



---

## THE INFLATION REDUCTION ACT AND ITS IMPACT ON SITE SELECTION

---

### ABOUT US

---

**B**iggins Lacy Shapiro & Co. (BLS & Co.) is one of the largest specialty site selection and incentives advisory consulting firms in North America, helping companies compete and flourish by optimizing location choices. Our team has helped many of the world's most successful and demanding companies identify the best locations, secure incentives, obtain development approvals, and optimize energy strategies. We site facilities ranging from manufacturing operations to data centers, shared service facilities and corporate headquarters, and frequently partner with the largest, most respected global service providers in real estate brokerage, consulting, accounting, architecture and engineering. Our firm's trademarked multi-disciplinary approach, Location Economics®, has built a track record of creating value for companies and their communities.

### THE INFLATION REDUCTION ACT AND ITS IMPACT ON SITE SELECTION

---

Signed into law by President Biden in August 2022, the Inflation Reduction Act of 2022 (IRA) provides over \$320 billion in new and enhanced incentives designed to increase clean energy production in the United States, support energy innovation, and encourage investing in disadvantaged communities and projects that redevelop fossil fuel infrastructure and employ displaced workers. While the IRA took effect on January 1, 2023, over the past few months, the Department of Energy and Internal Revenue Service have issued guidance on timing, qualification and eligibility on various tax credits and the energy community bonus. This article is intended to provide an overview of key tax credit provisions and relevant issues, and particularly geographic factors that could – and likely should – be taken into consideration during a site selection process.

### IRA SUMMARY

---

The IRA includes new and expanded tax credits and grant programs spanning a variety of categories. Following is a list of select programs most relevant to private sector companies and project investors:

- Clean Energy Credits & Financing (including both production & investment credits)
- Fuel Tax Credits
- Clean Vehicle Tax Credits
- Carbon Management Credits
- Energy Innovation
- Offshore Wind and Oil & Gas Systems
- Community Investment & Energy Justice
- Permitting Process Efficiencies
- Programs to support Agriculture and Forestry

The IRA allows taxpayers who don't have enough tax liability to fully benefit from these credits, such as project-specific Special Purpose Entities (SPEs), to transfer most of the credits. This enables them to monetize the credits by selling them to taxpayers who have enough tax liability to make full use of the credits. Governmental entities and tax-exempt organizations may also be eligible to receive a direct payment of the credit.

The IRA's federal income tax credits for production and investment energy projects have designated "base rates" with the opportunity to earn "bonus" rate increases by meeting additional qualifying criteria, several of which are tied to the geographic location of the project.

"Base rate" means different things for different programs. More details can be found in the chart following, but, as an example, the new investment credits provide a base tax credit rate of 6% of qualified investment. If the project meets the prevailing wage and apprenticeship requirements, the project could receive a credit five times greater than the base, i.e., 30%.

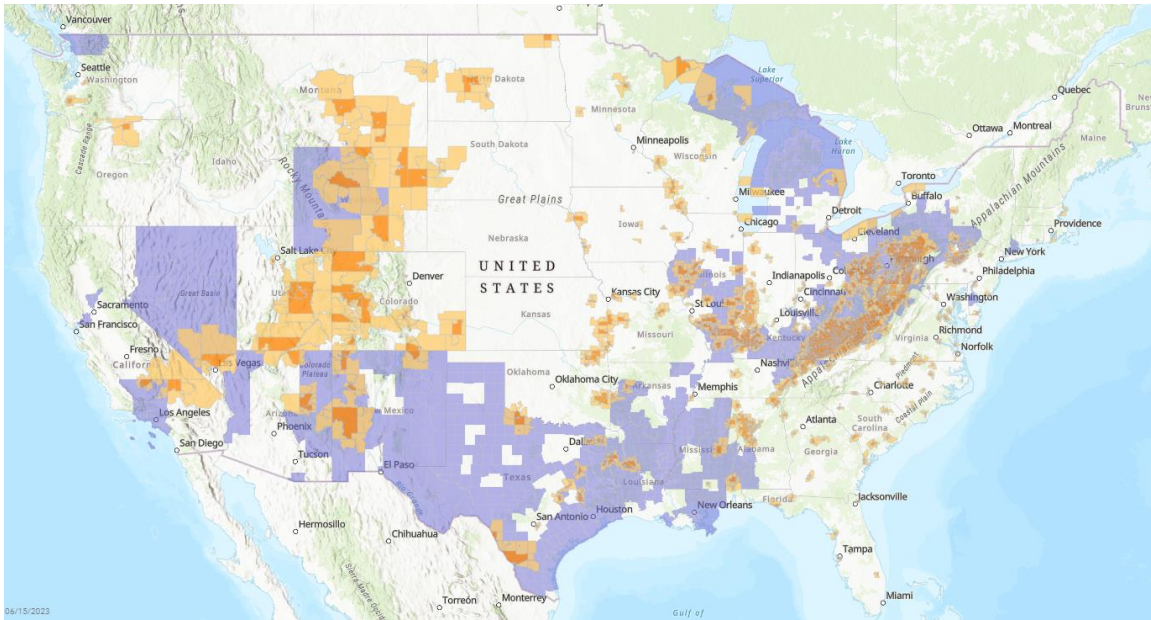
The following chart provides an overview of production and investment credits created or extended by the IRA followed by an explanation of bonus enhancement and related requirements. Additional details on these programs-- as well as information on other fuel, vehicle, carbon management and other credits created by the IRA -- can be found on the [BLS & Co. website](#).

## BONUS ENHANCEMENTS

**Energy Communities Bonus:** As defined in the IRA, the Energy Community Tax Credit Bonus applies a bonus of up to 10% for projects and facilities located in energy communities. The IRA defines energy communities as any one of the following:

1. A "brownfield site" (as defined in certain subparagraphs of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA))
2. A "metropolitan statistical area" or "non-metropolitan statistical area" that has (or had at any time after 2009)
  - a. 0.17% or greater direct employment or 25% or greater local tax revenues related to the extraction, processing, transport, or storage of coal, oil, or natural gas; and
  - b. has an unemployment rate at or above the national average unemployment rate for the previous year.
3. A census tract (or directly adjoining census tract)
  - a. in which a coal mine has closed after 1999; or
  - b. in which a coal-fired electric generating unit has been retired after 2009.

There is no current mapping for all qualified brownfield sites; however, the Department of Energy launched a mapping tool that provides geographic eligibility for coal mine closures and unemployment data. (See map on following page.) The map contains 2022 employment data. The Treasury Department and the IRS will release a listing of MSAs and non-MSAs qualifying by means of their unemployment rate once unemployment data for future years becomes available, expected in May 2024. This listing will apply to the period beginning on January 1, 2023, and will remain effective until the next annual listing.

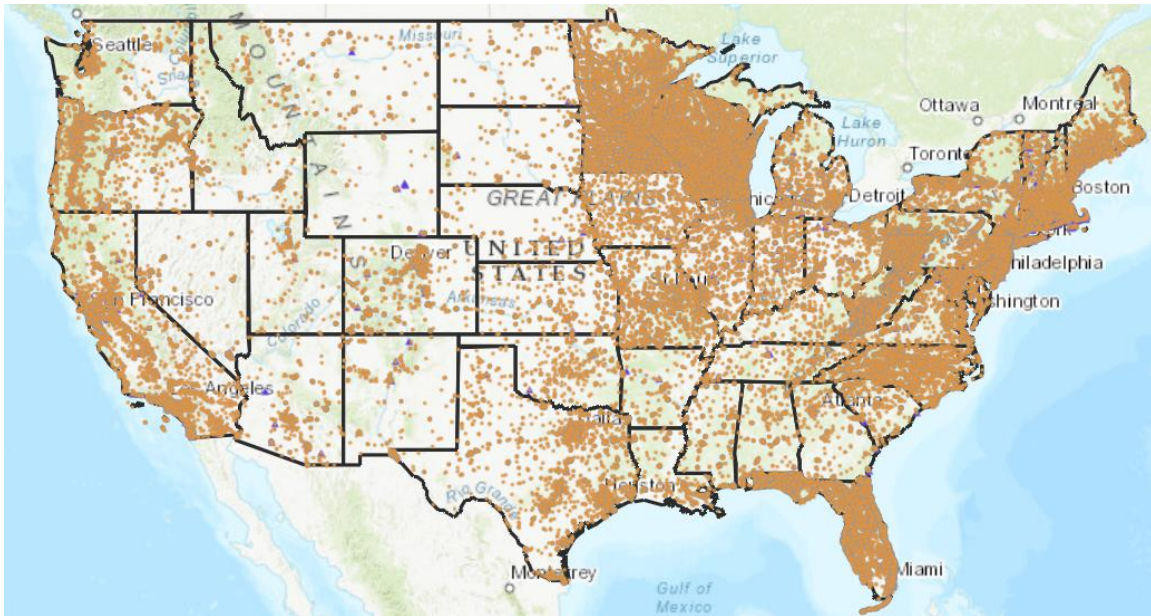


*Areas shaded in orange or purple indicate areas deemed eligible for bonus enhancements but do not include brownfield sites.*  
*Credit: Interagency Working Group on Coal & Power Plant Communities & Economic Revitalization*

With regards to brownfield site requirements, the IRS provided additional guidance on June 23, 2023, that provided refined definitional guidance on what qualifies as a brownfield site. Most notably:

- A brownfield site is not limited to only the portion of a parcel of real property that has or may have a hazardous substance, pollutant, or contaminant that complicates redevelopment but contains the entire site delineated by the boundaries of the entire parcel; and
- A brownfield site is defined in 42 U.S.C. § 9601(39)(A) as real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant (as defined under 42 U.S.C. § 9601). Examples of hazardous substances contamination include Arsenic, Asbestos, Lead, Polycyclic Aromatic Hydrocarbons, Polychlorinated Biphenyls, Volatile Organic Compounds, Chromium, Dioxin, and Mercury but not petroleum or controlled substances.

While no comprehensive map exists that covers eligible brownfield sites, the US Environmental Protection Agency has launched a mapping tool, “Re-Powering Mapper,” which identifies over 190,000 contaminated lands, landfills and mine sites for renewable energy development illustrated on the next page.



*Credit: United States EPA*

**Domestic Requirements Bonus:** To qualify for the domestic content bonus credit (10%), taxpayers must demonstrate sufficient use of domestic iron, steel, and manufactured components.

**Prevailing Wage and Apprenticeship Bonus:** Several tax credits provide enhanced clean energy tax benefits of 5 times the base rate if prevailing wage and apprenticeship requirements are met.

- “Prevailing Wage” refers to aligning a company’s compensation (basic hourly wage plus fringe benefits) with published industry norms for a given occupation/job in a given location. Prevailing wage is determined by the U.S. Secretary of Labor and, applies to all laborers and mechanics for all hours performing construction, and in some cases alteration or repair, on the site of the work of a qualified facility. Companies must undertake specific record-keeping activities to document compliance with prevailing wage requirements.
- To meet apprenticeship requirements, qualified apprentices must be used for a designated percentage of total labor hours for construction, alteration, or repair work on the qualified facility or energy project (10% for projects started before 1/1/23, 12.5% for projects started during 2023 and 15% for projects started after 12/31/23).

## SITE SELECTION CONSIDERATIONS

Projects considering utilization of IRA tax credits, including bonus enhancements, should consider the following when engaging in the site selection process:

- Notably, eligible census tracts for the energy community bonus (except for the brownfield site qualification) exclude significant portions of the eastern seaboard, west coast and the middle part of the country. According to the Re-Powering Mapper, eligible brownfield sites exist within the excluded areas noted above; however, brownfield redevelopment can add additional time, risk and complexity to the site selection process.

- Based on census tract criteria and brownfield status, it is likely that energy community bonus eligibility may overlap with eligibility for other federal programs such as Opportunity Zone investments, New Market Tax Credits and EPA funding. Consideration should be made on project structuring should other federal credits or tax incentives be pursued based on census tract eligibility.
- Some IRA credits are eligible for a 5x enhancement by meeting prevailing wage and apprenticeship requirements. Depending on program and jurisdiction, other state and local incentives also have prevailing wage requirements. Sometimes one program with prevailing wage requirements alone may not justify the impacts to project cost and administrative time to comply with wage requirements; however, stacking multiple programs with similar requirements can increase the overall value to the project.
- Many states have enacted new programs or enhanced existing programs that are synergistic with IRA bonus enhancements qualifications. For example, in addition to existing brownfield redevelopment programs last year Ohio allocated \$500M to two new programs (the Ohio Brownfield Remediation Program and the Ohio Building Demolition & Site Revitalization Program), the majority of funds were available to applicants on a 'first come first serve' basis aimed at revitalizing brownfield and vacant sites to increase Ohio's availability of competitive sites. Other states have enacted new programs targeted an industry specific investment aligned with the IRA such as Pennsylvania and Massachusetts. Regardless of whether states are using new or existing programs to attract investment, the combination of state, local and federal resources can help reduce up front and ongoing costs to move a project forward.

## CONCLUSION

---

The IRA has provided significant tax incentives designed to transition the nation's reliance on fossil fuels to clean energy production and use. BLS & Co. would be pleased to assist you in pursuing IRA benefits and designing a site selection strategy that optimizes IRA eligibility and other important location considerations.

For more information contact:

**Jay Biggins**  
jcbiggins@BLSstrategies.com  
+1-609-613-4275

**Stephanie Mercado**  
smercado@BLSstrategies.com  
+1-440-864-3369

**Tracey Hyatt Bosman**  
tbosman@BLSstrategies.com  
+1-312-924-2490

**Biggins Lacy Shapiro & Company**  
[www.BLSstrategies.com](http://www.BLSstrategies.com)





Industry/ Project	Credit and Description	Rate, Term & Timing	Energy Community Bonus (10%)	Domestic Bonus (10%) /Domestic Requirement	Prevailing Wage Enhancement (5x)
<b>CLEAN ENERGY TAX CREDITS: PRODUCTION TAX CREDITS (TRANSFERABLE)</b>					
Energy Developers	<b>Clean Hydrogen Production Tax Credit:</b> Tax credit for the production of clean hydrogen at a qualified clean hydrogen production facility	The base credit is \$0.60/kg (adjusted for inflation) multiplied by the applicable percentage (20% to 100% depending on lifecycle greenhouse gas emissions)  For hydrogen produced after 12/31/22 (for facilities placed in service before 1/1/33 for their first 10 years in service	No	No	Yes
Domestic Manufacturers	<b>Advanced Manufacturing Production Credit:</b> Production tax credit for manufacturers of components for solar and wind energy, inverters, battery components, and critical minerals	Credit varies by technology  Credit for critical minerals is permanent starting in 2023. For other items, the full credit is available between 2023-2029 and phases down over 2030-2032	No	Only Domestic Manufacturers are eligible; No additional bonus credit	No
Nuclear	<b>Nuclear Power Production Tax Credit:</b> Tax credit for electricity produced at a qualified nuclear power facility	Credit is 0.3 cents/kWh, inflation adjusted.  For electricity produced at a qualified nuclear power facility; produced and sold 1/1/24-12/31/32; down depending on the amount of energy produced and the gross receipts of the nuclear power facility	No	No	Yes
Biomass, Geothermal, Hydrokinetic, Landfill and Waste, Hydropower, Marine, Small Irrigation, Solar, Wind	<b>Production Tax Credit for Electricity from Renewables:</b> Tax credit for production of electricity from renewables	Credit is 0.3 cents/kW, inflation adjusted  Construction must start before 1/1/25	Yes	Yes	Yes
Zero GHG Electricity Generators	<b>Clean Electricity Production Tax Credit:</b> Technology-neutral tax credit for production of clean electricity. Replaces the production tax credit for electricity generated from renewable sources (extended in Section 13101 through 2024)	Credit amount is 0.3 cents/kW, inflation adjusted  Facilities placed in service after 12/31/24. Phase-out starts the later of (a) 2032 or (b) when U.S. greenhouse gas emissions from electricity are 25% of 2022 emissions or lower.	Yes	Yes	Yes
<b>CLEAN ENERGY TAX CREDITS: INVESTMENT TAX CREDITS (TRANSFERABLE)</b>					
Wind and Solar	<b>EXT. Energy Investment Tax Credit (48) in Connection with Low Income Communities:</b> Additional investment tax credit for small-scale solar and wind facilities in low-income communities; allocated investment credit, capped at 1.8 GW per year (unused capacity carries over to following year); for solar and wind facilities with a maximum net output of less than 5 MW, including associated energy storage technology;	Credit is 6% of qualified investment  The Low-Income Communities Bonus Credit begins in 2023 and is available through 2032 or the year annual GHG emissions from electricity production in the U.S. are equal to or less than 25% of 2022 levels, whichever is later. The bonus requires an application by the taxpayer, with a cumulative total of 1.8 GW of direct current capacity per year available for allocation	No	No	No
Energy Storage, Zero GHG Electricity Generators	<b>Clean Electricity Investment Tax Credit:</b> Technology-neutral tax credit for investment in facilities that generate clean electricity. Replaces the investment tax credit for facilities generating electricity from renewable sources (extended in Section 13102 through 2024).	Credit is 6% of qualified investment  For facilities placed in service after 12/31/24. Phase-out starts the later of (a) 2032 or (b) when U.S. greenhouse gas emissions from electricity are 25% of 2022 emissions or lower.	Yes	Yes	Yes
Critical Minerals, Industrial Facility, Manufacturing Facility, Manufacturing Retrofit	<b>Advanced Energy Project Credit:</b> Provides a tax credit for investments in advanced energy projects that (1) re-equips, expands, or establishes an industrial or manufacturing facility for the production or recycling of a range of clean energy equipment and vehicles; (2) re-equips an industrial or manufacturing facility with equipment designed to reduce greenhouse gas emissions by at least 20 percent; or (3) re-equips, expands, or establishes an industrial facility for the processing, refining, or recycling of critical materials.	Credit is 6% of qualified investment  Competitive application process beginning on 5/31/23; DOE will consider greatest job creation, greatest reduction in greenhouse gas emissions, shortest time to completion, greatest potential for innovation, geographic diversity, commercial viability and regional economic development potential when awarding credits.	No	No	Yes