



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

March 21, 2024 - WASBO





Photo credit: Hoffman Planning,
Design & Construction, Inc.

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.



-  Student health & learning
-  Resilient communities
-  Fiscal responsibility
-  Young people's call to action

School budgets & school buildings face interwoven challenges

Schools face a funding cliff. How bad will the fall be?

By Matt Barnum | September 13, 2023, 11:13am EDT



Parents walk their children to school at Mark Twain School for Scholars in Detroit. In coming years, schools face a funding cliff as temporary COVID relief money runs out. | (Ethan Bakuli/Chalkbeat)

Your Kid's School Needs Better Ventilation to Help Keep COVID-19 in Check

Opinion | No school should have to close because of extreme heat

U.S. School Facilities Face \$85 Billion Funding Gap Annually

The link between educational inequality and infrastructure

The Inflation Reduction Act is a landmark law that is transforming our economy

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



Schools are now eligible recipients of clean energy tax credits

An official website of the United States Government

 U.S. DEPARTMENT OF THE TREASURY

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PRESS RELEASES

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

EducationWeek

Schools Can Use These Little-Known, Unlimited Funds to Make Their Buildings Greener

By Mark Lieberman — October 10, 2023 5 min read



Schools receive reimbursement through new Elective Pay (aka Direct Pay) mechanism



DIRECT PAY THROUGH THE INFLATION REDUCTION ACT



CLEAN ENERGY

US climate law introduces billion-dollar ‘game-changer’ for nonprofits

Direct payments to cities, tribes, nonprofits and other entities that don’t pay taxes could dramatically expand clean energy growth and boost community ownership.

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

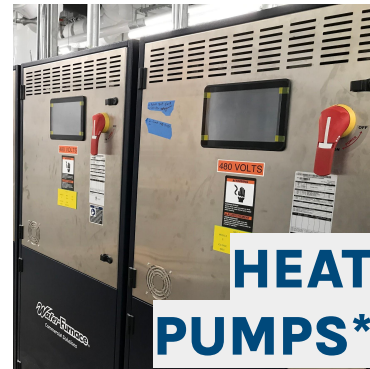
Non-competitive

**Cash
reimbursement**

**Available until
2032+**

**Unlimited
funding**

The IRA provides funding for these clean energy machines



Clean heating and cooling



Clean transportation



Clean energy



Store clean energy




Enable clean transport

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

Create good jobs, assist communities most in need, and stimulate domestic manufacturing

Labor standards

Prevailing wage and apprenticeship requirements



Prevailing Wage & Registered Apprenticeship Overview

The information in this document may be subject to change as guidance is issued or finalized. For the latest energy tax credits, please see the [specific energy tax credit guidance](#) for further details and eligibility requirements.

Overview:
To qualify for increased credit or deduction amounts of certain clean energy tax incentives, taxpayers generally need to ensure that labor and mechanics employed in the construction, alteration, or repair are paid no less than applicable prevailing wage rates and to employ apprentices from registered apprenticeship programs for a certain number of hours. By meeting the necessary Inflation Reduction Act (IRA) prevailing wage and apprenticeship requirements, taxpayers can increase the base amount of many clean energy tax incentives by 20%.

Prevailing Wage:
The Department of Labor (DOL) determines the prevailing wage used for each classification of laborer and mechanic ("labor classification") in a predetermined geographic area for a particular type of construction. In general, taxpayers claiming an increased credit or deduction amount must ensure that laborer and mechanic employed by the taxpayer or its contractor or subcontractors are paid the prevailing wage, which includes the base hourly wage rate and any fringe benefits rate, established by the Secretary of Labor when performing construction, alteration, or repair of an eligible facility, project, structure, or improvement.

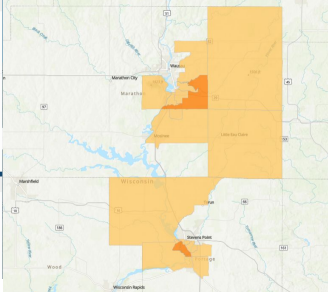
IRA Registered Apprenticeships:
Each taxpayer for contractor or subcontractor who employs four or more workers to perform construction, alteration, or repair work on a facility must employ one or more qualified apprentices when the apprenticeship requirements apply. In addition, a minimum percentage of the total labor hours of the construction, alteration, or repair work must be performed by qualified apprentices from a registered apprenticeship program. This percentage is 15.6 percent for facilities beginning construction in 2022 and 10 percent for facilities beginning construction in 2023 or after. Taxpayers for contractors or subcontractors must also ensure that any applicable ratio of apprentices to journey workers established by the registered apprenticeship program are met. An exception may apply when a taxpayer or contractor or subcontractor has not met the defined apprentice from a registered apprenticeship program and no apprentices are available. For more information or to learn about finding apprentices, see Inflation Reduction Act Apprenticeship Resources.

Recordkeeping Requirements:
Taxpayers claiming an increased amount for a particular tax incentive by meeting the prevailing wage and apprenticeship requirements are subject to specific recordkeeping requirements. Taxpayers must maintain and preserve records related to the employment of laborers, mechanics, and apprentices, including the amount of their compensation or remuneration. Enclosure includes

See [here](#).

Target Communities

Projects located in communities with fossil fuel extraction industry closure or unemployment



Energy Community Tax Credit Bonus

LEGEND

- 3rd-Party Energy Communities**
 - Target Sites
 - Communities already enjoying a direct benefit of decarbonization
 - Communities not with a coal closure
- MSAs/Non-MSAs that are Energy Communities**
 - MSAs/Non-MSAs that meet both the fossil fuel production (FFP) threshold and the unemployment rate requirements

MICHIGAN

- Coal Closure Energy Communities
- MSA/Non-MSAs that are Energy Communities
- MSAs/Non-MSAs that only meet the Fossil Fuel Employment Threshold

MARYLAND

- Coal Closure Energy Communities
- MSA/Non-MSAs that are Energy Communities
- MSAs/Non-MSAs that only meet the Fossil Fuel Employment Threshold

See [here](#), [here](#), and [here](#).

Domestic Content

Use of 100% domestic steel & iron and % of manufactured products (e.g. solar panels)



Domestic Content Bonus for Clean Energy Tax Credits

A User Guide for Project Developers

The Inflation Reduction Act of 2022 offers a historic investment in the clean energy economy, U.S. manufacturing, and family sustaining jobs. Core to the law is a set of tax credits to spur deployment of clean energy projects. The law also establishes several bonus credits that can be layered on top of these base credits for projects that meet certain requirements. This guide is focused on one particular bonus credit: the 10% domestic content bonus credit. The U.S. Treasury Department released [interim guidance](#) on this bonus credit in May 2023. To access this domestic content bonus credit, developers can rely on U.S.-made iron and steel and an array of solar cells and battery components that

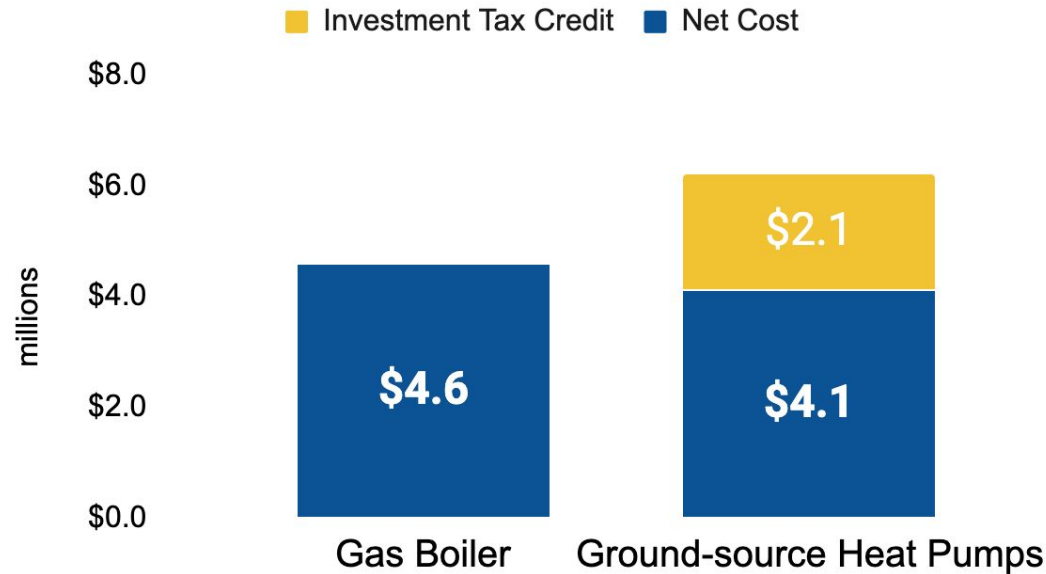
of color, contributing to economic and racial inequality. Black manufacturing employment, for example, has fallen by 30% since the 1990s. The outsourcing of U.S. manufacturing also exacerbated global industrial climate pollution, as energy-intensive manufacturing shifted to countries with lower environmental and labor standards and higher emissions.

This legacy of outsourcing has contributed to deep U.S. dependency on highly concentrated overseas supply chains for solar, wind, battery, and other clean technologies. As we build the growing clean energy economy, we face a clear choice: We can continue to hike our climate costs

See [here](#).

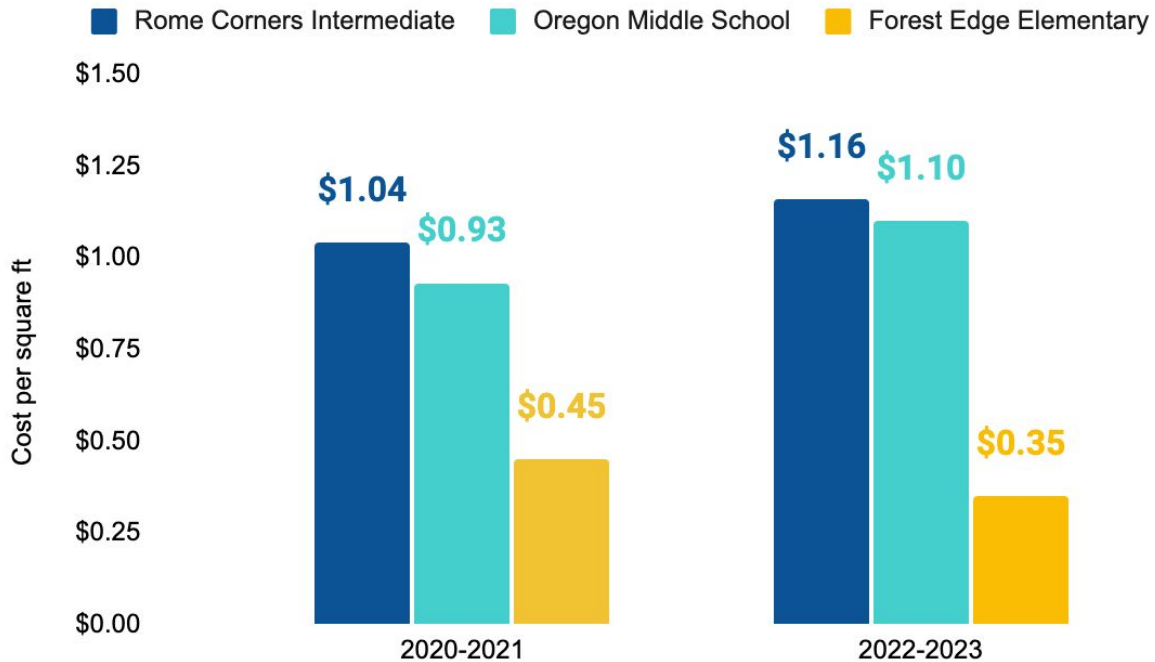
Tax credits can make clean energy the most affordable option to install...

Wisconsin - New School Construction Project



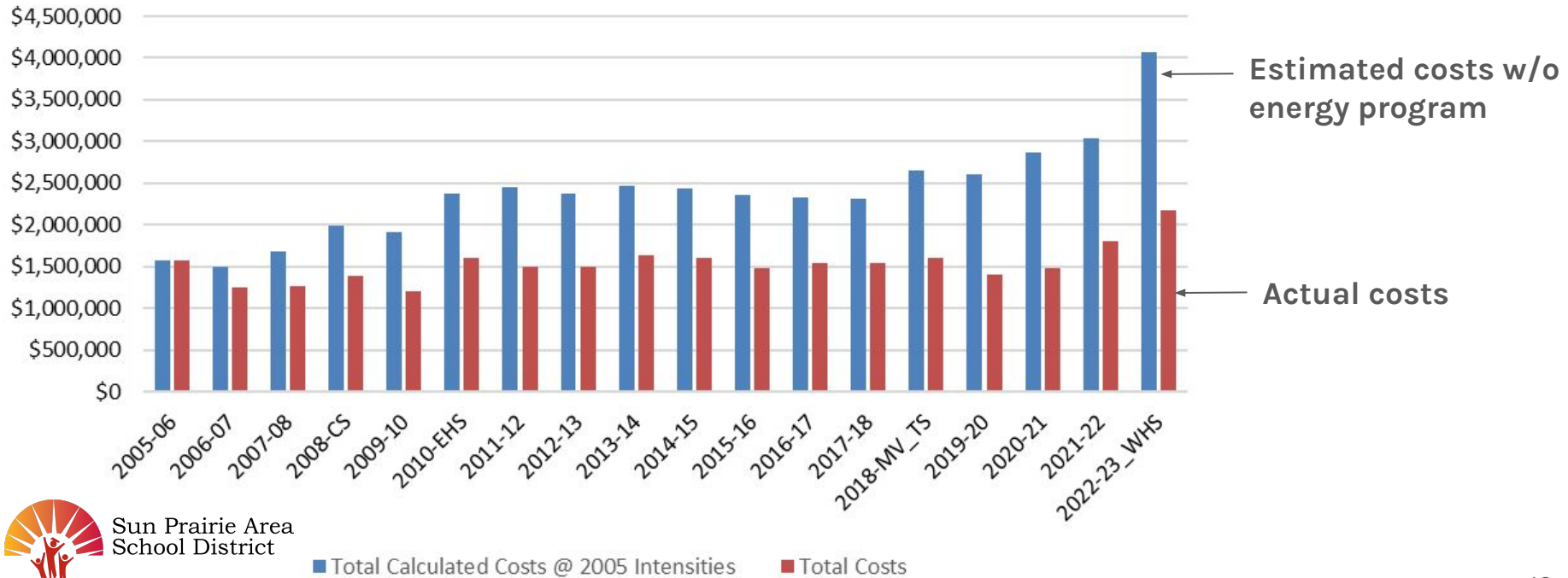
... and the most affordable to operate.

Comparing operational costs



Operational savings add up through time

A focus on efficient buildings with ground-source heat pumps has generated over **\$15M in savings** since 2005 in SPASD.



■ Total Calculated Costs @ 2005 Intensities ■ Total Costs

How do we calculate the value?

1. Solar energy

2. Energy storage

3. Ground-source heat pumps

4. Electric school buses

5. EV charging equipment



Sec 48:
Investment Tax Credit (ITC)

Sec 45W:
Commercial Clean Vehicle Tax Credit

Sec 30C:
Alternative Fuel Refueling Property

Note: ITC is also available for other technologies such as fuel cells, small wind, biogas, microgrid controllers, and combined heat and power properties. See [here](#).

Sec. 48: Investment Tax Credit (ITC)

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

Cost basis

Cost of installing eligible equipment

Cost basis determined based on specific technology.

Base / Bonus Credits

6% - 50%

based on location, labor standards, domestic content, project size, commence construction date

+ 10-20%

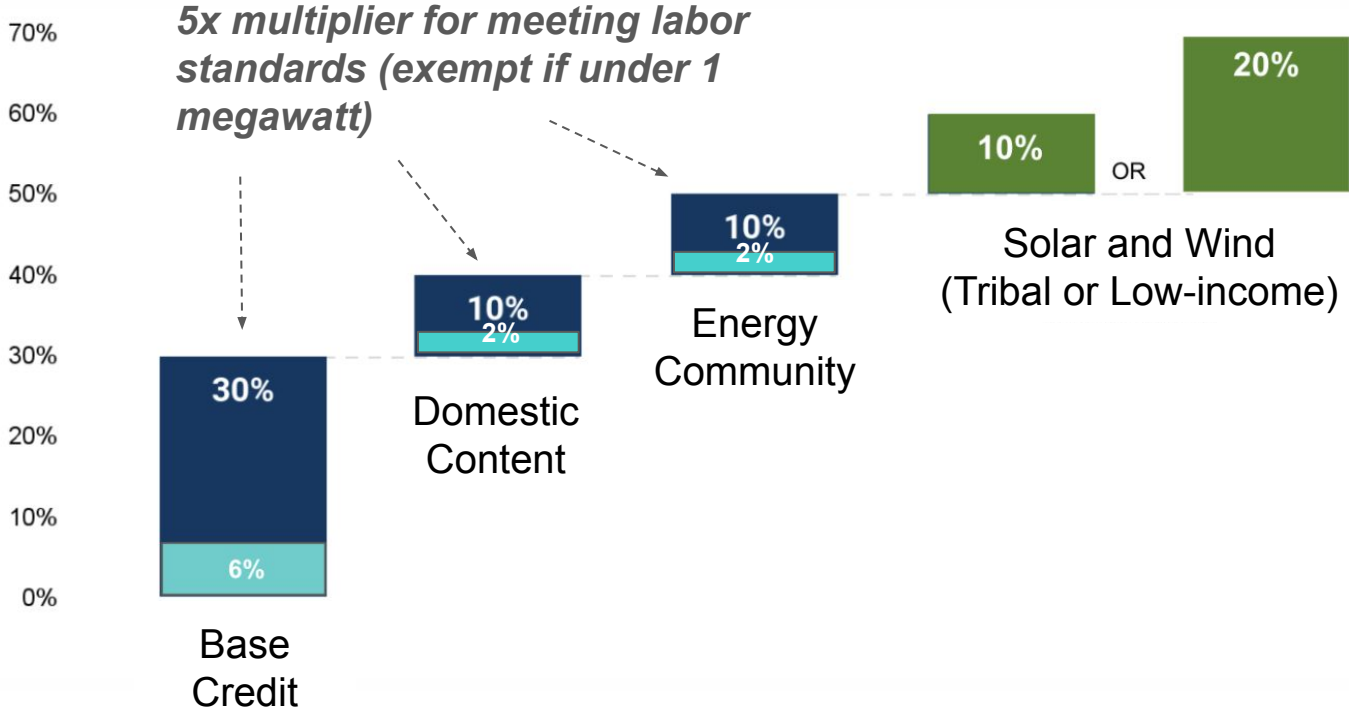
for solar & wind through [competitive process for certain sites](#).

Other \$?

Reduce by up to 15% for use of tax-exempt financing

Grants and tax credits can not exceed total costs.

Base and bonus credits for Sec 48 ITC



Sec. 45W: Commercial Clean Vehicle Tax Credit

✓ Must be from a qualified manufacturer. List available [here](#).

Lesser test

15% of cost OR
incremental cost
if hybrid

30% of cost OR
incremental cost
if electric

Maximum

\$15,000 per vehicle
if < 14,000 pounds

\$40,000 per vehicle
if > 14,000 pounds

Other \$?

Tax credits will be reduced so that grants + tax credits **do not exceed** the cost of the equipment.

Sec. 30C: Alternative Fuel Refueling Property

✓ Must be located in qualifying areas. Check site address [here](#).

Cost basis

Cost of installing
each charging
station

Rate

6%
*if labor standards
are not met*

30%
*if labor standards
are met*

Maximum

\$100,000
limit per charger
(not per site)

How much can these tax credits be worth?

Technology	Count	Max credit	Cost basis	Estimated value of tax credits
Ground-source heat pumps	–	–	\$6,000,000	\$2,040,000
Solar	–	–	\$1,500,000	\$450,000
Energy storage	–	–	\$750,000	\$225,000
Electric School Buses	10	\$40,000	–	\$400,000
EV charging equipment	2	\$100,000	–	\$200,000
Total estimated investment tax credit				\$3,315,000

A nationwide accounting firm



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largest accounting firm in the U.S.



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550

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firm revenue in fiscal year 2021



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office locations across the U.S.



250+

Workplace and culture awards

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought.

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Prevailing wage and apprenticeship requirements

Davis-Bacon wages

Tax credit value reduced substantially if Davis-Bacon wages are not paid during construction/operations

“Begin construction”

PW & A requirements do not apply for projects that “begin construction” within 59 days of guidance released on 11/30/22.

Jan. 28th, 2023

< MW AC

Requirements do not apply to projects < 1 MW AC



Prevailing wage requirements – the basics

- **For Investment tax credits (generally Sec. 48)** , prevailing wages must be paid during construction and for 5 years following the placed in-service date
- **For Production tax credits (generally IRC Sec. 45)** , prevailing wages must be paid during construction and for 10 years following placed in-service date

“Construction”

“Alteration”

“Repair”



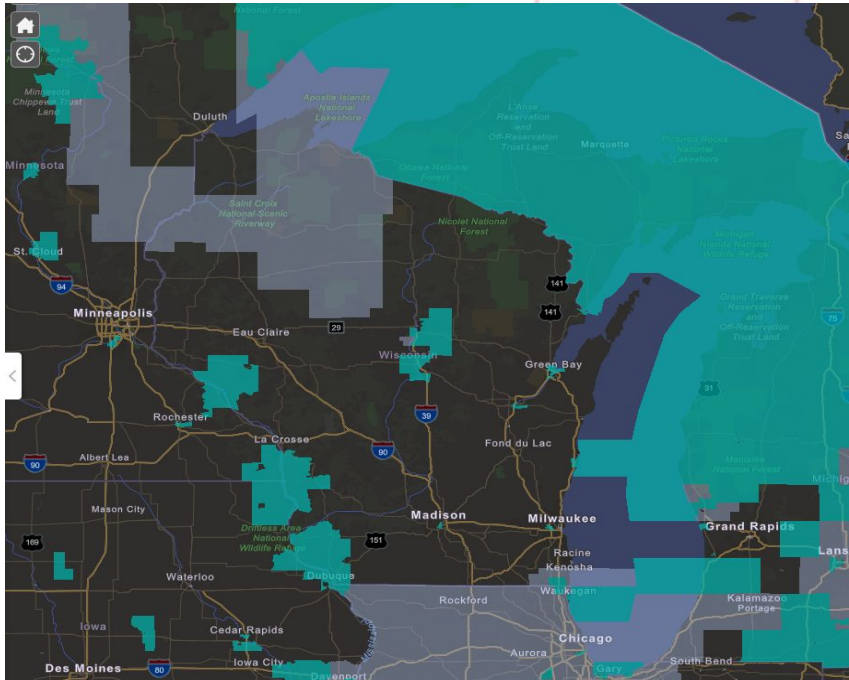
Apprenticeship requirements – the basics

- Applicable percentage of labor hours must be performed by qualified apprentices
 - Construction begins prior to 2023 = 10%
 - Construction begins in 2023 = 12.5%
 - Construction begins in 2024 and beyond = 15%

IRA 2022 ENERGY COMMUNITY BONUS CREDITS

Energy community – 2 / 10% additional credit value

- ➔ Brownfield
- ➔ Economies tied to coal, oil and/or natural gas
- ➔ Locations where coal mines have closed since 1999 or coal power plants have closed since 2009



<https://www.bakertilly.com/page/energy-community-mapping-tool>

<https://www.bakertilly.com/page/inflation-reduction-act-energy-tax-credits>



Domestic content requirements - the basics

If met, the domestic content provision can provide an additional 2-10% in credit value.

There are two main domestic content requirements:

1. Steel and iron must be 100% produced in the United States
2. An annual percentage of products must be deemed to have been manufactured in the United States, as follows:
 - 40% for projects that begin construction before 2025
 - 45% for projects that begin construction in 2025
 - 50% for projects that begin construction in 2026
 - 55% for projects that begin construction thereafter



Domestic Content Reductions

Only projects over 1 megawatt are subject to the following limitations.

- Projects that begin construction in 2023 and do not meet domestic content are eligible for **100%** direct payment.
- Projects that begin construction in 2024 and do not meet domestic content are eligible for **90%** direct payment.
- Projects that begin construction in 2025 and do not meet domestic content are eligible for **85%** direct payment.
- Projects that begin construction in 2026 and do not meet domestic content are eligible for **0%** direct payment.

	Calendar Year 2023	Calendar Year 2024	Calendar Year 2025	Calendar Year 2026
Eligible project cost	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
30% prevailing wage and apprenticeship Times domestic content reduction percentage	30% <u>100%</u>	30% <u>90%</u>	30% <u>85%</u>	30% <u>0%</u>
Tax credit percentage	<u>30.00%</u>	<u>27.00%</u>	<u>25.50%</u>	<u>0.00%</u>
Tax credit dollar amount	<u>\$1,500,000</u>	<u>\$1,350,000</u>	<u>\$1,275,000</u>	<u>\$0</u>



Process and overview

Phase 1

Estimates and options

In the beginning stage, government officials work with construction and tax consultants to evaluate the project eligibility and estimated dollars available through the IRA.

- Construction professionals provide key information regarding construction costs, timing and differences in future operating expenses upon project completion.
- Tax consultants review the design, timing, size, location, financing and other considerations to estimate the potential IRA dollars available. With key construction and tax information, school district officials can evaluate the advantages and disadvantages of the energy project along with different routes on how to proceed.
- Remember that direct pay tax credit dollars are not received until after project completion. Part of the planning process includes identifying funding and how IRA tax credit dollars will be utilized once received after project completion.

Phase 2

Planning, bidding, and construction

Once a project begins, collaboration between the working group is imperative. Many government projects include eligible and non-eligible IRA costs.

- A planning meeting should occur between the construction team and tax consultant regarding the best way to bid the projects in conformity with IRA tax rules.
- In addition, if the project is over 1 megawatt and will be subject to the IRA prevailing wage and apprenticeship requirements, project bid documents must include the appropriate language and a system must be identified to track payroll and apprenticeship requirements during construction.
- Errors in any of these areas can result in a bad start that potentially jeopardizes IRA tax credit dollars.

Phase 3

Workpapers and tax credit filing

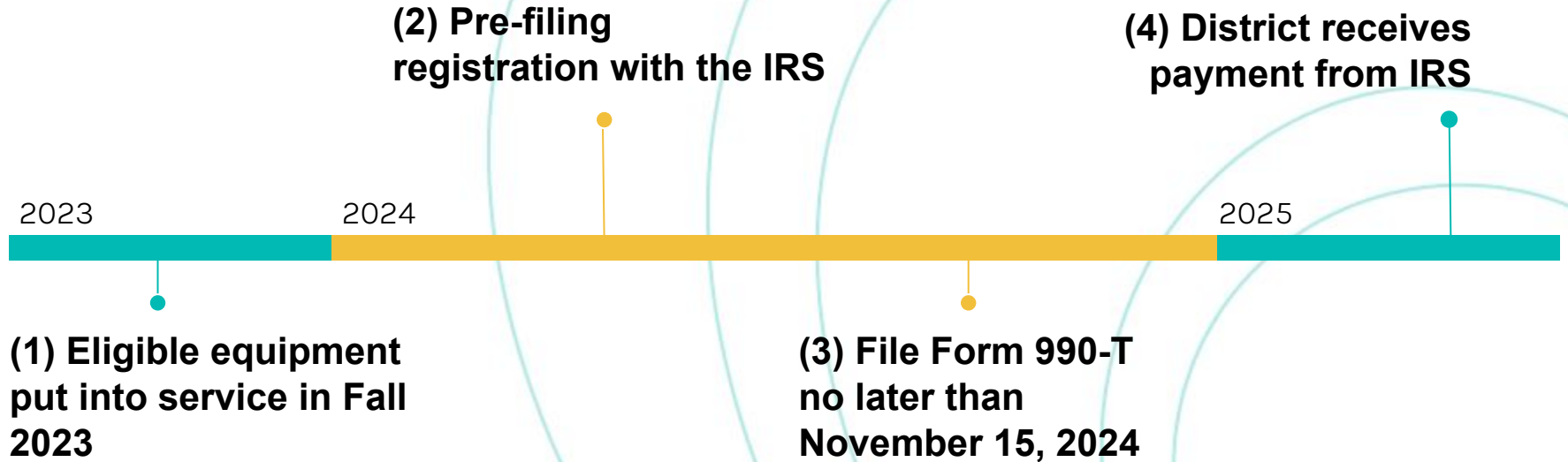
Several steps occur once the project is nearing and achieving completion.

- Projects approaching completion need to be filed in the IRS pre-registration portal.
- Next, workpapers including invoice copies identifying IRA eligible and non-eligible costs need to be organized for documentation.
- Reports presenting the IRA eligible project size and applicable tax credit percentage are needed. For projects subject to prevailing wage and apprenticeship rules, payroll records along with apprenticeship ratio documentation need substantiation.
- Once the project is complete and all workpapers organized, final filing and registration with the IRS is initiated to receive the funds. These steps coincide with the school district's fiscal year.

When hiring an “IRA consultant” make sure you are hiring a tax compliance consultant. The consultant should have IRS tax credit filing experience, assist with workpapers and IRS filings, and will be available to support you in the event of IRS audit of tax credit.



How it works



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



Process – Federal Government

- The IRS pre-filing registration portal for the IRA credit claims opened on Dec. 22, 2023. Same portal being used for entities eligible for credit claims under the CHIPS Act.
- Pre-filing registration by 120 days prior to filing the tax return; IRS will provide a registration number to claim eligible tax credits (“direct pay” for tax-exempt entities).
- <https://www.irs.gov/pub/irs-pdf/p5884.pdf> (IRS Pre-Filing Registration Tool)
- [Pre-filing registration portal for Inflation Reduction Act credits: a how-to guide - Baker Tilly](#)



A Due to high demand, you may have to wait longer than usual to access this site. We appreciate your patience.

Sign In or Create a New Account

i Use your personal ID.me account to sign in

If you already have an ID.me account, don't create a new one. Use your personal login to access your business tax account and to register for clean energy credits (if eligible).

IRS now offers a sign-in option with ID.me, which offers access to IRS online services with a secure account that protects your privacy.

ID.me is an account created, maintained, and secured by a technology provider.

If you don't have an ID.me account, you must create a new account.

Sign in with an existing account

Sign in with **ID.me**

OR

Create a new account

ID.me Create an account



Five actions to get started

1

Put IRA on the agenda

4

Re-evaluate current projects

2

Claim credits for recently completed projects

5

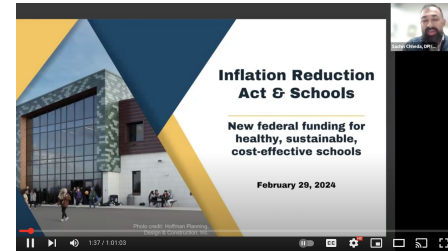
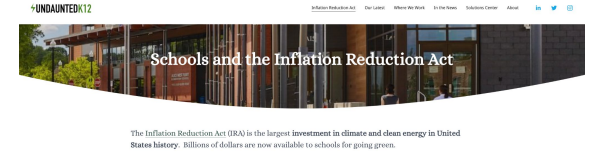
Bring an IRA lens to facilities & capital plans

3

Align eligible projects that are currently underway

Great resources to learn and share

- [Schools and the IRA](#) including [5 Actions to Get Started Schools](#)
- [Schools Can Use These Little-Known, Unlimited Funds...](#) - EdWeek
- [US Dept of the Treasury](#) - Fact Sheet on Schools & the IRA
- [Wisconsin Schools & the Inflation Reduction Act](#) - Webinar w Forward Together Wisconsin, Slipstream, Sun Prairie Area School District, and Focus on Energy
- [HVAC Choices for Student Health & Learning](#) - Report with RMI for non-technical audiences



A short overview on IRA to spread the word!

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

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

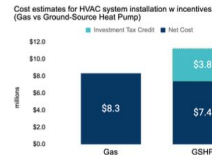
Sample timeline



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.

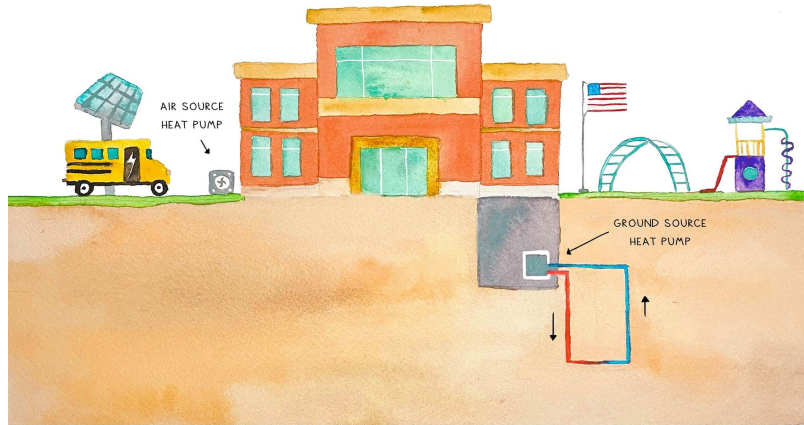
Resilient Schools & Communities: Adopting clean energy can enhance the resilience of school facilities allowing buildings, for example, to serve as shelters for students and communities through extreme weather and power disruptions.

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.



Thank you!

COOL SCHOOLS HAVE HEAT PUMPS



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