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BLOG POST

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How Nonprofits Can Leverage Clean Energy Tax Credits

This year, many organizations are looking to reduce their environmental impact, whether they are installing solar panels, implementing geothermal heat pumps, transitioning to electric vehicles, or taking other actions. According to BDO's latest Nonprofit Standards Benchmarking Survey, pressure from funders and donors may be a factor: 42% of nonprofits surveyed say funders and donors are asking for more information regarding their environmental impact and reduction strategies.

Nonprofits that are looking to implement clean energy projects – or those that have done so in the past year – should make sure they are not leaving money on the table. Thanks to the Inflation Reduction Act (IRA), tax-exempt entities like nonprofits can now receive a direct payment from the government, in lieu of a tax credit, for clean energy projects placed into service in 2023 and later. These credits can help nonprofits better afford clean energy infrastructure upgrades, meet their sustainability goals, and lower their energy costs. Most organizations can expect a credit between 30% and 50% of the project's total cost, depending on the project's location and if the material used in the project is domestically produced. Projects located in energy communities can receive an additional 10 percent incentive and projects that use domestically manufactured materials can receive another 10 percent bonus credit.

Eligible credits include:

- Energy credit (Section 48)
- Clean electricity investment credit (Section 48E)
- Renewable electricity production credit (Section 45)
- Clean electricity production credit (Section 45Y)
- Commercial clean vehicle credit (Section 45W)
- Zero-emission nuclear power production credit (Section 45U)
- Advanced manufacturing production credit (Section 45X)
- Clean hydrogen production credit (Section 45V)
- Clean fuel production credit (Section 45Z)
- Carbon oxide sequestration credit (Section 45Q)
- Credit for alternative fuel vehicle refueling/recharging property (Section 30C)
- Qualifying advanced energy project credit (Section 48C)

Learn more about how to claim these credits and factors to consider when doing so in our article Nonprofit Standard Newsletter – Winter 2023 article "How Nonprofits and Local Governments Can Leverage Sustainability Tax Credits."

To determine whether your organization may be eligible for these credits, contact Nic Nunn-Faron, Nonprofit & Local Government Advisory Senior Manager or Jesse Tsai, Business Incentives & Tax Credits Managing Director.

Have Questions? Contact Us