

How to Qualify for Clean Energy Tax Credits

Overview of Eligible Projects and Purchases



Updated: 1/16/2026

ELECTRIFY MISSOULA

Table of Contents

- What is Elective Pay? 3
- Most Relevant Credits for Missoula 4
- Tax Credit Details:
 - Clean Electricity Production (PTC) 5
 - Clean Electricity Investment (ITC) 11
 - Alternative Fuel Vehicle Refueling 22
 - Energy Efficient Commercial Building 24
- Questions 26

What is Elective Pay?

Elective Pay, also called "direct pay," allows the value of certain Clean Energy Tax Credits* to be distributed as a direct payment to non-taxable entities, such as:

- Tax-exempt organizations;
- States;
- Political subdivisions such as cities, counties, or school districts;
- Indian Tribal governments; and,
- Rural electricity co-operatives.



All of these Clean Energy Tax Credits also apply to **for-profit businesses.*

Most Relevant Credits to Missoula

Clean Electricity Production Tax Credit (PTC)

Section § 45Y: Solar Panels, Wind Turbines, Geothermal Systems, etc.



Clean Electricity Investment Tax Credit (ITC)

Section § 48E: Solar Panels, Wind Turbines, Geothermal Systems, etc.



Alternative Fuel Vehicle Refueling Property Credit

Section § 30C: Electric Vehicle Chargers, etc.



Energy Efficient Commercial Building Credit

Section § 179D: Building Repairs/Renovations.*



**Section 179D is not available for Elective Pay but can still apply to government and non-profit projects in some circumstances.*

Clean Electricity Production Tax Credit (PTC) - § 45Y

Availability: Technologies other than wind and solar must begin construction in 2033 or earlier to receive full credit. There is a three-year phaseout thereafter (2034 - 75% of credit; 2035 - 50% of credit; 2036 - 0% of credit).

Wind and solar technologies must begin construction prior to July 4, 2026 or be subject to a Dec. 31, 2027 placed-in-service date. Wind and solar projects beginning construction prior to July 4, 2026 are subject to continuity (“continuous efforts”) requirements which allow projects four years to be placed in service. The IRS has generally used two methods for establishing ‘beginning of construction’ for tax purposes; Physical Work and Safe Harbor.

Additional Foreign Entity of Concern (FEOC) restrictions apply for projects placed in service after December 31, 2025.

Talk with an installer about how to establish the beginning of construction and how to comply with FEOC restrictions.

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

Clean Electricity Production Tax Credit (PTC) - § 45Y

Description and Eligibility: Provides a credit per unit of clean electricity produced. Solar, wind, energy storage, hydroelectric and geothermal systems automatically qualify. All other technologies must complete a lifecycle analysis to qualify.

Base Credit Amount: As of 2024, the base credit was \$0.0059/kWh of electricity generated for the first ten years of a system's life, adjusted annually for inflation. Projects under 1 MW are exempt from the prevailing wage and apprenticeship requirements and receive the full credit of \$0.0293/kWh in 2024 dollars, adjusted for annually for inflation.

Credit-Specific Tax Form:

- IRS Form 8835 (Forms will need to be re-filed every year the credit is claimed.)

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

PTC (§ 45Y): Bonus Credit Overview

Non-Competitive Bonus Credits: Qualified projects will receive these bonus credits.

Bonus Credits:

- Prevailing Wage and Apprenticeship: Credit is increased by 5 times (to \$0.0293/kWh in 2024 dollars) for projects greater than 1 MW that meet prevailing wage and registered apprenticeship requirements. Projects under 1 MW are exempt and received the full \$0.0293/kWh credit automatically.
- Domestic Content: Credit is increased by up to 10 percent for projects meeting domestic content requirements for steel, iron, and manufactured products.
- Energy Community or Brownfield Site: Credit is increased by up to 10 percent if located in an energy community or brownfield site.

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

PTC (§ 45Y): Prevailing Wage & Apprenticeship Bonus

Non-competitive: Qualified projects will receive this credit after successful filing with IRS.

Bonus Credit Overview: Credit is increased by 5 times (to \$0.0293/kWh in 2024 dollars) for projects greater than 1 MW that meet prevailing wage and registered apprenticeship requirements. Projects under 1 MW are exempt from this requirement and receive the full \$0.0293/kWh credit automatically.

Qualifying: You can learn more about the prevailing wage and apprenticeship requirements from the [US Department of Labor](#) and the [IRS Frequently Asked Questions](#) page.

Credit-Specific Forms for Bonus:

- None

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

PTC (§ 45Y): Domestic Content Bonus

Non-competitive: Qualified projects will receive this credit after successful filing with IRS.

Bonus Credit Overview: Credit is increased by up to 10 percent for projects meeting certain domestic content requirements for steel, iron, and manufactured products.

Qualifying: The domestic content requirements and certification requirements can be found in the [Internal Revenue Bulletin: 2023-22, Notice 2023-38](#).

Credit-Specific Forms for Bonus:

- Domestic Content Certification Statement

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

PTC (§ 45Y): Energy Community or Brownfield Bonus

Non-competitive: Qualified projects will receive this credit after successful filing with IRS.

Bonus Credit Overview: Credit is increased by up to 10 percent if located in an energy community or brownfield site.

Qualifying:

1. You may qualify for this bonus credit by developing a project within a designated energy community according to the [Energy Community Tax Credit mapping tool](#); **OR**,
2. You may qualify for this bonus credit by developing your project on a 'brownfield site' as defined in subparagraphs (A), (B), and (D)(ii)(III) of section 101(39) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ([42 U.S.C. 9601\(39\)](#))

Credit-Specific Forms for Bonus:

- None

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

Clean Electricity Investment Tax Credit (ITC) - § 48E

Availability: Technologies other than wind and solar must begin construction in 2033 or earlier to receive full credit. There is a three-year phaseout thereafter (2034 — 75% of credit; 2035 — 50% of credit; 2036 — 0% of credit).

Wind and solar technologies must begin construction prior to July 4, 2026 or be subject to a Dec. 31, 2027 placed-in-service date. Wind and solar projects beginning construction prior to July 4, 2026 are subject to continuity (“continuous efforts”) requirements which allow projects four years to be placed in service. The IRS has generally used two methods for establishing ‘beginning of construction’ for tax purposes; Physical Work and Safe Harbor.

Additional Foreign Entity of Concern (FEOC) restrictions apply for projects placed in service after December 31, 2025.

Talk with an installer about how to establish the beginning of construction and how to comply with FEOC restrictions.

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

Clean Electricity Investment Tax Credit (ITC) - § 48E

Description and Eligibility: Provides a tax credit for clean energy systems. Solar, wind, energy storage, hydroelectric and geothermal automatically qualify. All other technologies must complete a lifecycle analysis to qualify.

Base Credit Amount: 6% off the energy property investment for projects above 1 MW, unless they meet bonus credit provisions. Projects under 1MW are exempt from prevailing wage and registered apprenticeship requirements and receive the full 30% credit.

Credit Specific Form:

- IRS Form 3468

Aggregation Rules: The IRS has proposed rules to aggregate renewable energy projects if they meet certain criteria. This could mean several small projects could be considered one project over 1 MW in size, which could trigger additional requirements to qualify for the tax credit and bonuses. (Details on aggregation criteria are on next slide)

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

ITC (§ 48E): Aggregation Rule Criteria

IRS will consider multiple energy property facilities as one “energy project” for the purposes of the ITC if they are **(1) owned by a single taxpayer** and **(2) any TWO or more of the following attributes apply:**

1. The energy properties are constructed on contiguous pieces of land;
2. The energy properties are described in a common power purchase, thermal energy, or other off-take agreement or agreements;
3. The energy properties have a common intertie;
4. The energy properties share a common substation, or thermal energy off-take point;
5. The energy properties are described in one or more common environmental or other regulatory permits;
6. The energy properties are constructed pursuant to a single master construction contract;
7. The construction of the energy properties are financed pursuant to the same loan agreement.

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

ITC (§ 48E): Bonus Credit Overview

More details on each bonus credit are available on the following slides

Non-Competitive Bonus Credits:

- Prevailing Wage and Apprenticeship: Credit is increased by 5 times (to 30%) for projects greater than 1 MW that meet prevailing wage and registered apprenticeship requirements. Projects under 1 MW are exempt and received 30% credit.
- Domestic Content: Credit is increased by up to 10 percentage points for projects meeting domestic content requirements for steel, iron, and manufactured products.
- Energy Community or Brownfield Site: Credit is increased by up to 10 percentage points if located in an energy community or brownfield site.

Competitive Bonus Credits (Chose one. Applies to solar/wind projects less than 5 MW):

- Low-Income Community (Category 1) OR Indian Land (Category 2): Credit is increased by 10 percentage points for facilities located in low-income communities or on Indian land.
- Low-Income Residential Building (Category 3) OR Low-Income Economic Benefit (Category 4): Credit is increased by 20 percentage points for facilities that are part of certain federally subsidized housing programs OR that offer at least 50% of the financial benefits of the electricity produced to low-income households.

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

ITC (§ 48E): Prevailing Wage & Apprenticeship Bonus

Non-competitive: Qualified projects will receive this credit after successful filing with IRS.

Bonus Credit Overview: Credit is increased by 5 times (to 30%) for projects greater than 1 MW that meet prevailing wage and registered apprenticeship requirements. Projects under 1 MW are exempt from this requirement and receive the 30% credit.

Qualifying: You can learn more about the prevailing wage and apprenticeship requirements from the [US Department of Labor](#) and the [IRS Frequently Asked Questions](#) page.

Credit-Specific Forms for Bonus:

- None

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

ITC (§ 48E): Domestic Content Bonus

Non-competitive: Qualified projects will receive this credit after successful filing with IRS.

Bonus Credit Overview: Credit is increased by up to 10 percentage points for projects meeting certain domestic content requirements for steel, iron, and manufactured products.

Qualifying: The domestic content requirements and certification requirements can be found in the [Internal Revenue Bulletin: 2023-22, Notice 2023-38](#).

Credit-Specific Forms for Bonus:

- Domestic Content Certification Statement

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

ITC (§ 48E): Energy Community or Brownfield Bonus

Non-competitive: Qualified projects will receive this credit after successful filing with IRS.

Bonus Credit Overview: Credit is increased by up to 10 percentage points if located in an energy community or brownfield site.

Qualifying:

1. You may qualify for this bonus credit by developing a project within a designated energy community according to the [Energy Community Tax Credit mapping tool](#); **OR**,
2. You may qualify for this bonus credit by developing your project on a 'brownfield site' as defined in subparagraphs (A), (B), and (D)(ii)(III) of section 39 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ([42 U.S.C. 9601\(39\)](#))

Credit-Specific Forms for Bonus:

- None

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

ITC (§ 48E): Low-Income Communities Bonus

This is the Category 1 bonus. Projects may apply for one of the Category 1, 2, 3, or 4 bonuses.

Competitive: Qualified projects must apply for this credit and be selected to receive the credit.

Credit Amount: Credit is increased by 10 percentage points for facilities located in low-income communities (For small scale solar and wind projects less than 5 MW)

Qualifying: [Qualified low-income census tracts \(Category 1\) Map](#)

Application: Applications for each program year are open early in the calendar year. All applications submitted in the first 30 days are considered accepted at the same date and time. Applications are reviewed on a rolling basis after the first 30 days of program year start date. If approved, the applicant will receive an allocation approval notice and the facility must be placed in service within four years of the date the allocation approval notice was received.

The Department of Energy offers a User Guide with more details on their [application website](#). You can also learn more on the [IRS website](#).

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

ITC (§ 48E): Indian Land Bonus

This is the Category 2 bonus. Projects may apply for one of the Category 1, 2, 3, or 4 bonuses.

Competitive: Qualified projects must apply for this credit and be selected to receive the credit.

Credit Amount: Credit is increased by 10 percentage points for facilities located on Indian land. (For small scale solar and wind projects less than 5 MW)

Qualifying: Indian land is defined in section 3501(2) of the Energy Policy Act of 1992 ([25 U.S.C. 3501\(2\)](#))

Application: Applications for each program year are open early in the calendar year. All applications submitted in the first 30 days are considered accepted at the same date and time. Applications are reviewed on a rolling basis after the first 30 days of program year start date. If approved, the facility must be placed in service within four years of the date the approval notice was received.

The Department of Energy offers a User Guide with more details on their [application website](#). You can also learn more on the [IRS website](#).

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

ITC (§ 48E): Low-Income Residential Building Bonus

This is the Category 3 bonus. Projects may apply for one of the Category 1, 2, 3, or 4 bonuses.

Competitive: Qualified projects must apply for this credit and be selected to receive the credit.

Credit Amount: Credit is increased by 20 percentage points for facilities that are part of certain federally subsidized housing programs. (For small scale solar and wind projects less than 5 MW)

Qualifying: Section [48E\(h\)\(2\)\(B\)](#) of the tax code further describes a “qualified low-income residential building project”.

Application: Applications for each program year are open early in the calendar year. All applications submitted in the first 30 days are considered accepted at the same date and time. Applications are reviewed on a rolling basis after the first 30 days of program year start date. If approved, the facility must be placed in service within four years of the date the approval notice was received.

The Department of Energy offers a User Guide with more details on their [application website](#). You can also learn more on the [IRS website](#).

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

ITC (§ 48E): Low-Income Economic Benefit Bonus

This is the Category 4 bonus. Projects may apply for one of the Category 1, 2, 3, or 4 bonuses.

Competitive: Qualified projects must apply for this credit and be selected to receive the credit.

Credit Amount: Credit is increased by 20 percentage points for projects that offer at least 50 percent of the financial benefits of the electricity produced to low-income households. (For small scale solar and wind projects less than 5 MW)

Qualifying: Section [48E\(h\)\(2\)\(C\)](#) of the tax code further describes a “qualified low-income economic benefit project”.

Application: Applications for each program year are open early in the calendar year. All applications submitted in the first 30 days are considered accepted at the same date and time. Applications are reviewed on a rolling basis after the first 30 days of program year start date. If approved, the facility must be placed in service within four years of the date the approval notice was received.

The Department of Energy offers a User Guide with more details on their [application website](#). You can also learn more on the [IRS website](#).

Note: Cannot claim both the Investment Tax Credit (48E) and the Production Tax Credit (45Y) for the same facility.

Alternative Fuel Vehicle Refueling Property Credit (§ 30C)

Availability: Property must be placed in service before June 30, 2026 to receive the credit.

Description and Eligibility: Provides a tax credit for alternative fuel vehicle refueling and charging property in low-income and rural areas. Alternative fuels include electricity, ethanol, natural gas, hydrogen, biodiesel, and others.

Base Credit Amount: 6% off the cost of the refueling/charging property, limited to a \$100,000 credit per item of property. Alternative fuels include electricity, biodiesel, and others.

Bonus Credit: Entities can claim a 30% credit for projects meeting prevailing wage and registered apprenticeship requirements. You can learn more about the prevailing wage and apprenticeship requirements from the [US Department of Labor](#) and the [IRS Frequently Asked Questions](#) page.

Alternative Fuel Vehicle Refueling Property Credit (§ 30C)

Qualifying: Property placed in service after 2022 will not qualify unless it is in an eligible census tract. You can find a quick visual reference for qualifying census tracts through DOE's [30C Tax Credit Eligibility Locator](#).

Credit Specific Forms:

- IRS Form 8911
- An attachment that provides details for each charging station (***Example at right***)

Fictitious Town

1 Main Street

Fictitious Town, NJ 08300

EIN 00-9012345

Line 1.

Facility 1 (Townhall 1 of 2)

- Population Census Tract: 3400101150
- Located at 1 Main Street, Fictitious Town, NJ
- 30 kWh DC EV charger, \$35,250 installed.

Facility 2 (Townhall 2 of 2):

- Population Census Tract: 3400101150
- Located at 1 Main Street, Fictitious Town, NJ
- 30 kWh DC EV charger, \$35,250 installed.

Facility 3 (Fire Station):

- Population Census Tract: 3400101150
- Located at 1 Firehouse Lane, Fictitious Town, NJ
- 60 kWh DC EV charger, \$52,325 installed.

Energy Efficient Commercial Building Credit (§ 179D*)

Availability: Projects must begin construction before June 30, 2026 to receive the credit.

Description and Eligibility: Provides a tax deduction for energy efficiency improvements to commercial buildings, such as improvements to interior lighting; heating, cooling, ventilation, and hot water; and building envelope. Eligible recipients include owners and long-term lessees of commercial buildings, as well as designers of energy efficient building property (architects, engineers).

Base Credit Amount: For property placed in service in 2023 and after, the deduction is the lesser of the cost of the installed property **OR** the savings per square foot, calculated as:

- \$0.50 per square foot for a building with 25% energy savings
- **Plus** \$0.02 per square foot for each percentage point of energy savings above 25%
- **Up to** a maximum of \$1.00 per square foot for a building with 50% energy savings

**Section 179D is not available for Elective Pay but can still apply to government and non-profit projects in some circumstances.*

Energy Efficient Commercial Building Credit (§ 179D*)

Bonus Credit: The credit is increased by 5 times the base deduction amount (up to \$5.00/sqft) if the project meets prevailing wage and registered apprenticeship requirements. You can learn more about the prevailing wage and apprenticeship requirements from the [US Department of Labor](#) and the [IRS Frequently Asked Questions](#) page.

Qualifying: This credit is not available for Elective Pay, but if the system or building is installed on federal, state, or local government property, the tax deduction may be taken by the entity primarily responsible for the system's design. The tax deduction does not apply to other non-tax paying entities, including but not limited to NGOs or churches, unless there exists an energy-as-a-service agreement that is owned by a tax paying company.

Credit Specific Forms:

- IRS Form 7205

To learn more, visit the [IRS website](#).

**Section 179D is not available for Elective Pay but can still apply to government and non-profit projects in some circumstances.*

Questions

The City's Climate and Sustainability staff are available to help you navigate Clean Energy Tax Credits, including what qualifies and how to claim credits. If you have questions, you can reach out to Evora Glenn, Energy Specialist.

Primary Contact:

Evora Glenn

Energy Specialist

GlennE@ci.missoula.mt.us

406-552-6367



You can also visit the [IRS Frequently Asked Questions](#) page to learn more.