## The World of Clean Energy Tax Credits Post-Inflation Reduction Act

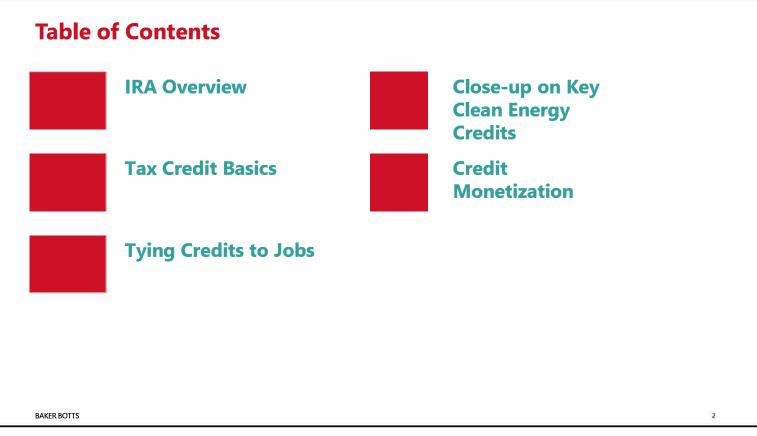
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# IRA OVERVIEW 01



### **Inflation Reduction Act of 2022: Highlights**

#### Revenue Raisers (\$700b.):

- 15% alternative minimum tax on C Corporations with book income >\$1b.
- 1% excise tax on stock buybacks

#### Climate tax expenditures (\$400b.):

- Extension of tax credits for **renewable energy** (wind, solar) and new tech-neutral credits in 2025 (45Y, 48E)
- Section 45Q carbon capture tax credit increased
- New clean hydrogen production tax credit (section 45V):
- New credits for **renewable fuels**
- New credits for manufacturing activity
- New credits for electric and fuel cell vehicles and residential and building energy efficiency
- New ways to monetize tax credits

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# Using Tax Policy to Incentivize Climate Change: Stick or Carrot?

#### Stick:

- Taxation of carbon emissions
- Taxation of use or production of fossil fuels (a "carbon tax")
- The term "carbon pricing" is usually a reference to either a cap-and-trade system or taxation of emissions or fossil-fuel production or both

#### Carrot:

- Incentives for green activity such as capturing carbon, using or producing renewable fuels or hydrogen.
- Tax incentives might take the following forms:
  - o Credits against tax liability
  - o Lower rate of tax on income or excise tax
  - o Bigger deductions for expenses, faster rates of depreciation.

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Background to Inflation Reduction Act	
Congress has hist     and clean energy	orically provided tax incentives for a variety of renewable activities.
Some problems w	vith pre-IRA tax credits:
<ul> <li>Phased down a uncertainty;</li> </ul>	nd out over short time spans, requiring renewal and creating
<ul> <li>Narrow scope;</li> </ul>	not all worthwhile activities covered;
– Too small to m	ake targeted activities profitable
– Credits usable of	only by those with tax liability.
<ul> <li>IRA addresses by:</li> </ul>	
	at least 2033 for most credits (phase down/out over 4 years, when US GHG emissions are less than 25% of emissions in 2022)
<ul> <li>Covers broader</li> </ul>	scope of activities
– Increases amou	nts
<ul> <li>Facilitates mon</li> </ul>	etization

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# Title search: News You Can Use: The World of Tax Credits Post-Inflation Reduction Act Changes

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