



Inflation Reduction Act & Schools:
New federal funding for healthy, sustainable, cost-effective schools

Who we are



Our mission is to support America's K-12 public schools to make an equitable transition to zero carbon emissions while preparing our youth to build a sustainable future in a rapidly changing climate.



- ⚡ Healthy buildings, healthy students
- ⚡ Equity & justice
- ⚡ Jobs today & tomorrow
- ⚡ Leading by example

Agenda

- Overview of Inflation Reduction Act tax credits for schools
- Understanding your eligibility for existing & future solar projects
- Resources for moving ahead



The Inflation Reduction Act is here!

SEP 14, 2023

Implementing America's Clean Energy Future

This report provides recommendations for how states and local governments, federal agencies, and other interested parties can work together to advance climate leadership at the state and local levels.



Aerial view of a large solar farm in California, showing rows of solar panels stretching across a landscape under a blue sky with clouds.

How many jobs is the Inflation Reduction Act spurring? A lot

A new analysis finds 400,000-plus jobs will be created from the 210 EV, battery and clean energy projects launched since the climate law passed.



By Jeff St. John
1 November 2023



REPORT APRIL 11, 2023

The Inflation Reduction Act Reduces Emissions and Income Inequality

The Inflation Reduction Act helps low-income households save money on clean energy, home retrofits, and transportation, while building resilience to climate change and economic insecurity.

FACT SHEET:

Wins for Minnesota in the Inflation Reduction Act



The Inflation Reduction Act (IRA), which passed both houses of Congress and was signed into law by President Biden in August 2022, includes [\\$370 billion in investments](#) in decarbonizing our economy, transitioning to clean energy, reducing the cost of energy, and remedying environmental health disparities. **These investments are poised to deliver significant wins to Minnesotans in the years to come and especially can help Minnesota achieve the vision outlined in its [Climate Action Framework](#):** carbon neutrality by 2050, resiliency for communities, businesses, and the natural environment, and equitable distribution of costs and benefits for communities experiencing disproportionate impacts.



Renewable Energy

The IRA extends the current federal investment and production tax credits (ITC and PTC) for solar and wind energy through 2024, and establishes a new technology-neutral ITC and PTC for all zero-carbon (and some very low-carbon) electricity generation technologies, from 2025-2032.

- The decade-long extension of the solar and wind production and investment credit will create long-term certainty and help Minnesota reach the goal of 100% carbon-free electricity by 2040, as articulated in the Climate Action Framework.
- The Port of Duluth is a [leading destination for wind energy cargo](#) as clean wind electricity generation is installed throughout the Midwest. The long-term predictability of the ITC and PTC will ensure continued rapid growth in wind energy for the next ten years, increasing Duluth's importance as a hub of the nation's clean energy economy and proving the foresight of the big investments by the Duluth Seaway Port Authority in capacity for handling wind energy cargo at the Great Lakes' largest port, supporting 8,000 Duluth-area jobs.

- The IRA also provides a "direct pay" option for non-profit entities that lack federal tax liability (including MN's 50 rural electric co-ops, and municipal utilities), empowering them to receive a cash grant from the Treasury Department for an eligible clean energy project.

"Minnesota is well-positioned to be a key engine in the United States' transition to a clean energy future."

Electric Vehicles

The expanded and extended EV tax credit in the IRA allows low-income car-buyers to claim as much as an additional \$7,500 tax

See [here](#).

Clean energy not just for “taxpayers” anymore

Eligible equipment put into service after January 1, 2023 qualifies for Direct Pay.

The IRS uses the term “Elective Pay” for the same concept.



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



State, Local, and Territorial
Governments



Tribal and Native Entities



Rural Energy Cooperatives



Other Tax-Exempt Entities

Schools are intended recipients of clean energy tax credits

An official website of the United States Government

 U.S. DEPARTMENT OF THE TREASURY

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FACT SHEET: Inflation Reduction Act Tax Credits Can Fund School Facilities Upgrades and Reduce School District Energy Bills

January 4, 2024

FACT SHEET: Inflation Reduction Act Tax Credits Can Fund School Facilities Upgrades and Reduce School District Energy Bills

According to the U.S. Department of Energy, K-12 school districts spend nearly \$8 billion annually on energy costs, the second largest expense after teacher salaries. Aging facilities combined with limited school budgets can result in deferred maintenance of facilities, with current estimates of

FACT SHEET: Biden-Harris Administration Hosts First-Ever White House Summit for Sustainable and Healthy Schools

- **Manchester Public Schools (CT)** anticipates receiving \$2.5 million in tax credits from the IRS for installing ground source heat pumps and solar panels at Bowers Elementary School in 2023.
- **Seattle Public Schools (WA)** anticipates receiving \$7.5 million in tax credits from the IRS for installing ground source heat pumps and solar panels at 3 elementary schools in 2023.
- **Williamsfield Schools (IL)** anticipates receiving \$100,000 in tax credits from the IRS for 7 Electric School Buses funded through the EPA Clean School Bus rebates and 11 Electric Vehicle charging stations that were put into service in 2023.

See:

[US Dept of Treasury Fact Sheet](#), Jan 2024

[White House Fact Sheet](#), April 2024

What's so special about the clean energy tax credits?

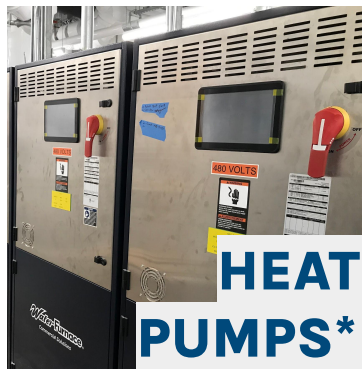
Non-competitive

Cash
reimbursement

Available until
2032+

Unlimited
funding

The IRA provides funding for these clean energy machines



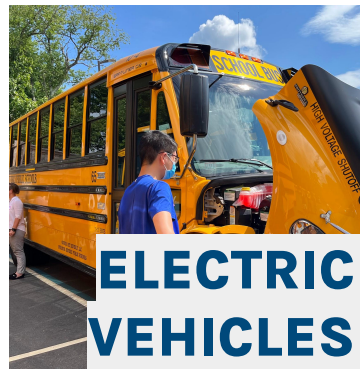
Clean heating and cooling



Clean energy



Store clean energy



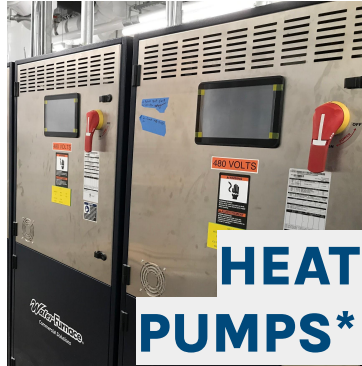
Clean transportation



Enable clean transport

*Just ground-source heat pumps, not air-source

These non-competitive, unlimited tax credits are available today to all schools



Sec 48:
Investment Tax Credit

Sec 45W:
Commercial
Clean Vehicle
Tax Credit

Sec 30C:
Alternative
Fuel Refueling
Property

*Just ground-source heat pumps, not air-source

Discussion Topics

- Does my system qualify for a tax credit?
- How do I calculate the size of my tax credit, including how do grants impact tax credits?
- What is the process? What are the deadlines?
- What is the treatment of the tax credits when they are received?
- What information should I have ready?
- Who can help me with the process?
- Is this worth the effort?

Does my system qualify for a tax credit?

Your solar energy system qualifies for a clean energy tax credit if you answer “yes” to these two questions:

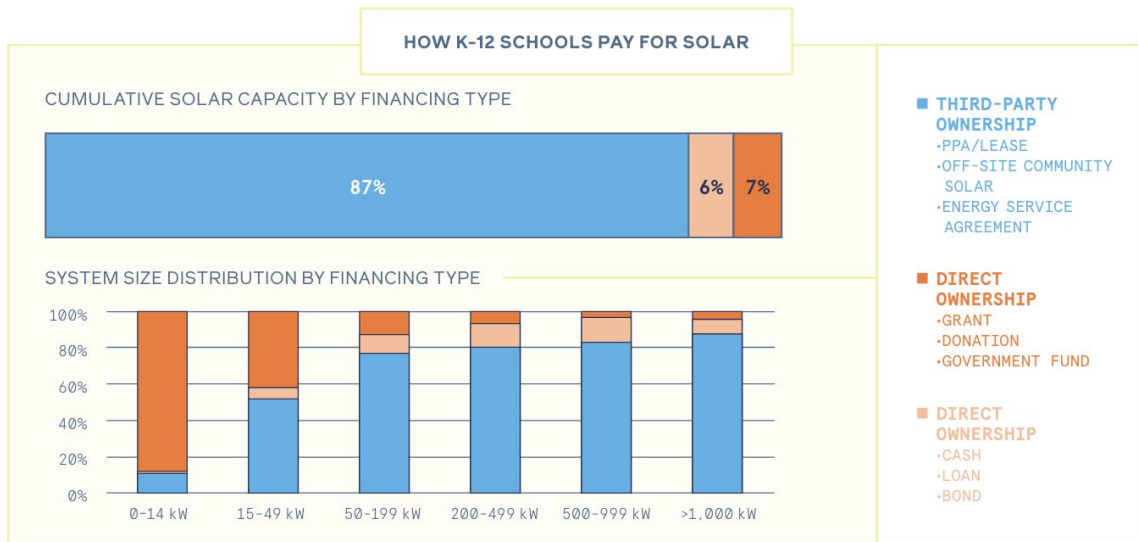
- ✓ Was the system “put into service” on or after January 1, 2023?
- ✓ Do you own the solar energy system?



Ownership considerations

If you signed a lease/PPA, your solar developer likely has an arrangement to sell/claim the tax credit.

We expect more schools to own their solar energy systems given the new Elective Pay.



Source: Generation180, "[Brighter Future: A Study on Solar in US K-12 schools](#)" Sept 2022.

How do I calculate the size of my tax credit?

- ✓ All locations qualify for base credit. New construction and renovations qualify.

*What was the cost
of your solar energy
system?*

Cost basis

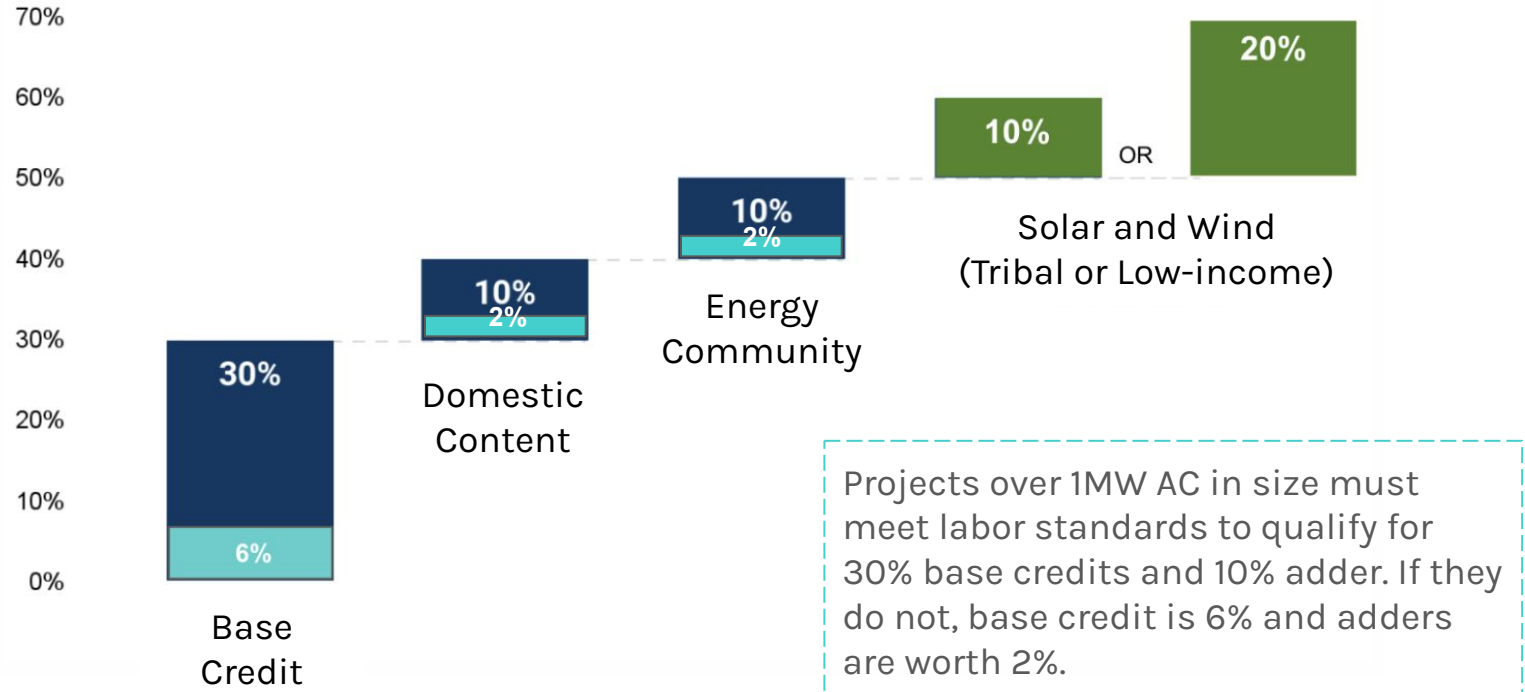
*For what base and
bonus credits does
your system
qualify?*

Credits

*How did you pay for
the project?*

Adjustments

Base and bonus credits for Sec 48 ITC



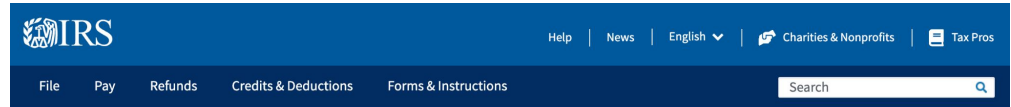
A simple example

Gross Install Cost	\$ 120,960
Dept of Commerce Grant	\$ 84,000
IRA Tax Credit (30%)	\$ 36,288
Local Contribution	\$ 672

How do grants impact tax credits?

Grants do not reduce the cost basis on which the IRA tax credits are calculated.

However, if all forms of financing exceed the total cost of the project, then the tax credits will be reduced to that no “excess benefit” is received.



[Home](#) / [Credits & Deductions](#) / Elective pay and transferability frequently asked questions: Elective pay

Elective pay and transferability frequently asked questions:

Elective pay

Q41. I funded the purchase of an investment-related credit property with grants and forgivable loans exempt from taxation. Can I include those amounts in the basis of the property for purposes of calculating the amount of the credit? (updated March 5, 2024)

See [IRS Elective Pay FAQ](#).

An example of “no excess benefit” rule

Gross Install Cost	\$ 158,906
Dept of Commerce Grant	\$ 84,000
OtterTail Rebate	\$ 54,000
IRA Tax Credit (30%)	\$ 47,672
Local Contribution	\$ (26,766)
IRA Tax Credit (adj.)	\$20,906
Local Contribution (adj.)	\$ -

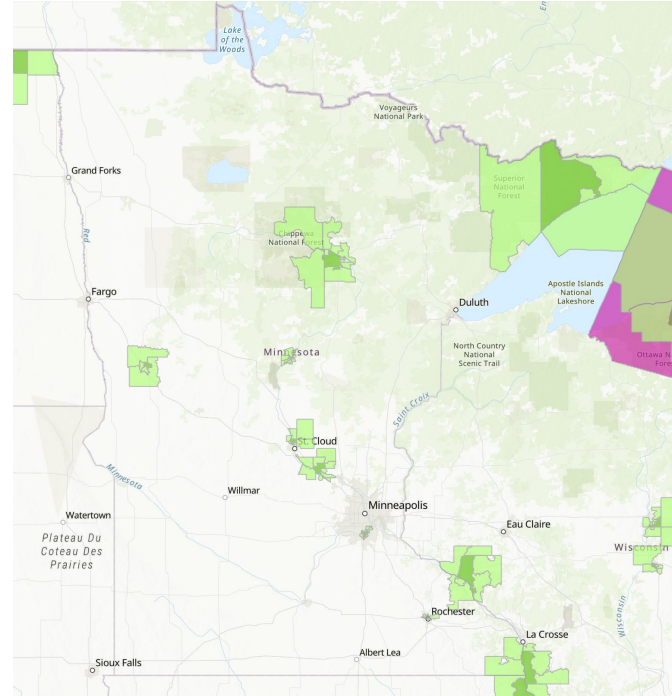
“Excess
benefit”

“Energy Communities” in Minnesota

Check to see whether any of your sites qualify as an energy community.

Certain brownfields also qualify but are not included on the map.

[EnergyCommunities.gov](https://energycommunities.gov) and [WRI Bonus Mapper](#) to confirm bonus adder eligibility



An example w “Energy Community” adder

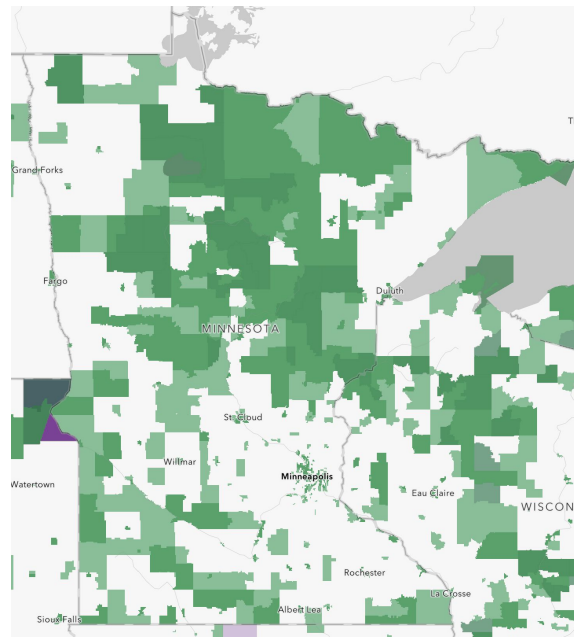
Gross Install Cost	\$ 122,500
Dept of Commerce Grant	\$ 48,000
IRA Tax Credit (40%)	\$ 49,000
Local Contribution	\$ 25,500

“Low-Income Communities” in Minnesota

Solar and wind projects in these areas plus Tribal Lands can compete for an additional 10-20% bonus credit.

The current application period closes on June 27, 2024. See [here](#) for more details.

Is it worth the effort for small projects?



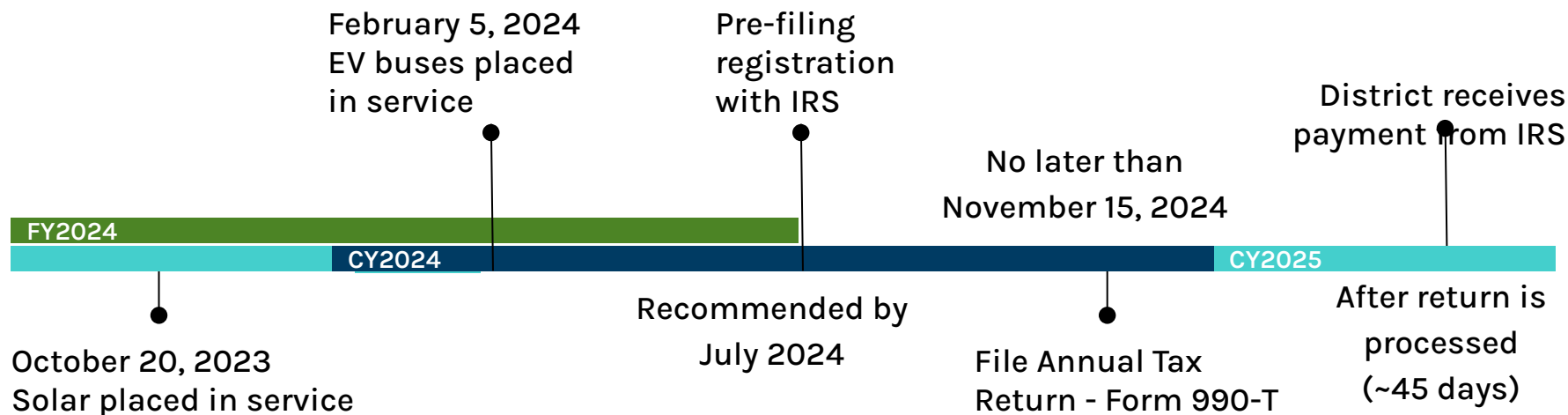
What is the process?



* First time filers (e.g. no filings in the last 10 years) can choose to file on a calendar year or fiscal year basis. See: [89 FR 17546](#)



An example timeline



What is the treatment of the tax credit proceeds when they are received?

It is a state and local matter. The IRS has no interest.

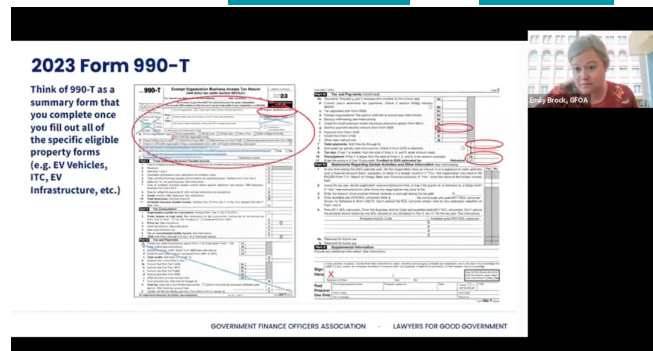
- Pay down bonds?
- Reimburse stabilization funds?
- Place in general fund?
- Create a “green schools” revolving fund to invest in the next project?

Links to complete your pre-filing registration

Access the [IRS Pre-Filing Registration Portal](#)

- [IRS video walk-through of Pre-Filing Registration Portal](#) (note: IRS video site has been under repair)
- [IRS Publication 5884](#) - “Pre-Filing Registration Tool User Guide” (with screenshots)
- [IRS Publication 5902](#) - User ID and ID.me info

“How-to” [webinar](#) & [slides](#)



Undaunted has a preparation [checklist](#) which can inform what key information to gather as you prepare to file.

Who can help me?

Lawyers for Good Government (L4GG)

- [Elective Pay & IRA Tax Incentives Resources](#) Page
- [Worksheets & fact sheets](#) to aid collection of pre-filing info
- [Annotated tax forms](#)
- [Elective Pay FAQ database](#) - searchable by credit
- [Ask a discrete legal question](#) to L4GG's team of legal experts
- [Sign up](#) for resource updates



Government Finance Officers Association (GFOA)

- [IRA Implementation Resources](#) Page
- Reach out for 1:1 help w the process! Not legal advice. Not financial advice



Hire a firm w expertise in clean energy tax credits

- See 4 firms [here](#) and reach out to [Undaunted](#) for a referral



Is this worth the effort?

- For the next decade, the IRA is the way that organizations will get federal assistance to make the “clean energy transition”
- Filing for your solar array is a low-stakes way to experience the process for the first time
- “Make it real” so that stakeholders can gain the confidence needed to incorporate IRA tax credits into capital and facilities plans sooner rather than later
- Celebrate and be part of schools across the country who are accessing these funds



A short overview on IRA

The Inflation Reduction Act & Schools

New funding for healthy, sustainable, efficient schools

Overview

New clean energy tax credits help schools defray the cost of clean energy equipment that can promote health, sustainability and efficiency.

The Inflation Reduction Act is poised to be the largest ever federal investment in school infrastructure.

Visit [Schools & the Inflation Reduction Act website](#) for more information



Key Features

- ★ **Non-competitive:** All schools with qualifying projects are eligible to claim clean energy tax credits.
- ★ **Cash reimbursement:** Tax credits will be paid to schools in the form of a cash reimbursement.
- ★ **Available for years to come:** Funding is available by statute until at least 2032.
- ★ **Unlimited funding:** There are no caps on funding. Schools can claim multiple tax credits in a single year and over subsequent years.

Eligible Technologies

	Solar Energy: Generates on-site, reliable, clean energy at a fixed price. Nationally, one in every 10 schools is already solar-powered.	
	Energy Storage: Provides back-up power. Can also contribute to a reduction of utility costs, generate revenue, and reduce carbon emissions.	Sec 48: Investment Tax Credit
	Ground-Source Heat Pumps: Provides heating and cooling with one set of equipment. Up to six times more efficient than a "high-efficiency" furnace.	
	Electric School Buses: Reduces exposure to harmful air pollutants for students and communities, while saving ~\$100,000 in lifetime fuel and maintenance per bus.	Sec 45W: Commercial Clean Vehicles Tax Credit
	Electric Vehicle Charging Equipment: Facilitates charging of electric school buses and other electric vehicles.	Sec 30C: Alternative Fuel Refueling Property

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Climate-resilient schools. Future-ready students.

How does this process work?

- ☐ Place eligible clean energy equipment into service
- ☐ Complete a pre-filing registration using the IRS' Elective Pay portal to receive a registration number for the eligible equipment
- ☐ File Form 990-T using the registration number provided
- ☐ Receive payment from the IRS after submission is approved

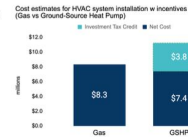
Sample timeline



Example for equipment placed into service by a school with a fiscal year from July 1, 2023 to June 30, 2024.

Advantages of Investing in Clean Energy Technologies

Efficiency & Savings: Clean energy technologies are often more cost-effective to operate. Savings can be reinvested into student learning. In many cases, clean energy tax credits may make the clean choice also the most affordable choice (see figure).



Student Health & Learning: Clean energy can support healthy learning environments by keeping classrooms comfortable. And clean energy projects at schools can provide hands-on learning about climate solutions and green jobs.

Resilient Schools & Communities: Adopting clean energy can enhance the resilience of school facilities allowing buildings, for example, to serve as shelters for students and communities through extreme weather and power disruptions.

Sustainability & Social Responsibility: School buildings, transportation fleets, and land assets will play a critical role in reaching climate goals. Students are looking to adult decisionmakers to ensure that schools are embracing their responsibility to address air pollution and reduce greenhouse gas emissions.

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Climate-resilient schools. Future-ready students.



And more (!) at our online resource



The [Inflation Reduction Act](#) (IRA) is the largest investment in climate and clean energy in United States history. Billions of dollars are now available to schools for going green.

**THE INFLATION
REDUCTION ACT**
brings new federal
funding to schools
that embrace
clean energy!

WHAT
clean energy
technologies does
the Inflation
Reduction Act
support?

WHY
should schools
invest in
clean energy
technologies?

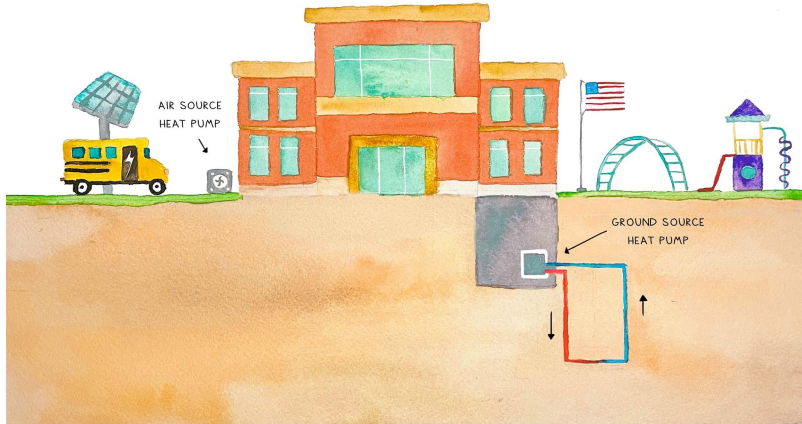
WHO
benefits from
the Inflation
Reduction Act?

HOW
do schools
get reimbursed by
the Federal
government?

<https://www.undauntedk12.org/schools-and-the-ira>

Thank you

COOL SCHOOLS HAVE HEAT PUMPS



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