs during winter. By using grant funding to replace its windows, the synagogue will be able to decrease its use of the heating system during the coldest time of the year and gradually decrease its energy bill.

For more information [click here to access the White House release](#).

<https://www.whitehouse.gov/cleanenergy/directpay/>

# DIRECT PAY THROUGH THE INFLATION REDUCTION ACT

## What is Direct Pay (Elective Pay)?

The Inflation Reduction Act introduced and expanded tax credits for clean energy technologies, providing unprecedented policy certainty and opportunity for entities that manufacture, install, and produce clean energy over the next decade. In addition to providing incentives to spur private-sector investment, the Inflation Reduction Act includes game-changing new provisions that will enable tax-exempt and governmental entities—such as states, local governments, Tribes, territories, and nonprofits—to take an active role in building the clean energy economy, lowering costs for working families, and advancing environmental justice.

Thanks to the Inflation Reduction Act’s “elective pay” (often called “direct pay”) provisions, tax-exempt and governmental entities will, for the first time, be able to receive a payment equal to the full value of tax credits for building qualifying clean energy projects. Unlike competitive grant and loan programs, in which applicants may not receive an award, direct pay allows entities to get their payment if [they meet the requirements](#) for both direct pay and the underlying tax credit. For more information about using direct pay on projects that are receiving grants and forgivable loans, [click here](#).

Applicable entities can use direct pay for 12 of the Inflation Reduction Act’s tax credits, including for generating clean electricity through solar, wind, and battery storage projects; building community solar projects that bring clean energy to neighborhood families; installing electric vehicle (EV) charging infrastructure; and purchasing clean vehicles for state or city vehicle fleets. See a [full list of applicable tax credits](#) for direct pay.

## Other Tax-Exempt Entities

### WHO IS ELIGIBLE?

- 501(c)(3) organizations such as public charities, private foundations, schools, hospitals, houses of worship, and others
- Religious or apostolic 501(d) organizations
- All other organizations exempt under section 501(a) of the tax code

### WHY APPLY FOR FOR DIRECT PAY?

Direct pay can help nonprofits afford to install clean energy, which can help them reduce their own energy use and save money so they can spend more resources on their mission. Nonprofits can also become local climate leaders by using their property to generate clean electricity that benefits their neighbors through technologies like community solar.

Example. EcoRun, a 501(c)(3) nonprofit, has a large roof on its headquarters, and wants to install solar panels to supply electricity to the building. Through direct pay, EcoRun can get up to 30% of the installation cost back under the Investment Tax Credit—or more if it is eligible for bonus credits.

Please consult the [IRS website](#) for a complete list of eligible entities.

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## How do I apply for direct pay?

Per the White House website, “Direct Pay through the Inflation Reduction Act” [https://www.whitehouse.gov/cleanenergy/directpay/?utm\\_source=www.cleanenergy.gov#other](https://www.whitehouse.gov/cleanenergy/directpay/?utm_source=www.cleanenergy.gov#other), entities wishing to claim direct pay need to complete the following steps:

Step 1: Identify the project and the credit you want to pursue.

Confirm that the clean energy project you’re building or want to build qualifies for one of the [IRA tax credits that are applicable](#) for direct pay. Go to:

[https://www.whitehouse.gov/cleanenergy/directpay/#:~:text=Applicable%20entities%20can%20use%20direct,installing%20electric%20vehicle%20\(EV\)%20charging](https://www.whitehouse.gov/cleanenergy/directpay/#:~:text=Applicable%20entities%20can%20use%20direct,installing%20electric%20vehicle%20(EV)%20charging)

You will need to obtain all necessary documentation for any tax credits and bonuses you want to claim. In general, Treasury and the IRS do not provide personalized tax advice on whether a specific organization's project or activity is eligible for a tax credit. For more information about clean energy tax credits, visit [IRS.gov/Cleanenergy \(https://www.irs.gov/credits-deductions/residential-clean-energy-credit\)](https://www.irs.gov/credits-deductions/residential-clean-energy-credit). You may also choose to consult with a tax advisor.

**Step 2: Complete your project, place it into service, and determine the corresponding tax year.**

You can only use direct pay after you earn the tax credit. For Investment Tax Credits, you earn the credit during the tax year that your clean energy project is placed in service. In many cases, the tax year corresponds to the calendar year—so if your project is coming online in 2023, your tax year is also often 2023. More information on determining your tax year is [available here](#).

**Step 3: Determine when your tax return will be due.**

For most tax-exempt and governmental entities, the return for a taxable year is due 4.5 months after the end of that taxable year. For example, if your tax year is the calendar year, and your project is coming online in 2023, your tax return will be due by May 15, 2024. Those without a filing requirement can also receive an automatic 6-month extension.

**Step 4: Complete pre-filing registration with the IRS before your tax return is due.**

You'll need to register with the IRS and receive a registration number before you can file a tax return and receive payment. In general, each registration number corresponds to one clean energy property in one tax year—you will need to renew the number if you need to use it in other tax years. During the pre-registration process, you will need to provide information about your organization, the credits you want to earn, and your eligible clean energy project in an online portal. More information about pre-filing registration will be available by late 2023.

**Step 5: Once you receive a valid registration number, file your tax return by the due date, including extensions.**

You'll need to provide your registration number and make the elective payment selection on your tax return (typically a Form 990-T for most entities that don't normally file a tax return). You also need to provide additional required documentation and underlying credit forms when you file your return. You can find more filing tips for tax-exempt organizations [here](#).

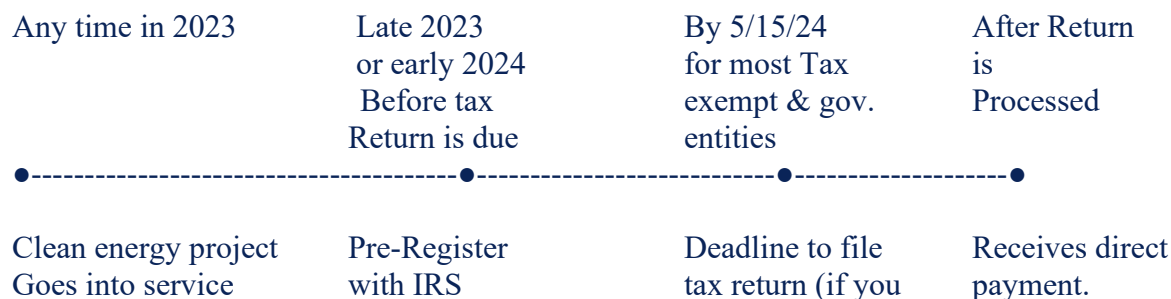
**Step 6: Receive your direct payment.**

In general, payments occur after your return is successfully processed. Under the statute, organizations aren't entitled to the direct payment until the due date of the return. You will receive the payment either electronically or via mail.

**FOR MORE INFORMATION REGARDING EACH OF THESE STEPS, GO TO:**

[https://www.whitehouse.gov/cleanenergy/directpay/?utm\\_source=www.cleanenergy.gov#other](https://www.whitehouse.gov/cleanenergy/directpay/?utm_source=www.cleanenergy.gov#other),

Here's a sample timeline for claiming direct pay for most organizations with a calendar tax year\*:



## Helpful Information about Federal Energy Grant and Tax Credits Opportunities FROM INTERFAITH POWER AND LIGHT

Federal agencies are still in the process of developing the guidance and programs created or expanded by the IRA and IIJA. Here are a few resources that may be useful: To access or download the documents and sources, go <https://interfaithpowerandlight.org/federal-funding/>.

- This [faith community resource spreadsheet](#) can help you identify federal grant and tax credit opportunities that are available and will be kept up to date as new program guidance becomes available.
- [Environmental and Energy Study Institute Energy Efficiency for Nonprofits](#) page
- Check IPL's new [Congregational Solar Resource](#) page to learn about financing, finding an installer and more.
- [Federal solar tax credits for nonprofits](#) from the Federal Office of Energy Efficiency & Renewables, updated April 2023
- [Direct Pay guidance](#) from the White House
- [IPL FAQ on Direct Pay](#) – IPL created this FAQ based on questions houses of worship asked DOE. We asked DOE to answer them.
- [FAQs on Direct Pay and Transferability](#) from the IRS

- [More on Direct Pay from a law firm](#). Please contact tax experts in your own state for the best information.
- [Interfaith resource website for houses of worship](#)
- [Electric vehicle information](#)

## Preparing to Apply for Federal Grants and Tax Credits

Federal program details and tax guidance are still being developed. Until then, there are a few things you can do to help prepare.

- Benchmark your buildings – line up 12 months of utility bills, find out the construction date of your building, track occupancy rates, and use [IPL's Cool Congregations Calculator](#) to learn more about your congregation's carbon footprint.
- Learn what other sources of funding you can leverage to go along with the federal funding – state, local, and utility. Research your own denomination's sources for funding for building improvements, for instance, the [United Church of Christ Cornerstone Fund](#) serves all congregations even if they are not UCC. So plan ahead to take advantage of **“direct pay”** and be part of creating thriving, healthy, and sustainable communities.