



Aeon Solar, National Renewable Energy Laboratory

Understanding Inflation Reduction Act Benefits for Energy Communities

The Inflation Reduction Act (IRA) of 2022 and the Infrastructure Investment and Jobs Act of 2021 include numerous programs and investments to support energy communities, or communities that have historically relied on fossil fuel extraction and production to power their local economies. Navigating the benefits and criteria can be tricky, which is why we put together this guide. Below, you can find information about the programs, tax credits, and funding opportunities available to support and revitalize energy communities.

Why identifying energy communities is important:

Projects, facilities, and technologies located in energy communities are eligible for 10% additional financial incentives through the Energy Community Tax Credit Bonus, in addition to the IRA's existing incentives for clean energy projects. It is important to know which locations are considered "energy communities" across the country

so that communities and developers can take advantage of these important investments.

Non-profit entities like state and local governments, houses of worship, and schools are eligible for direct payments of comparable value to tax credits for for-profit entities, and clean energy projects that these entities build in "energy communities" will receive 10% extra funding as well.



Photo: Dennis Schroeder, National Renewable Energy Laboratory

What is an “energy community” under the IRA?^{1,2}

An area is classified as an energy community under the IRA if it meets at least one of three classifications, each with specific qualifying criteria. More on the specific criteria used in the IRA to define energy communities can be found on the energy communities tax credit bonus [website](#) and energy community tax credit bonus [FAQs](#).

Coal closure communities

- **IRA specifics:** These communities are census tracts, or directly adjoining census tracts, where either:
 - a coal mine closed after December 31, 1999
 - a coal-fired electric generating unit was retired after December 31, 2009
- **How to identify:** [This mapping tool](#) shows all areas that are considered coal closure communities or meet certain employment and tax revenue requirements. You can also find a [list of qualifying communities here](#). As more coal plants retire and more coal mines close, the areas that qualify as an “energy community” will also expand over time.

Other areas with a specific mix of employment and local tax revenue that is related to fossil fuels and an unemployment rate that is above the national average.

- **IRA specifics:** These counties, or groups of counties, are referred to as either a “metropolitan statistical area” (MSA) or “non-metropolitan statistical area” (non-MSA) that meets two requirements (or had met at any time after 2009):

- **Fossil fuel employment threshold:** 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
- **Unemployment rate:** has an unemployment rate at or above the national average unemployment rate for the previous year
- **How to identify:** [This mapping tool](#) shows all areas that are considered coal closure communities or meet certain employment and tax revenue requirements. For additional information, visit [IRS Guidance on eligibility requirements for energy communities](#). These areas will likely fluctuate each year as the regional unemployment rate changes.

Brownfield sites

- **IRA specifics:** A brownfield site is a place where the real property on which the expansion, redevelopment, or reuse can be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.
- **How to identify:** Refer to specific criteria and definitions [here](#). U.S. EPA maintains a [mapping tool](#) for brownfields. State environmental agencies may also have maps of brownfields in their states ([e.g. New York](#)).

Internal revenue code (IRC) section	Title	IRC section on energy community bonus	Increase in credit rate
45	Electricity produced from certain renewable resources, etc.	45(b)(11)	10%
48	Energy credit	48(a)(14)	Either 2 or 10 percentage points
45Y	Clean electricity production tax credit	45Y(g)(7)	10%
48E	Clean electricity investment credit	48E(a)(3)	Either 2 or 10 percentage points

Funding for Clean Energy Developers in Energy Communities:

You can find a full list of all available [federal funding programs](#), including [competitive funding](#) and formula funding programs, listed in the [Funding Clearinghouse](#). For specifics, refer to the [full list of tax credits](#) available under the IRA and [learn more](#) on how the Infrastructure Investment and Jobs Act [benefits energy communities](#).

Select Programs:

Energy Community Tax Credit Bonus³

- **What is it?** A tax credit bonus that applies a bonus of up to 10% for production tax credits or 10 percentage points for investment tax credits. The table above⁴ outlines which tax credits in the IRA have an energy community bonus.
- **Who is eligible?** Projects, facilities, and technologies in energy communities.
- **Timeframe?** Find the most up-to-date details from the IRS [here](#).

¹ [Energy Community Tax Credit Bonus Website](#)

² [IRS Guidance on eligibility requirements for energy communities](#)

³ [Energy Communities FAQs](#)

⁴ [Energy Communities FAQs](#)

⁵ [Department of Energy Guidance on 48C Tax Credits](#)

⁶ [White House Announcement on IRS Guidance](#)

Qualifying Advanced Energy Project Credit (48C) Program^{5,6}

- **What is it?** This program awards up to a 30% investment tax credit for qualifying advanced energy projects and was expanded with a \$10 billion investment under the IRA. Advanced energy projects are initiatives that expand clean energy manufacturing and recycling and critical materials refining, processing and recycling, as well as projects that reduce greenhouse gas emissions at industrial facilities. \$4 billion has been set aside, including \$1.6 billion in the first round of tax credits, for energy communities with closed coal plants or mines.
- **Who is eligible?** Use [this mapping tool](#) to determine whether your energy community is a Section 48C Tax Credits Qualifying Project Location. Find more guidance and criteria for eligible projects [here](#).
- **Time frame?** All applicants must submit a concept paper through [DOE's online eXCHANGE portal](#) between May 31, 2023 and July 31, 2023.