U.S. Department of the Treasury, IRS Release Additional Guidance to Boost American Clean Energy Manufacturing

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Guidance Provides Additional Clarification Around Eligibility Determination for Domestic Content Bonus in the Inflation Reduction Act

WASHINGTON – Today the U.S. Department of the Treasury and Internal Revenue Service (IRS) released additional guidance on the Inflation Reduction Act's (IRA) domestic content bonus, part of President Biden's economic strategy to boost American manufacturing and iron and steel production, so American workers and companies can continue to build the clean energy economy.

The domestic content bonus applies to facilities and projects built using the required amounts of domestically produced steel, iron, and manufactured products. To receive the bonus, all manufacturing processes for steel and iron components 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 be mined, produced, or manufactured in the United States.

The Treasury Department worked closely with Biden-Harris Administration partners, including the Department of Energy (DOE), on today's notice. Treasury's goal in releasing this guidance is to provide taxpayers needed clarity and certainty to facilitate uptake of the bonus provision and unlock investments in American-made clean energy.

"American workers and businesses are committed to making sure the United States economy benefits from the global transition to clean energy. That is why these incentives to bring clean energy manufacturing to America are jumpstarting investments across the country. Today's guidance provides important clarity to companies and simplifies the process," **said U.S. Deputy Secretary of the Treasury Wally Adeyemo**. "This should help companies make more clean power investments using U.S.-made equipment, generating new business for manufacturers and creating more good-paying jobs."

"The Inflation Reduction Act's domestic content bonus is a crucial tool for investing in American workers and American businesses," **said John Podesta, Senior Advisor to the President for**

International Climate Policy. “Today’s new safe harbor approach will make it simpler for more companies to take advantage of this powerful incentive and support good-paying American jobs.”

Under the Production Tax Credit for clean energy (PTC), facilities that meet domestic content requirements receive a 10 percent bonus. Under the Investment Tax Credit for clean energy (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.

Today’s guidance provides important clarity and certainty on eligibility for the domestic content bonus. To assist taxpayers in determining whether the minimum percentage of the costs of the manufactured products and components of manufactured products is met, this notice creates a new elective safe harbor that gives clean energy developers the option of relying on DOE-provided default cost percentages for an exhaustive set of manufactured products and their components. This safe harbor is in lieu of obtaining direct cost information from suppliers. The guidance also amends last May’s Notice to add more safe harbor classifications, including the addition of hydropower technologies, as well as to provide clarity for rooftop solar.

Treasury and IRS continue to consider stakeholder comments and plan to issue further domestic content guidance to address issues not in the scope of this guidance, including adding further sectors, including offshore wind, to the new elective safe harbor table and issuing proposed rules for projects using elective pay (sometimes referred to as direct pay). In particular, Treasury and IRS, with DOE and other agencies, continue to evaluate potential options to further the IRA’s goal of incentivizing U.S. solar manufacturing, including solar wafer production.

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