WASHINGTON, D.C. – As part of the Biden-Harris Administration’s Investing in America strategy, the U.S. Department of the Treasury and Internal Revenue Service (IRS) today released guidance that provides detailed information about the domestic content bonus under the Inflation Reduction Act for clean energy projects and facilities that meet American manufacturing and sourcing requirements. The guidance was developed in partnership with the Department of Energy and Department of Transportation.

“The domestic content bonus under the Inflation Reduction Act will boost American manufacturing, including in iron and steel, so America’s workers and companies continue to benefit from President Biden’s Investing in America agenda. These tax credits are key to driving investment and ensuring all Americans share in the growth of the clean energy economy,” said Secretary of the Treasury Janet L. Yellen. “Thanks to President Biden’s Investing in America agenda and the Inflation Reduction Act, the United States is benefitting from a boom in clean energy development and manufacturing, creating good-paying jobs nationwide, strengthening our national security, and advancing our climate goals.”

“Thanks to President Biden’s Investing in America agenda we are seeing a boom in clean energy manufacturing with hundreds of new or expanded facilities announced across the nation, said Secretary of Energy Jennifer M. Granholm. “The domestic content bonus credit is yet another example of the Biden-Harris Administration’s commitment to strengthening American manufacturing and enhancing our national security with products stamped ‘Made in the U.S.A.’”

“The Biden-Harris Administration is creating a vibrant clean energy economy,” said Secretary of Transportation Pete Buttigieg. “The Department of Transportation was pleased to advise Treasury on the implementation of this domestic content bonus credit to further incentivize renewable energy projects.”

Under the Production Tax Credit (PTC), facilities that meet domestic content requirements receive a 10 percent bonus. Under the Investment Tax Credit (ITC), projects that meet the domestic content requirement receive up to a 10-percentage point bonus. Projects are eligible for the full
value of the bonus only if they meet the domestic content requirement and one of the following requirements: 1) the project has a maximum net output of less than 1 megawatt of energy; 2) construction of the project began before January 29, 2023; or 3) the project satisfies the Inflation Reduction Act’s prevailing wage and apprenticeship requirements.

The domestic content bonus applies to facilities built using the required amounts of domestically produced steel, iron, and manufactured products. To receive the bonus, all steel and iron manufacturing processes must take place in the United States. A statutorily required minimum percentage of the costs of the manufactured products and components of manufactured products that comprise a facility must come from products and components that were mined, produced, or manufactured in the United States.

Consistent with the Buy America rules administered by the Federal Transit Administration, a manufactured product is produced in the United States if the manufacturing processes for the product take place in the United States and all the components of the product are manufactured in the United States. Components include any articles, materials, or supplies that are incorporated into the manufactured product. The guidance also includes key clarifications around the treatment of labor costs, to ensure the focus of the incentive remains on domestic manufacturing.

To assist taxpayers in determining the applicable steel, iron, or manufactured product standards, the Treasury Department and the IRS are providing a safe harbor for certain types of clean energy projects, which was recommended by the Federal Transit Administration and the Department of Energy. Treasury welcomes input on how manufactured product components are classified, particularly as technologies, manufacturing processes, and supply chains evolve. While today’s guidance establishes a safe harbor with specified classifications for certain manufactured products, Treasury is open to considering alternative approaches to classification, including a tax-specific, technology-neutral, principles-based approach.

Guidance for the domestic content bonus is the next step in the first phase of the Treasury Department’s implementation of the Inflation Reduction Act’s clean energy provisions. Today’s guidance follows a Notice of Proposed Rulemaking for the clean vehicle credit released in March and guidance for the bonus for clean energy projects and facilities located in energy communities, issued in April. The first phase of guidance represents the core elements needed to accelerate the Inflation Reduction Act’s significant economic and climate benefits and to provide clarity and certainty to companies and other entities planning investments and projects. The Treasury Department will continue issuing guidance on the Inflation Reduction Act’s clean energy provisions on a rolling basis in the coming months.
ADDITIONAL BACKGROUND ON TREASURY’S IMPLEMENTATION OF THE INFLATION REDUCTION ACT.

Since the Inflation Reduction act was signed into law in August 2022, Treasury has worked expeditiously to write the rules that will make real the promise of this legislation. Within days of the law’s enactment, last August, Treasury issued guidance on the electric vehicle tax credit and worked closely with DOT and DOE so consumers could easily find a list of eligible vehicles online.

Last fall, Treasury held a series of stakeholder discussions with Secretary Yellen and Deputy Secretary Adeyemo to solicit input from key groups representing millions of workers, thousands of companies, and trillions of dollars in investment assets, as well as climate and environmental justice advocates, community-based organizations, and other key actors that are critical to the success of the Inflation Reduction Act. Treasury also hosted formal consultations with Tribal governments and Alaska Native Corporations to hear first-hand from Tribal leaders about provisions in the law that directly affect Tribal nations.

In addition, Treasury has solicited and reviewed thousands of public comments from trade associations, carmakers, labor groups, state and municipal leaders, consumers, foreign governments, utility companies, climate advocacy organizations, think tanks, and more.

In November, Treasury published initial guidance on the prevailing wage and apprenticeship standards. In December, Treasury and the IRS issued guidance on the new Sustainable Aviation Fuel (SAF) credit and FAQs on energy efficient home improvement projects and residential clean energy property credits. For more information on Treasury’s implementation work around the Inflation Reduction Act, see below.

August 16, 2022: Treasury Releases Initial Information on Electric Vehicle Tax Credit Under Newly Enacted Inflation Reduction Act

October 5, 2022: Treasury Seeks Public Input on Implementing the Inflation Reduction Act’s Clean Energy Tax Incentives

FACT SHEET: Treasury, IRS Open Public Comment on Implementing the Inflation Reduction Act’s Clean Energy Tax Incentives

October 26, 2022: READOUT: Stakeholder Roundtable on Clean Power Generation and the Inflation Reduction Act

October 27, 2022: READOUT: Stakeholder Roundtable on Climate Impact, Equity, and the Inflation Reduction Act
FACT SHEET: Four ways the Inflation Reduction Act’s Tax Incentives Will Support Building an Equitable Clean Energy Economy

October 31, 2022: READOUT: Stakeholder Roundtable on Investor Perspectives on Climate Change, Clean Energy, and the Inflation Reduction Act

November 3, 2022: Treasury Seeks Public Input on Additional Clean Energy Tax Provisions of the Inflation Reduction Act

November 4, 2022: READOUT: Stakeholder Roundtable on Clean Vehicles and the Inflation Reduction Act

November 29, 2022: Treasury Announces Guidance on Inflation Reduction Act’s Strong Labor Protections

December 12, 2022: Treasury and IRS set out procedures for manufacturers, sellers of clean vehicles

December 19, 2022: Treasury, IRS issue guidance on new Sustainable Aviation Fuel Credit

December 22, 2022: IRS releases frequently asked questions about energy efficient home improvements and residential clean energy property credits

January 17, 2023: Remarks by Deputy Secretary of the Treasury Wally Adeyemo at White House event “Lowering Costs: Inflation Reduction Act Briefing”

January 29, 2023: Statement from Deputy Secretary of the Treasury Wally Adeyemo on Implementation of Strong Inflation Reduction Act Worker Protections

February 3, 2023: Treasury Updates Vehicle Classification Standard for Clean Vehicle Tax Credits Under Inflation Reduction Act

February 13, 2023: Treasury, Energy Release Guidance on Inflation Reduction Act Programs to Incentivize Investments in Underserved Communities, Hard-Hit Coal Communities


April 4, 2023: Treasury Releases Guidance to Drive Investment to Coal Communities

April 14, 2023: READOUT: Treasury Convenes Roundtable Discussion on Inflation Reduction Act Incentives for Underserved Communities
April 27, 2023: READOUT: Treasury Department Convenes Roundtable Discussion on Inflation Reduction Act Incentives for Underserved Communities