

# Guide to Direct/Elective Pay Processes and Available Technical Assistance



## *Why do we care?*

Tax-exempt and governmental entities, for the first time, can receive a payment equal to the full value of tax credits for qualifying clean energy projects [thanks to provisions in the Inflation Reduction Act \(IRA\)](#). This is known as Direct (or Elective) Pay and will allow Minnesota entities to secure funding to further progress toward [One Minnesota](#) and [Minnesota Climate Action Framework](#) goals.

**As of July 2025, H.R.1 has changed the deadlines and requirements for eligibility for many tax credits. An overview is available [here](#). Please consult with a tax professional early and throughout your project process to ensure your eligibility.**



### What is Direct Pay:

- Tax free cash
- Uncapped and non-competitive
- Available for select programs

### Process of Securing Direct Pay:

1. Determine whether you are an eligible entity (also known as “Applicable Entity”).
2. Understand what types of projects are eligible.
3. Understand bonus stackable credits within the IRA.
4. Project selection:
  - a. Re-evaluate projects in development to determine whether they can be adjusted to qualify for direct pay, or
  - b. Plan an eligible project that maximizes funding potential while meeting your goals
5. Find financing.
6. Complete your project and place project in service.
7. Determine your tax year to determine tax filing deadlines.
8. Gather relevant documentation for direct pay filing.
9. Complete a pre-filing registration.
10. File to take election.
11. Receive payment after submission is approved.

## *Technical Assistance*

Need help navigating the process? Try the following resources:

- **Deloitte Tax Consultation:** The Minnesota Departments of Administration and Management and Budget (MMB) are coordinating with MN Commerce to deploy a contract with Deloitte to provide 1-on-1 technical assistance for MN entities that are filing for Direct Pay tax credits for energy projects. These limited consultations on project development and tax filing are available free of charge to MN-based tax-exempt organizations. To request assistance, [please complete this survey](#) or [email: StateofMNIRATaxComplianceSupport@deloitte.com](mailto:StateofMNIRATaxComplianceSupport@deloitte.com)
- **Clean Energy Tax Navigator from Lawyers for Good Government:** [this online tool](#) helps to determine project eligibility and the Direct Pay process generally.

# Steps to Determine Direct Pay Project Eligibility and Filings Process:

1. Determine whether you are an eligible entity (also known as “Applicable Entity”).
  - a. Tax exempt orgs: 501(a), including 501(c) and 501(d) organizations.
  - b. States or political subdivisions (agencies, public education, local governments, port authorities, public libraries, etc.)
  - c. Agents and instrumentalities of the state (municipal utilities, e.g.)
  - d. Tribal governments
  - e. Rural electric cooperatives (co-ops)
  - f. NOTE: partnerships are not applicable entities, although joint or tenancy in common ownership models may allow an effective (not legal) partnership.
2. [Understand what types of projects are eligible.](#)
  - a. Was the program put into service on or after 2023? (i.e., date the project is deemed ready and available for its intended use)
  - b. [Do you own the project?](#)
3. [Understand bonus stackable credits within the IRA](#) (slide 14)
  - a. Base credit
    - i. [Prevailing wage](#) and [apprenticeship requirements](#) need to be [met](#).
  - b. Must meet [domestic content requirements](#) for production tax credits (PTC) and investment tax credits (ITC) – in 2024 and 2025, failure to meet domestic content requirements results in lower credit eligibility. In 2026 and beyond, failure to meet domestic content requirements renders you ineligible for direct pay. H.R. 1 further restricts domestic content requirements.
    - i. Waivers possible – if domestic content inclusion increases price by 25%+ or content unavailable.
    - ii. Does not apply to EV credits, green hydrogen, manufacturing, etc.
  - c. [Energy community](#) (Map [here](#))
  - d. [Tribal or low income](#) (Map [here](#))
    - i. Separate application – 10-20% bonus credit
    - ii. Must apply in advance of placing project into service
    - iii. [More on Low-Income Communities Bonus Credit Program is available here](#)  
[Additional overview of bonuses with descriptions here. \(page 6\).](#)
4. Project Selection:
  - a. Re-evaluate projects in development to determine whether they can be adjusted to qualify for Direct Pay
  - b. Plan an eligible project that maximizes funding potential while meeting your goals
5. Find financing
  - a. Can stack Direct Pay with other financing, but filing request to IRS must be adjusted so that Direct Pay reimbursement request does not exceed 100% of project cost
  - b. Plan to “carry” the portion of the project cost that is intended to be reimbursed through Direct Pay until the reimbursement is processed. Processing times to date have been upwards of 12-18 months.
6. Complete your project and place project in service
7. Determine your tax year to determine tax filing deadlines.
8. Gather relevant documentation for elective pay filing (e.g. VIN numbers for each EV purchased)
9. Complete a [pre-filing registration](#) ([Resource list](#) and [pre-filing walk through](#))
  - a. Receive registration ID for each eligible property
  - b. Pre-filing should occur 120 days prior to due date.
10. [File](#) (Tax [Forms](#) & [filing process slides](#))
  - a. A 990-T is the form for entities that are not required to ordinarily file tax returns
  - b. Form 3800 with registration IDs for each property
11. Receive payment after submission is approved. Refunds can take upwards of 12-18 months to receive.

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## General resources

1. Lawyers for Good Government have an [FAQ](#) about elective pay in the IRA. If your question is not answered there, you can ask them your question directly.
2. [Technical Assistance - S2 Strategies Home](#)
3. [What you need to know about the IRA: Elective/Direct Pay](#) - Clean Energy Resources Teams (CERTs)
4. Elective Pay Overviews from [Lawyers for Good Government](#) - Good example timeline for a solar project on [slide 33 of Elective Pay Deck](#) (Aug. 2023 webinar) from Lawyers for Good Government's Climate Change Resources page.
5. Guide to the [IRA for Cities - American Cities Climate Challenge Renewables Accelerator](#)
6. [5 Tips for Leveraging the IRA's Direct Pay Provision to Maximize the Benefits of Clean Energy Investment - World Resources Institute \(WRI\)](#)
7. IRS Direct Pay Portal [walk through](#) - Center for Public Enterprise
8. Overview of [Direct Pay programs](#) - CPCC
9. Example of [elective pay model](#) - Center for Public Enterprise
10. Tips for the [IRA elective pay provision](#) - Government Finance Officers Association
11. Role of states in [unlocking direct pay](#) - The Center for American Progress
12. [Effects of "One Big Beautiful Bill on Projects"](#) - Norton Rose Fulbright
13. [Working through the Foreign Entity of Concern \(FEOC\) Maze](#) - Norton Rose Fulbright.
  - a. FEOC restrictions can constrain project eligibility for materials produced from restricted sources. Notably for many renewable energy projects, this includes products produced in China. Confirm that your materials meet requirements prior to purchase.
14. [Updated Domestic Content Calculations](#) - Norton Rose Fulbright