



North Central Texas  
Council of Governments



# Accessing Elective Pay, Enhancing Resilience & Cohort Close-out

August 14, 2024

# Session 5 agenda

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**Welcome**

**Cohort and Session Overview**

**Peer Check-In**

**Elective Pay Deep Dive**

**Initial Considerations for Enhancing Resilience**

**Cohort Next Steps and Close-out**



# Who you'll hear from

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**Joaquin Escalante**

*Transportation Planner II  
Dallas-Fort Worth Clean Cities  
North Central Texas Council of  
Governments  
(NCTCOG)  
jescalante@nctcog.org*



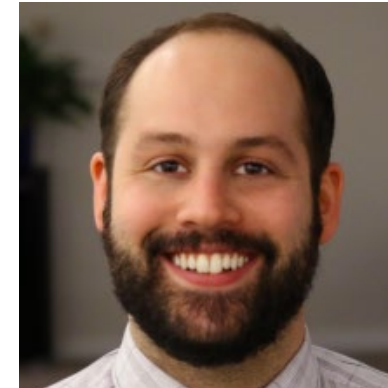
**Alyssa Knox**

*Environment and Development  
Planner II, North Central Texas  
Council of Governments  
(NCTCOG)  
aknox@nctcog.org*



**Amy Hodges**

*Principal Transportation Planner  
Dallas-Fort Worth Clean Cities  
North Central Texas Council of  
Governments  
(NCTCOG)  
ahodges@nctcog.org*



**Zach Greene**

*Senior Manager, Clean Energy  
World Resources Institute (WRI)  
zach.greene@wri.org*



**Ian Goldsmith**

*Research Analyst  
World Resources Institute (WRI)  
ian.goldsmith@wri.org*







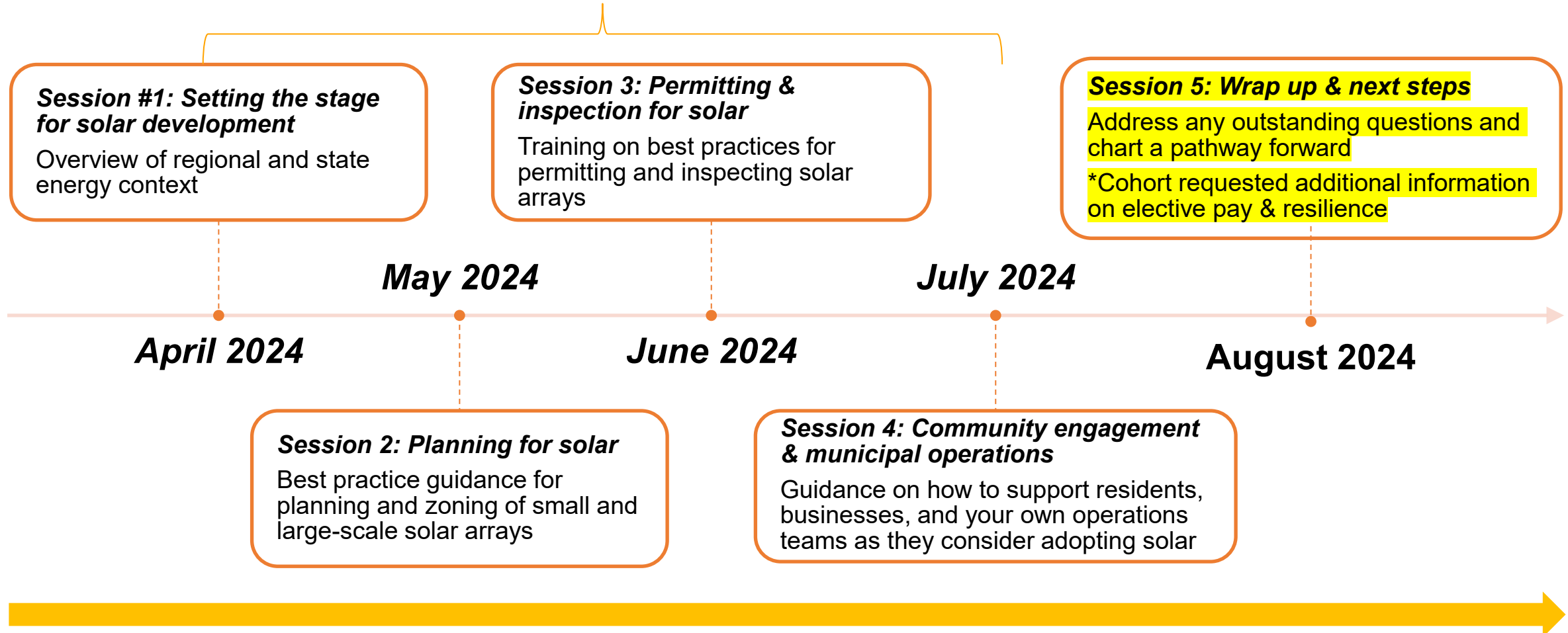
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# Cohort and Session Overview

# Cohort structure & timeline

## 1-on-1 check-ins



# Session 5 overview

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- This session will mainly focus on elements in SolSmart's "Government Operations" category, specifically on issues related to municipal solar and resilience installations.
- Attendees do not earn specific criteria solely by attending today's session.
- All the topics discussed today can be the basis for individual TA, so please don't hesitate to reach out if you'd like tailored support.





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# Peer Check-in

# A refresher of the Cohort's pathway to Bronze



**Complete 3 prerequisites**  
**20 pts in Permitting & Inspection**  
**20 pts in Planning & Zoning**  
**60 pts total**

- Solar Statement (Prereq.)
- Permitting/Inspection
  - PI-1: Permitting checklist (Prereq.)
  - PI-2: Permitting training (10 pts)\*
  - PI-3: Inspection training (10 pts)\*
- Planning & Zoning
  - PZ-1: Zoning review (Prereq.)
  - PZ-18: Planning/zoning training (10pts)\*
  - *Community chosen action (10pts)*
- Special Focus Categories
  - GO-13: Regulatory/Market Training (10 pts)\*
  - CE-1(+): Solar landing page (10+ pts)

\* Actions that you achieved by having staff attend these cohort sessions



# For communities interested in Silver



**Complete 4 prerequisites  
100 total points**

- Permitting/Inspection
  - ~~PI-2: Permitting training (Prereq.)\*~~
  - ~~PI-3: Inspection training (Prereq.)\*~~
- Special Focus Categories
  - ~~CE-1: Solar landing page (Prereq.)~~
- Planning & Zoning
  - PZ-4 or PZ-5: Rooftop solar as a by-right accessory use (Prereq.)

**Your community must decide how to achieve ~40 points, but 20-30 points can be easily achieved through resources on the solar landing page**

# Peer check-in prompts

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## Please share:

- Your name and community
- What designation level you're pursuing
- What have you been working on related to SolSmart designation since our last cohort session? Do you have any upcoming needs?
- Any additional updates for the benefit of the group?



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# Elective Pay Deep Dive





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# Elective Pay: What Is It and What Does It Mean For Local Governments?

*August 14th, 2024*

# IRA ELECTIVE PAY LIGHTHOUSE PROJECTS COHORT

A collaborative effort to demonstrate the viability and utilization of IRA elective pay as a pathway for local clean energy adoption, supporting “lighthouse projects” with targeted technical assistance across a cohort of early-adopter local governments and eligible entities.



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LAWYERS FOR  
**GOOD**  
GOVERNMENT



Government Finance Officers Association



SOUTHEAST SUSTAINABILITY  
DIRECTORS NETWORK



urban sustainability  
directors network



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# OUR GOAL FOR TODAY IS TO ANSWER 3 QUESTIONS



What is elective pay and how does it work? What projects can it support?



What are key considerations for local governments interested in elective pay?



How can local governments get organized now for successful filing?





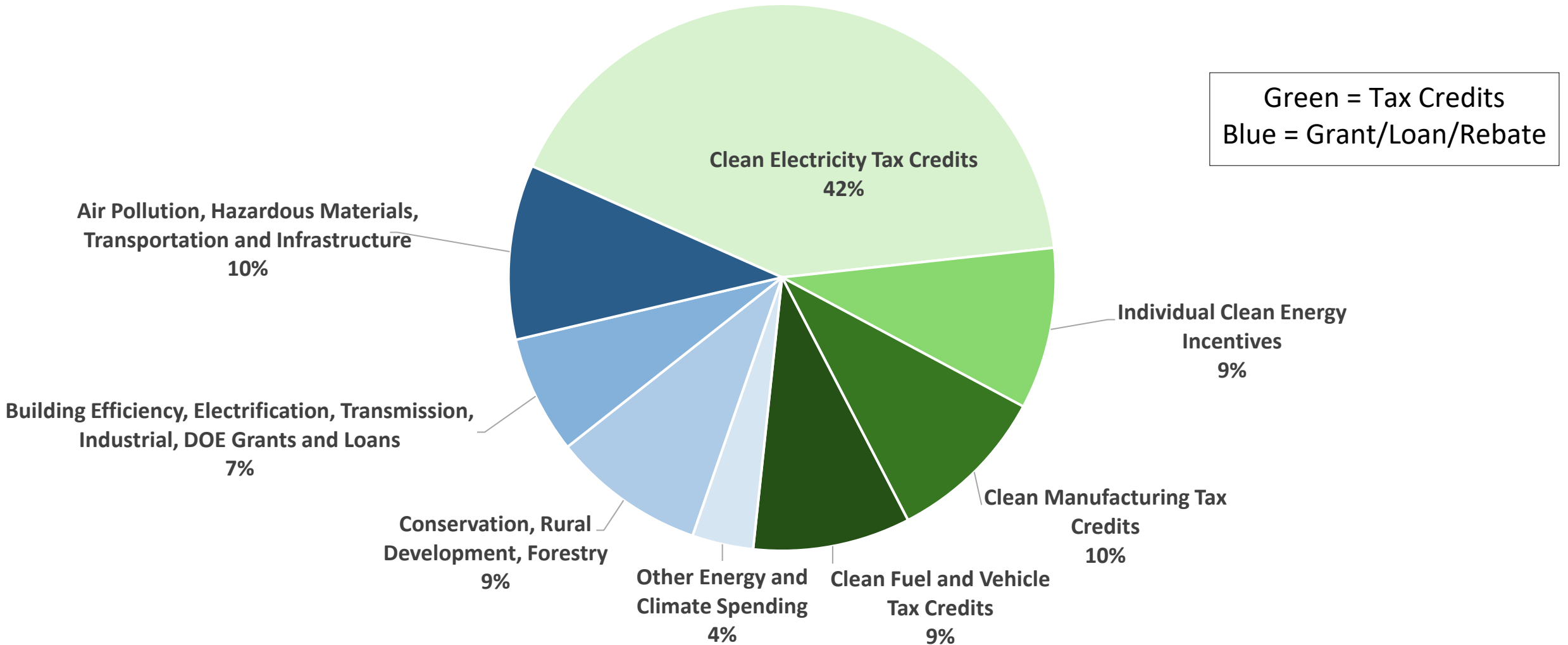
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# WHAT IS ELECTIVE PAY?

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# Uncapped tax credits make up 70% of IRA

IRA's projected climate spend is \$369B, but that could be far higher since its tax credits are uncapped



# Elective Pay: A new pathway for Funding projects

Previously, tax-exempt entities could not directly claim any climate or clean energy tax credits.

However, elective pay, also known as "direct pay," allows tax-exempt entities to receive certain clean energy and climate-related tax credits as **direct cash refunds from the IRS.**

Entities eligible for elective pay include:



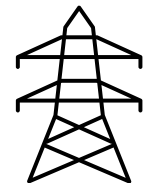
State, local, and tribal governments



Government instrumentalities



Any Section 501 tax-exempt entity  
(501c nonprofits, religious organizations, social clubs)



Public power utilities and rural electric cooperatives





# TAX CREDITS & PROJECTS MOST RELEVANT TO LOCAL GOVERNMENTS

## Example Projects:

EV Infrastructure  
Placement in non-urban  
or low-income areas



**Section 30C**  
Alternative Fuel Vehicle  
Refueling Property  
Credit

**Section 45**  
Production Tax Credit  
(PTC)



## Example Projects:

- Microgrid/ Community Solar
- Storage deployed at distribution level
- Port electrification

## Example Projects:

EV Fleet Transition –  
Fund municipal vehicles,  
school buses, public transit



**Section 45W**  
Credit for Qualified  
Commercial Clean  
Vehicles

**Section 48**  
Investment Tax Credit  
(ITC)



## Example Projects:

- Rooftop Solar or Wind on gov. buildings or affordable housing
- Geothermal HVAC

**\*Important role for local governments: Educate & provide resources for nonprofits and communities**



# Avoid a Common misconception!

**IRS did not make 179D efficiency upgrades eligible for Elective Pay.**

**What is 179D and why should I care?**

The 179D commercial buildings energy efficiency ***tax deduction*** primarily enables building owners to claim a tax deduction for installing qualifying systems in buildings. Tenants may be eligible if they make construction expenditures.

HOMES (Home Efficiency Rebates) and HEEHRA (High Efficiency Electric Rebate Act) provide significant funding to rehabilitate low-income homes. Many cities believe that these efficiency upgrades are eligible for tax credits using elective pay.

**BUT**, 179D is available to Architects, Engineers, and Contractors - consider negotiating into contracts for reduced costs.

# THE ITC AND PTC ENABLE SIGNIFICANT SAVINGS FOR CLEAN ENERGY

The Investment Tax Credit (ITC) and Production Tax Credit (PTC) are longstanding tax breaks for renewable energy installations. These tax credits have been key to the explosive growth of the renewable energy industry and form the basis of project finance.

## Investment Tax Credit (ITC)

- Introduced in 1978
- Based on a percentage of eligible cost for a project
- Claimed and received once when a project is placed in service
- As of 2023, equal to **30% of the total eligible costs** of a project if prevailing wage and apprenticeship requirements are met

## Production Tax Credit (PTC)

- Introduced in 1992
- Based on the amount of energy produced and sold by a system in a year
- Can be claimed every year for the first ten years of a system's life
- As of 2023, equal to 2.75 cents per kilowatt-hour (kWh), and will be adjusted for inflation by year

# FOUR BONUS INCENTIVES TO REMEMBER

## **Domestic Content:**

Can be a (+) (add 10%) or a (-) ('haircut' starts in 2024)

**Prevailing Wage and Apprenticeship (PWA):**  
Only a (-); must meet to keep 30%

## **Three questions to ask about each incentive:**

1. Does it apply to my project?
2. Does it add or subtract?
3. How do I comply?
  - Does it require a separate application?
  - Are there exemptions or waivers?

## **Energy Communities:**

(+) Adds 10%

**Low Income Communities Bonus (LICB):** (+)  
Can add 10-20% depending on who benefits and where it's located

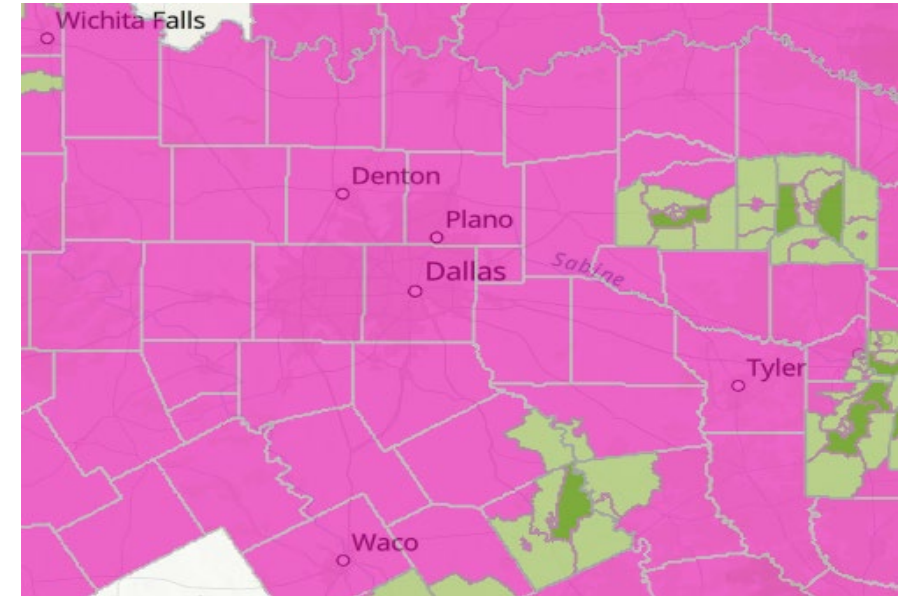




# THE ENERGY COMMUNITY BONUS CREDIT IS A GREAT OPPORTUNITY FOR NORTH CENTRAL TEXAS

## "Energy Community" qualifications:

1. Brownfield sites
2. **A metropolitan or non-metropolitan statistical area which**
  1. **has 0.17% or more direct employment or 25% or more local tax revenues related to the extraction, processing, transport, or storage of coal, oil or natural gas *and***
  2. **has an unemployment rate above the national average for the previous year**
3. Census tracts that contain or are adjacent to:
  1. A coal mine that has closed since 1999
  2. A coal-fired electric generating unit that has retired since 2009



Almost all the region is eligible for the energy community bonus credit. You can visit the eligibility mapper here at: [Energy Community Tax Credit Bonus - Energy Communities](#).

# QUALIFIED COMMERCIAL CLEAN VEHICLE CREDIT (45W) & ALTERNATIVE FUEL INFRASTRUCTURE CREDIT (30C)

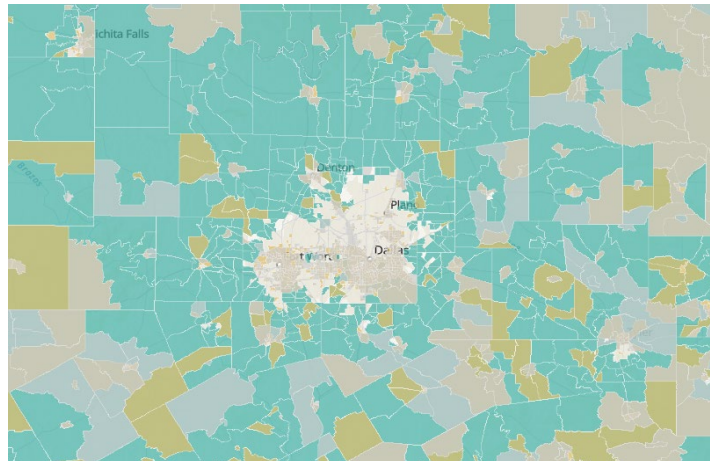
## 45W

Applies to electric, fuel cell, and qualifying hybrid vehicles **owned by** businesses or elective pay eligible entities:

Amount depends on size of vehicle:

- Up to \$7,500 for vehicles under 14,000 pounds GVW or
- Up to \$40,000 for larger vehicles

Less restrictive on vehicle eligibility than the individual clean vehicle credit. There is a [list of eligible manufacturers](#) to determine credit eligibility.



Much of North Central Texas is eligible for the 30C tax credit. You can visit the 30C eligibility mapper [here](#).

## 30C

Applies to electric charging or fuel cell refueling infrastructure built in "non-urban" OR low-income census tracts under 45D(e):

- Where the poverty rate is at least 20%; or
- Metropolitan and non-metropolitan area census tract where the median family income is less than 80% of the state medium family income level.

Equal to 30% of eligible costs for projects that meet prevailing wage and apprenticeship requirements, up to \$100,000 per charger. If PWA requirements are not met, the percentage of the credit is reduced to 6%.





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# THINKING ABOUT ELECTIVE PAY EFFECTIVELY



# THE SCALE OF THE IRA OPPORTUNITY FOR LOCAL GOVERNMENTS IS MASSIVE

IRA can help local governments accelerate **municipal and community-wide** adoption of clean energy technologies.

Elective pay is an entirely new pathway for local governments **to directly realize** the value of 12 clean energy tax credits as cash payments.

IRA uses a “base-and-bonus” structure that can bring tangible benefits to **low-income and historically disadvantaged communities**.

Elective pay gives local government actors **greater leverage in energy procurement** and changes project economics.

Elective pay paves the way for more local governments to **own clean energy assets**.

Local governments can “stack” federal grants and financing programs with elective pay to achieve **significant cost reductions and access upfront capital** for clean energy projects.





# ELECTIVE PAY REQUIRES DIRECT OWNERSHIP

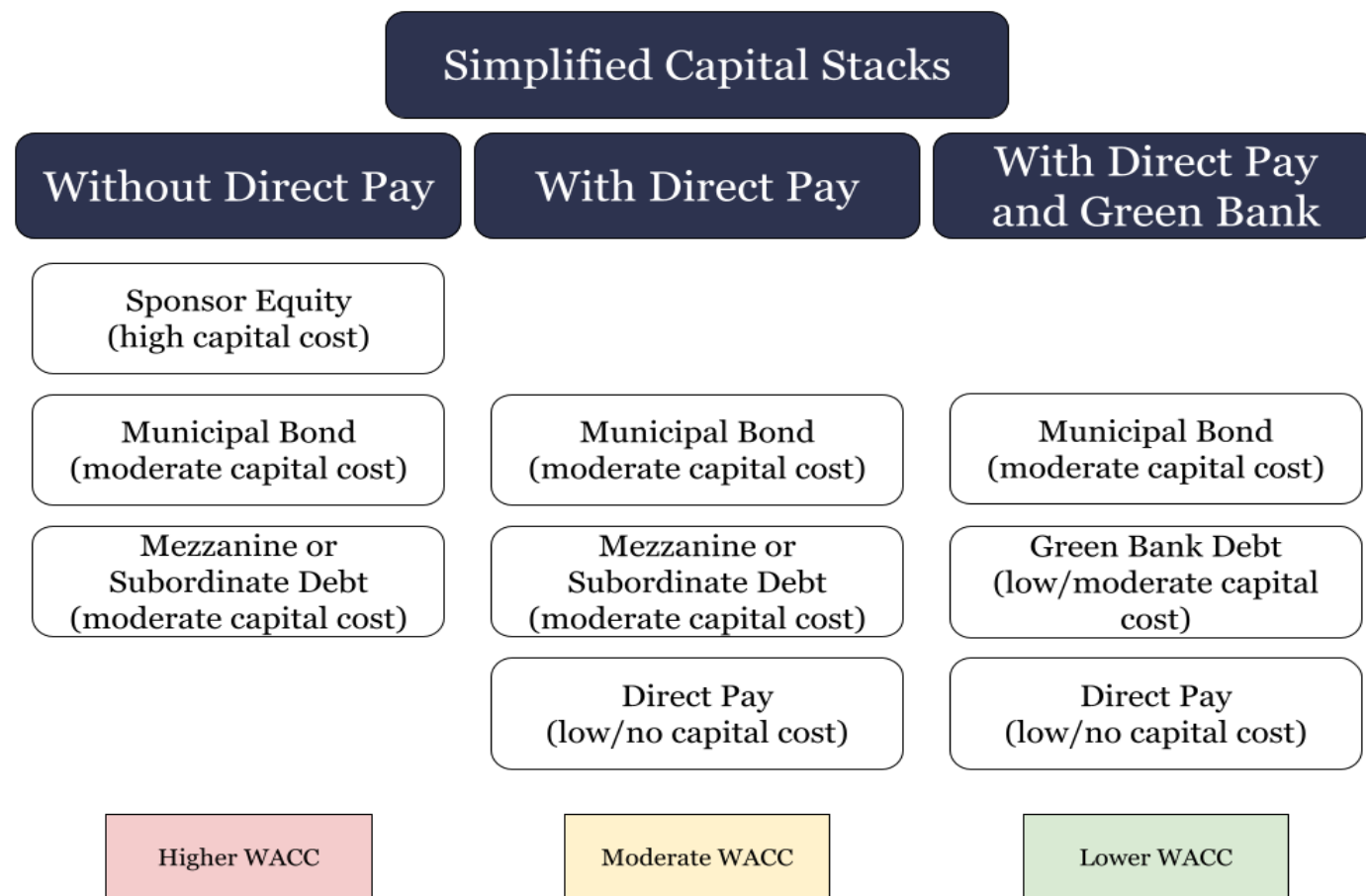


- All assets you claim for a tax credit through elective pay must be owned directly by a local government.
- Leases and third-party ownership structures, including for solar panels and cars, do not qualify for elective pay.

# BLENDING FUNDING SOURCE CAN ACHIEVE SIGNIFICANT SAVINGS

“Stacking” or “blending” elective pay with grants, loans, tax-exempt debt, or other funding sources is allowed and can lead to significant overall savings on project costs.

Using tax-exempt municipal bonds can reduce the amount of the credit you receive by up to 15%.



# OTHER KEY ASPECTS OF ELECTIVE PAY

## (Most) tax credits do not work like grants.

- Unlike grants, elective pay is not competitive. If you meet the requirements for elective pay and the underlying tax credit, you will receive the refund.

## Elective pay is retroactive.

- You can only file to claim a tax credit through elective pay after your project is placed in service. Upfront costs must be funded or financed from a separate source.

## Domestic content bonuses become rules for clean energy projects.

- If requirements are not met, the refund will be decreased by 10% for projects that began construction in 2024; 15% for 2025; and 100% after 2026. There will be an exemption process.

## Your “tax year” matters.

- Local governments can choose to work on a calendar year or fiscal year timeline. The IRA does not allow elective pay to apply to tax years that started before December 31, 2022.







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# ORGANIZING INTERNALLY FOR ELECTIVE PAY AND FILING PROCESS



# PROCESS TO CLAIM ELECTIVE PAY



## Pre-register projects

Local government registers each project for tax credit to be claimed on IRS portal

- IRS reviews, approves, and provides unique registration number for each project (e.g., vehicle, solar install)



## File tax return

Local government files tax return (Form 990-T) & Form 3800 with preregistration number and supporting documentation by tax deadline

- Due 4.5 months after end of taxable year (**automatic +6-month extension for first time filers**)



## Receive refund

IRS makes payment after review of tax filing

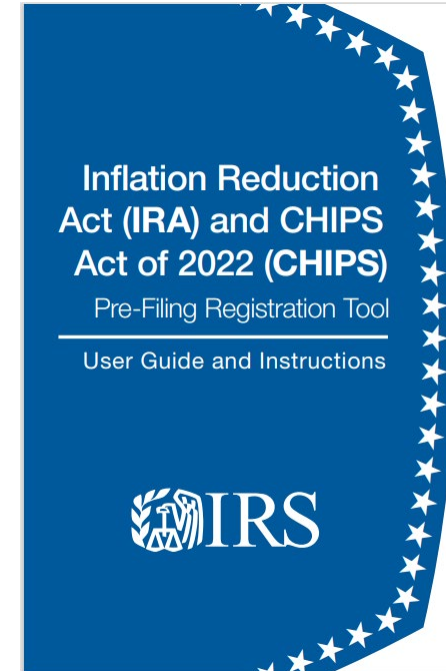
- Could be more than 1 year after project is placed into service/money is spent

# ELECTIVE PAY FILING PROCESS

1. **Identify** qualifying projects for 2023 and start planning 2024+ projects with elective pay in capital stack
2. **Build internal team:** Work with financial officers (CFO) and in-house counsel to identify eligible credits, authorized party to sign, etc.
3. **Confirm tax year and project eligibility:** Identify taxable year project was placed in service - 2023? 2024?
4. **Pre-register projects:** Use the IRS Pre-Filing Registration tool to obtain Unique Registration Number for each “applicable credit property”
5. **File tax forms:** 4.5 months after end of taxable year, or 10.5 months with an extension
6. **Get paid:** Receive payment after the return is processed (no clear timeline; IRS state 45 days, financial institutions estimate 12+ months)

# PRE-FILING REGISTRATION

- Before filing your actual tax return to claim the credit, you must **pre-register** each property or facility you plan to claim a tax credit through elective pay for.
- Each facility or property you claim will need to receive its own registration number, which you will then reference in your later tax filing.
  - For example, each electric vehicle local government procures and places in service will receive its own number.
  - However, a microgrid project will likely only receive one registration number as it is one facility with multiple qualifying parts.
- IRS will need general information on your entity as well as specific information for each facility or property you plan to claim.



Please go through and reference the IRS' [comprehensive user guide](#) to the pre-registration tool for more details.

# IRA FILING TIMELINES WILL IMPACT PROJECT MANAGEMENT: CHOICE BETWEEN FY AND CY

10 EVs placed  
into service  
(March 2023)

Solar Project Placed  
into Service  
(August 2023)

**\*\*All first-time government filers are given an automatic 6-month extension from their initial filing deadline for 2024.**

**\*\*\*There is an opportunity to re-align fiscal and tax year in subsequent years.**



## Filing Option 1, Calendar Year

- All 2023 projects covered
- Initial deadline for calendar year filing: **May 15, 2024**
- Six-month extended deadline: **Nov. 15, 2024**

## Filing Option 2, Fiscal Year (Ex. July-June)

- Only solar project Placed in service in August is eligible
  - The 10 EVs are excluded
- Initial deadline for this fiscal year filing: **Nov. 15, 2024**
  - Six-month extended deadline: **May 15, 2025**

\*graphic is for illustrative purposes only and should not be used for direct legal advice



# UNDERSTANDING TAX FORMS

All filers will need to submit forms 990-T and 3800, plus the specific forms for the relevant credit.

## EV Purchases (Section 45W)

- [Form 990-T](#): Exempt Organization Business Income Tax Return, or other applicable income tax return
- [Form 3800](#): General Business Credit
- [Form 8936](#): Clean Vehicle Credit, plus
  - [Schedule A](#) for each vehicle

## Energy ITC Section (Section 48)

- [Form 990-T](#): Exempt Organization Business Income Tax Return, or other applicable income tax return
- [Form 3800](#): General Business Credit
- [Form 3468](#): Investment Credit

## EV Charging Infrastructure (Section 30C)

- [Form 990-T](#): Exempt Organization Business Income Tax Return, or other applicable income tax return
- [Form 3800](#): General Business Credit
- [Form 8911](#): Alternative Fuel Vehicle Refueling Property Credit

# WHAT TO DO NOW TO PREPARE FOR ELECTIVE PAY

## 1. Go through your current and prospective projects to determine eligibility.

- Compile necessary information across projects in one place to pre-register in one batch.

## 2. Coordinate with your legal and financial departments.

- Educate these departments and set up a clear and coordinated process for effective and accurate filing.

## 3. Integrate elective pay into your procurement processes.

- Analyze whether elective pay would be cheaper than third-party ownership.
- Require vendors to consider elective pay in RFP bids.



# BUILD YOUR TEAM!

- **What was your city's experience with the State and Local Fiscal Recovery Funds from the American Rescue Plan Act?**
  - Find the finance officer who handled this process and it will streamline your process!
- **People you NEED to talk to:**
  - In-House Counsel: identify any necessary internal approvals that may be required to receive funds, attestations, etc.
  - Financial Officer: ID.me account, work with tax forms, accounting for project costs/financing
- **What other expertise might be needed? To name a few...**
  - Accountant
  - Bond counsel
  - For larger projects, an attorney specializing in tax/project finance
- **Municipalities will need to spend time and resources building up internal capabilities, or will need to find an outside partner to manage this process for them.**

# RESOURCES

- [Catalyzing Local Clean Energy: A Roadmap for Maximizing IRA Opportunities and Community Benefits Guidebook](#)
- [IRA Bonus Mapper](#): A WRI open-access mapping tool that local governments can use to check eligibility for geographically bound IRA tax credit opportunities as well as Justice 40 programs.
- [America's Federal Funding Opportunities and Resources for Decarbonization \(AFFORD\)](#) - An American Cities Climate Challenge Renewables Accelerator tool developed by RMI and WRI to enable local governments and community institution to prioritize and leverage federal funding to advance system-wide energy transition goals—from block grants and technical assistance to competitive grants and loans.
- [Local Infrastructure Hub](#): A national program designed to connect cities and towns with the resources and expert advice they need to access federal infrastructure funding to drive local progress and improve communities.
- [Report: Maximizing the Impact of Federal Climate Investments-The Unique Role of Cities](#): Climate Mayors, C40, and Urban Sustainability Directors Network recently released a paper detailing how cities are key to meeting climate targets and the additional support needed to optimize new federal funding opportunities.

# RESOURCES

- IRS Resources

- [Pre-filing registration guide and user instructions.](#)
- [IRS elective pay hub resources](#)
- [IRS FAQ on elective pay](#)
- Office hour registration:
  - [February 2nd](#)
  - [February 6th](#)
  - [February 9th](#)





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**THANK YOU!**

**If you have any questions, please feel free to  
reach out to [ian.goldsmith@wri.org](mailto:ian.goldsmith@wri.org).**





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# Initial Considerations for Enhancing Resilience

# A stepwise process for developing a resilience project



# Engaging with key stakeholders is a critical part of developing a successful resilience-focused project

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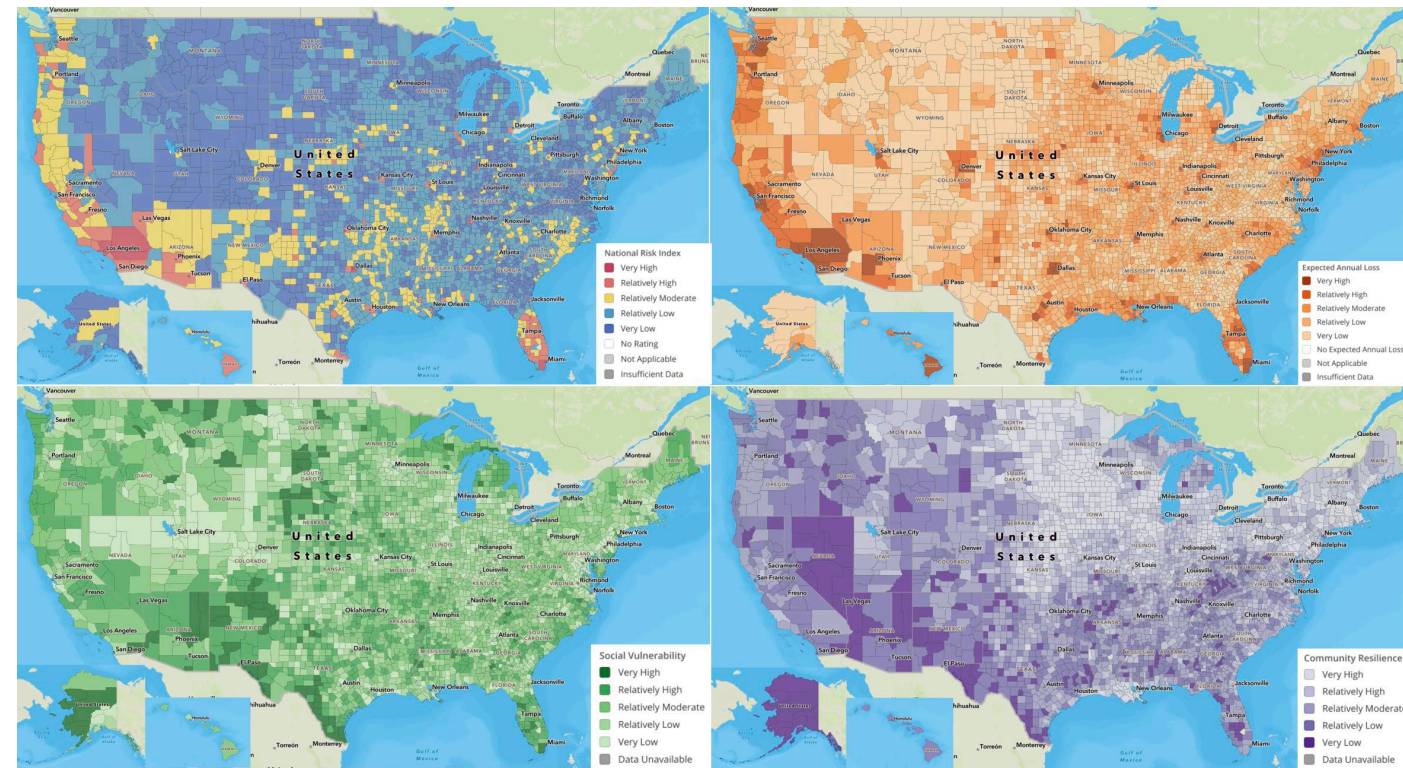
- Key stakeholders to engage include:
  - Community-based organizations
  - Potential site hosts
  - Utilities
  - Installers/project developers
  - Community members
  - Relevant municipal staff and leadership
- Each of these stakeholders will have different roles throughout the stepwise process – from ideation through implementation and operations and maintenance.
- Clear and consistent communication can be vital to a project's success.



# Analyzing risk can help to determine where and how to deploy resilience-focused projects

## FEMA's National Risk Index

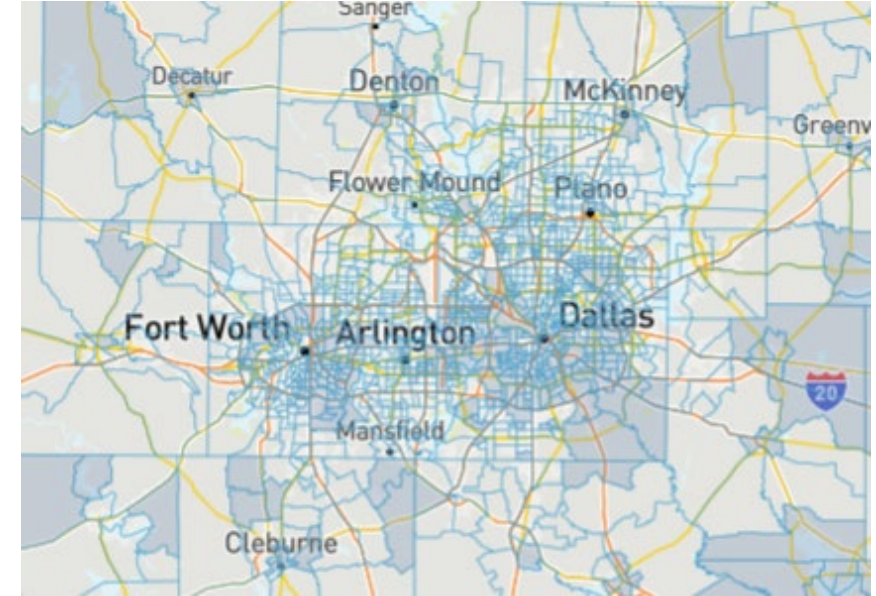
- There are several types of hazards and associated risks. The components of these risks include exposure, frequency, and vulnerability..
- There are several grid indices to consider:
  - System Average Interruption Frequency Index (SAIFI)*: The total number of customer interruptions divided by the total number of customers served in a given period, usually a year.
  - System Average Interruption Duration Index (SAIDI)*: The total number of minutes of customer interruptions divided by the number of customers served during a given time period.
  - Customer Average Interruption Duration Index (CAIDI)*: Total number of minutes customers are without service divided by the total number of interruptions.





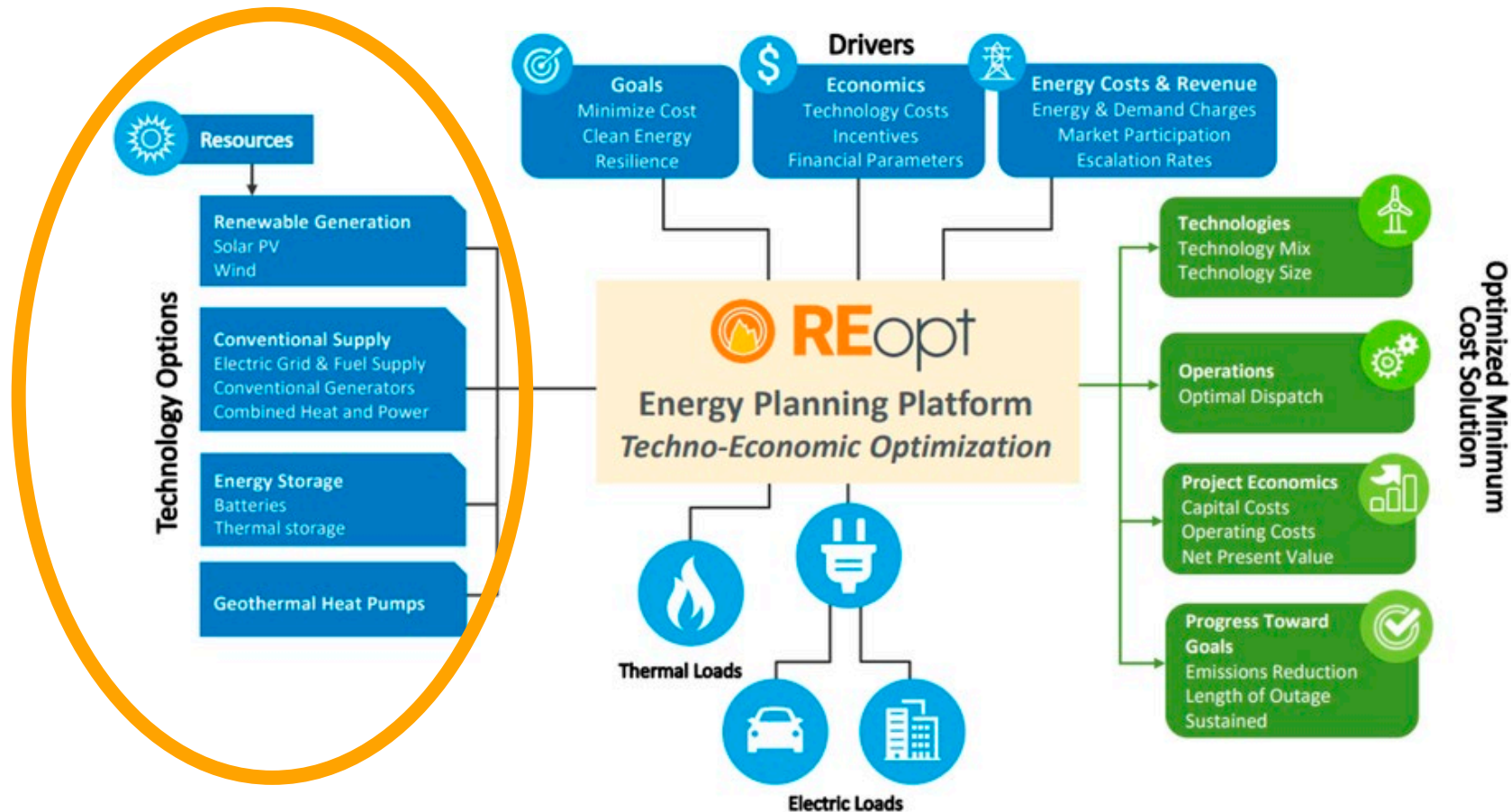
# Considerations for determining where to site resilience projects

- Key questions to ask
  - Where are people more vulnerable, especially to the risks identified by previous research and community engagement?
  - Where do community members access services?
  - Are there equity implications to locating resilience hubs or microgrids in certain areas? Or other co-benefits associated with siting options?
- Tools exist, such as CEJST, to help identify potential geographies that will benefit from enhanced resilience, and there are also mapping tools to help identify potential sites.
- Engaging with community members to better define where to site a resilience hub or microgrid will provide valuable on-the-ground context that's missing from maps.



The [CEJST Mapping Tool](#) can help identify disadvantaged communities

# There are multiple technologies and combinations of technologies that can be integrated into resilience projects



# Additional considerations as you advance resilience-focused projects

- Adding technologies to enhance resilience will increase the capital costs of a project, but may not lead to similar payback opportunities for system owners.
  - Determine if there are ways to recoup costs (e.g., participating in a virtual power plant or utility program) or quantify the value of resilience to help demonstrate the payback in a different way.
- Several unique funding streams may support resilience-focused projects, such as:
  - **Texas Energy Fund's Backup Power Packages**
    - Loans or grants to install a backup power package (a stand-alone, behind-the-meter, multiday backup power source) on public facilities that communities rely upon for health, safety and well-being, excludes for-profit and commercial market segments
    - Funds for design, procurement, installation, and use of back-up power packages; Individual grants capped at \$500/KW of capacity; cap of \$1.8 billion total for grants and loans
  - FEMA's **Building Resilient Infrastructure and Communities** (BRIC) grant has recently expanded to allow for solar and storage, but the recent round of funding recently closed
- Procurement steps largely align with similar procurements for other technologies, but it is important to be clear about the resilience needs and the desired operations and critical loads to help ensure RFP responses are best aligned with local goals.





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# Cohort Next Steps and Close Out



# Achieving Your Community's Desired Tier of Designation and Beyond

- Today is the final cohort session, but we don't expect communities to have achieved designated yet and we know you're actively working on various criteria.
- SolSmart staff can still provide targeted assistance to support achievement of designation requirements (and more), and we're happy to schedule 1-on-1 calls with any of the cohort members.
- Communities can provide verification materials to Zach Greene ([zach.greene@wri.org](mailto:zach.greene@wri.org)), either in a final batch or as they're completed, and he will submit all materials to the designation review team:
  - Each criteria has specific verification requirements that are listed in the [program guide](#). Verification may be a link (e.g., for a permitting checklist or solar landing page), a memo (e.g., for a training not provided through the cohort), or something else.
  - Feel free to reach out with questions pertaining to acceptable verification material
- Communities have an opportunity to level-up to a higher designation tier in the future.

**Expect individual emails from Zach soon, but don't hesitate to reach out before receiving one**

# Ongoing Technical Assistance Support

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SolSmart can provide technical assistance on a variety of issues. This support does not have to be tied to designation requirements, and it is still available after designation occurs.

Planning and zoning

Feasibility assessments

Permitting and inspection

Financing

Procurement

Stakeholder Engagement



# Final Survey Requirement

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To receive designation, all communities must also complete a final survey:

**<https://irec.typeform.com/to/TYPJ8A8p>**

It's fine if you're unable to answer a question or have to put "N/A" or "No data." Please complete as much as possible. SolSmart staff are happy to walk through this with you, if helpful.

# NCTCOG's Road to Gold

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NCTCOG is currently designated Bronze and is currently pursuing Silver. After achieving Silver, NCTCOG will seek to achieve Gold and will **need your support!**

**PR-6:** Collect and post member government energy targets for solar PV (e.g., # of installations, MW capacity, kWhs generated and/or procured) and progress against stated targets. To receive credit, regional organizations with 10 or fewer members must collect data from at least two communities. Regional organizations with more than 10 members must collect data from at least four communities



# Publicity for the Region's Achievements

- Once designation is confirmed, SolSmart communications staff will connect with a community and provide:
  - A communications toolkit
  - Ideas for publicizing designation, including press releases and events
  - Information about how to get your plaque
- This cohort presents a unique opportunity to expand the publicity around each community's achievement and celebrate your successes.
- **What are your thoughts about a broader communications effort for the region?**



# Final Thoughts & Reflections

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- What did you find valuable about the cohort?
- What could be improved in future cohorts?
- What questions or thoughts are you still holding onto?



# Thank You!

- If you have **final questions or thoughts about the cohort**, please reach out to Joaquin Escalante ([energy@nctcog.org](mailto:energy@nctcog.org))
- If you have **questions about SolSmart or external TA**, please reach out to Zach Greene ([zach.greene@wri.org](mailto:zach.greene@wri.org))