



Clean Energy Investment Tax Credit Series:

Low Income Communities Bonus Program (48e) ("EJ Solar Bonus Adder")

Program Overview



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Presenters

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Disclaimers

- This presentation provides information on certain components of the Low-Income Communities Bonus Credit Program. This presentation will not cover all aspects of the Program.
- This presentation represents the views of those participating in the presentation only (HUD and certain stakeholders) and no other Federal entities.
- Please refer to the official IRS guidance (Revenue Procedure 2024-19 and Treasury Regulations 1.48(e)-1) for complete information on eligibility requirements and the application process.
- The information provided in this presentation should not be considered tax advice or tax filing support. Please consult a tax professional, accountant, or attorney if you need tax-related assistance.

Clean Energy Tax Incentives



- The Clean Energy Investment Tax Credit (ITC) is just one tax credit under a suite of tax credits that are eligible for Elective Pay.
- It's covered under Section 48 of the Internal Revenue Code.
- Becomes Section 48E in 2025.



Clean Energy Tax Incentives: Elective Pay Eligible Tax Credits

The Inflation Reduction Act of 2022 ("IRA") makes several clean energy tax credits available to businesses; tax-exempt organizations; state, local, and tribal governments; other entities; and individuals. The IRA also enables entities to take advantage of certain clean energy tax credits through its elective pay provision (also colloquially known as direct pay). Elective pay allows several types of entities, such as tax-exempts and governments, to treat the amount of certain credits as a payment against tax on their tax returns and as a result receive direct payments for certain clean energy tax credits.

Tax Provision	Description
Production Tax Credit for Electricity from Renewables (§ 45, pre-2025)	For production of electricity from eligible renewable sources, including wind, biomass, geothermal, solar, small irrigation, landfill and trash, hydropower, marine and hydrokinetic energy. Credit Amount (for 2022): 0.55 cents/kilowatt (kW); (1/2 rate for electricity produced from open loop biomass, landfill gas, and trash); 2.75 cents/kW if Prevailing Wage and Apprenticeship (PWA) rules are met ^{1,2,3,7}
Clean Electricity Production Tax Credit (§ 45Y, 2025 onwards)	Technology-neutral tax credit for production of clean electricity. Replaces § 45 for facilities that begin construction and are placed in service after 2024. Credit Amount: Starts in 2025, consistent with credit amounts under section 45 ^{1,2,3,6,7}
Investment Tax Credit for Energy Property (§ 48, pre-2025)	For investment in renewable energy projects including fuel cell, solar, geothermal, small wind, energy storage biogas, microgrid controllers, and combined heat and power properties Credit Amount: 6% of qualified investment (basis); 30% if PWA requirements met ^{1,4,5,6,8}
Clean Electricity Investment Tax Credit (§ 48E, 2025 onwards)	Technology-neutral tax credit for investment in facilities that generate clean electricity and qualified energy storage technologies. Replaces § 48 for facilities that begin construction and are placed in service after 2024. Credit Amount: 6% of qualified investment (basis); 30% if PWA requirements met ^{1,4,5,6}
Low-income Communities Bonus Credit (§ 48(e), 48E(h)) Application required	Additional investment tax credit for small-scale solar and wind (§ 48(e)) or clean electricity (§48E(h)) facilities (<5MW net output) on Indian land, federally subsidized housing, in low-income communities, and benefit low-income households. Allocated through an application process. Credit Amount: 10 or 20 percentage point increase on base investment tax credit ⁷

Resources:

- [Publication 5817-G \(6-2023\) \(irs.gov\)](https://www.irs.gov/publications/p5817-g-6-2023)
- [Credits and deductions under the Inflation Reduction Act of 2022](#)

Solar Investment Tax Credit



- The Investment Tax Credit (ITC) is a tax credit that **reduces the federal income tax liability for a percentage of the cost of a solar system** that is installed during the tax year.
- As a result of ‘elective pay’ (direct pay) changes made through Inflation Reduction Act, entities without tax liability can now take advantage of the ITC.
- Solar systems that are placed in service in 2022 or later and begin construction before 2033 are eligible for a 30% ITC if they
 - Meet labor requirements issued by the Treasury Department **OR**
 - Are under 1 megawatt (MW) in size [AC].

What exactly is 1 MW?

Generally, it's...

- A project with 5,000 solar panels (200w)
- Enough to power 1000 homes

Other tips:

- Most multifamily residential projects will be well under this amount
- Anything over 1 MW is generally considered 'utility scale' *



* Definition varies across industry. DOE's NREL lab defines utility scale as over 5 MW.

Program Overview

- Administered by Department of Energy's (DOE) [Office of Energy Justice and Equity](#)
- Run in partnership with the U.S. Department of the Treasury and the IRS.
- DOE reviews applications and makes recommendations for eligible applications to the IRS.
- The IRS annually allocates annual capacity limitation plus any carried over unallocated capacity limitation from the previous Program Year.

Program Overview

Low-Income Communities Bonus Credit Program under § 48(e) of the Internal Revenue Code:

- Qualified solar or wind facilities can apply for a 10 or 20% bonus tax credit for their solar and wind projects.
- Limited annual resource due to 'capacity limitation' for each category.
- After 2025, it'll become **§ 48E(h)**



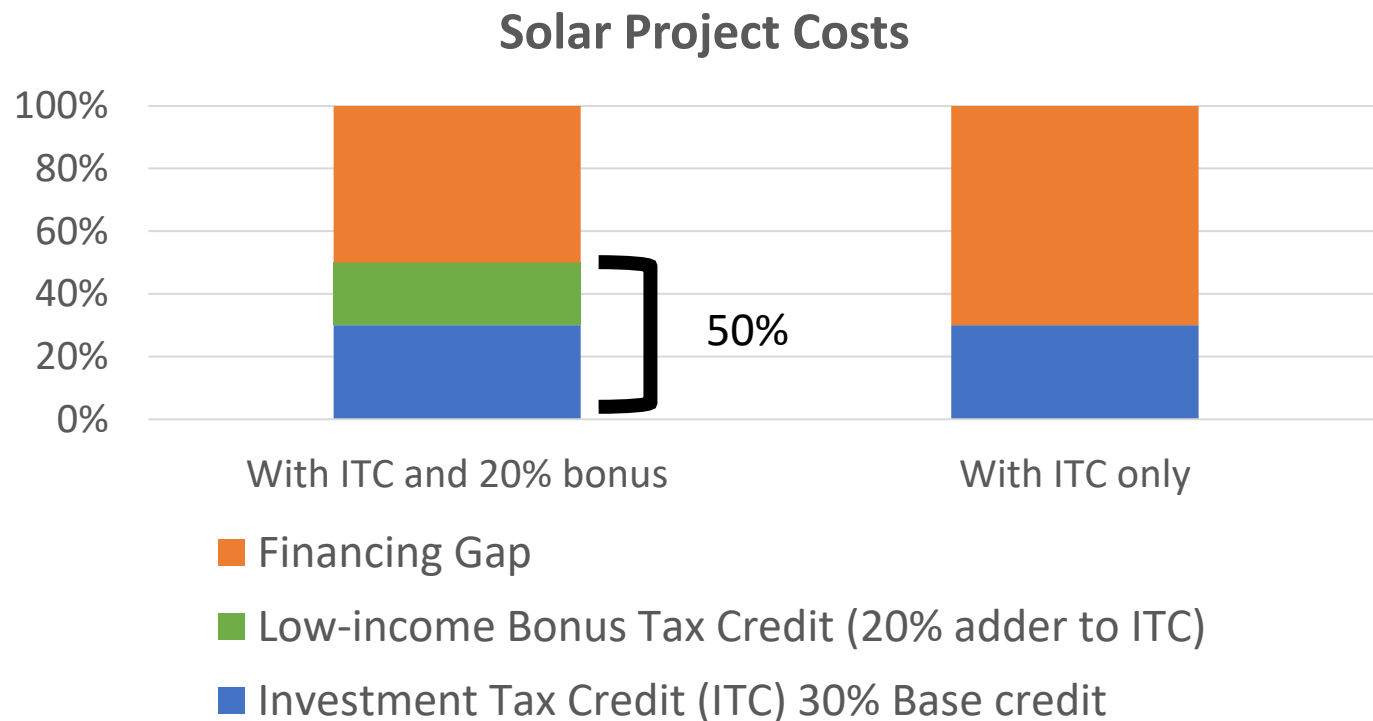
Program Timeline & 2024 Program Year

- Program first launched in 2023.
- 2024 Program opened for applications in late May 2024.
- Initial application period for 2024 Program Year concluded in late June;
- However, **DOE will continue accepting applications until capacity limitations are reached.**
- Progress toward annual capacity limitations are publicly tracked on DOE's program [website](#).

Example Rooftop Solar Project on Multifamily Housing



Solar Project: 160 kW installed on 40-unit building
Total Project Costs: \$400,000



Source	With ITC and 20% bonus	With ITC only
ITC Base Credit (30%)	\$120,000	120,000
Low-income Bonus (20%)	\$80,000	0
Financing Gap	\$200,000	280,000
TOTAL PROJECT COST	\$400,000	400,000

2024 Capacity Limitations by Facility Category

- Total annual Capacity Limitation of 1.8 gigawatts (GW) + 2023 carryover
- Divided among the Facility Categories as follows:

Category	Allocation (megawatts)	Tax Credit Percentage
(1) Located in a Low-Income Community	800	10%
(2) Located on Indian Land	200	10%
(3) Qualified Low-Income Residential Building Project	224.8	20%
(4) Qualified Low-Income Residential Building Project	900	20%

Refer to the IRS Publication, [Rev. Proc. 2024-19](#) and [Treasury Regulations § 1.48\(e\)-1](#) for the full definition and requirements of each program category.

Additional Selection Criteria

- At least 50% of the Capacity Limitation in each facility category will be reserved for qualified facilities meeting certain Additional Selection Criteria (ASC).
- Facilities may qualify for ASC based on Ownership or Geography.

Application Options



Category	Application Options	Allocation (megawatts)	
(1) Located in a Low-Income Community	Eligible Residential Behind-the-Meter (BTM)	800	250
	Eligible Residential Behind-the-Meter (BTM) Additional Selection Criteria		250
	Other Eligible LI Community Project		100
	Other Eligible LI Community Project Additional Selection Criteria		200
(2) Located on Indian Land	Located on Indian Land	200	100
	Located on Indian Land Additional Selection Criteria		100
(3) Qualified Low-Income Residential Building Project	Qualified Low-Income Residential Building Project	224.8	100
	Qualified Low-Income Residential Building Project Additional Selection Criteria		124.8
(4) Qualified Low-Income Residential Building Project	Qualified Low-Income Economic Benefit	900	400
	Project Qualified Low-Income Economic Benefit Project Additional Selection Criteria		500

Next Steps

- Check out the rest of this [series of recordings](#) as they are posted.
- If you have questions for the Office of Multifamily Housing Programs team working on solar, please send an email to AssetManagementPolicy@hud.gov with the word “**Solar**” in the Subject Line.
- If you have a question related to other HUD-supported properties or communities and their eligibility for this bonus program, we will do our best to get you to the right place as well.
- The Office of Public and Indian Housing will be providing an email address in future recordings.

Additional Program Resources:

- [2024 Program Year DOE and Treasury Webinar](#)

Solar Resources:

- [Renewable Energy Resources](#) on HUDEXchange
- [HUD Guide for Solar Energy](#)