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# Understanding the IRA

## *How Cities and Towns Can Reach Climate and Clean Energy Goals Thanks to the Inflation Reduction Act*

The Inflation Reduction Act of 2022 includes programs and investments for towns and cities,\* not just for states. Navigating the benefits and opportunities can be tricky, which is why we put together this guide. Throughout, you can find information about the new programs local leaders can rely on or apply for that will help their cities and towns reach their climate goals.

Implementation information is up-to-date as of June 2023. Local leaders interested in any of these programs should check with the relevant government agency.

**Note:** Many of these programs require applicants to have active [SAM.gov](https://www.sam.gov) and [Grants.gov](https://www.grants.gov) registrations. Please consider applying as soon as possible, as applications can take months to process. Additionally, many of these programs are still being rolled out. If the agency offers it, consider signing up for updates so you don't miss out on these critical funding opportunities.

\* In general, the programs and opportunities discussed here pertain to all forms of local governments, such as cities, towns, counties, boroughs, parishes, and other municipalities.

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### **Inflation Reduction Act Programs Available to Cities and Towns: Air Quality and Greenhouse Gas (GHG) Reduction Programs**

#### **CLEAN ELECTRICITY INVESTMENT AND PRODUCTION TAX CREDITS**

- **What is it?** For the first time, cities can get a check from the federal government to pay for clean energy. Local governments can choose either an investment or production tax credit for all wind and solar projects. Battery projects are eligible for the investment credit only. Special rules apply for other forms of clean energy (e.g., geothermal).

- The base production tax credit, if labor requirements are met, is 0.3 cents per kWh (or approximately \$26 per megawatt-hour, MWh) in 2022 dollars for producing clean electricity.<sup>1</sup>
- The baseline investment and production credits increase by 10% if certain domestic manufacturing requirements are met, and another 10% if the project is located in an [energy community](#) as defined in the IRA. An updated map of eligible communities is [available here](#). If both conditions are met, the credit increases by 20%.
- **Who is eligible?** All local governments are eligible.
- **Mechanism?** The benefit is in the form of tax credits. Cities, counties, other local governments, school districts, and universities are eligible for direct payments of comparable value to tax credits aimed at for-profit entities. More information about direct payments for clean energy is available [here](#). For more information about direct payments for clean energy, see the National League of Cities [website](#).
- **Timeframe for next steps?** Projects that start construction between 2022 through 2032.

#### LOW-INCOME COMMUNITIES BONUS INVESTMENT TAX CREDIT FOR SMALL SOLAR AND WIND

- **What is it?** For solar and wind projects that are 5 MW or smaller, an increase of the investment tax credit of:
  - 10% to the credit for a project located in a low-income community<sup>2</sup> or on Indian Land; or
  - 20% to the credit for a project that is part of a qualified low-income residential building or part of a qualified low-income economic benefit project.
- Unlike the 10% increases to the investment credit for “energy communities” and for domestic manufacturing which have an unrestricted supply, there is a limited supply of bonus credits for low-income communities. In 2023 and 2024, the Treasury Department will publish funding opportunities to allocate low-income communities bonus credits to specific projects totaling 1.8 GW of projects in each year. There is no allocation for years 2025 and beyond, though unused credits may be allocated in future years.
- **Who is eligible?** Any entity that could qualify for the investment tax credit, including local governments. Local governments would receive payments from the U.S. Treasury of the same value as the tax credits available to for-profit entities.
- **Mechanism?** Tax credit. Through direct payment, cities, counties, other local governments, school districts, and universities are eligible for payments of

comparable value as the tax credits available to for-profit entities.

- **Timeframe for next steps?** The Treasury Department will publish funding opportunities in 2023. Program guidance and information about funding opportunities is on the [Treasury Department’s website](#).

#### CLIMATE POLLUTION REDUCTION GRANTS

- **What is it?** Grants for planning and implementation of programs that reduce greenhouse gas emissions.<sup>3</sup>
- **Who is eligible?** States, certain metro areas, and Tribal governments.
- **Mechanism?** Grants<sup>4</sup>
- **Timeframe for next steps?** Applications for planning grants were due by May 31, 2023. Implementation grant applications will be due in early 2024 for local governments that applied for and received a planning grant. Sample application materials and more information is available on [EPA’s website](#).

#### GHG REDUCTION FUND

- **What is it?** Grants to establish or expand financial institutions that support GHG-reduction and zero-emission projects with low-cost loans and other financing.<sup>5</sup>
- **Who is eligible?** State and local governments and non-profit financial institutions that meet certain eligibility requirements.
- **Mechanism?** Grants and loans. In summer 2023, EPA will hold three competitions to distribute grant funding, with additional opportunities for local governments possible in the future:
  - \$7 billion Solar for All competition;<sup>6</sup> local governments are directly eligible for the Solar for All funding only
  - \$14 billion National Clean Investment Fund competition will fund two to three national nonprofit financial institutions;
  - \$6 billion Clean Communities Investment Accelerator competition will fund two to seven hub nonprofit financial institutions;
- **Timeframe for next steps?** Funding opportunities are expected in summer 2023. More information is available on [EPA’s website](#).



*Photo by Dennis Schroeder / NREL*

## ENVIRONMENTAL AND CLIMATE JUSTICE BLOCK GRANTS

- **What is it?** Grants for community-led air pollution reduction initiatives, investments in climate resilience, reducing health risks from climate impacts, GHG emissions reduction, improving indoor air quality, and engaging disadvantaged communities.<sup>7</sup>
- **Who is eligible?** Community-based non-profit organizations—including partnerships with local and Tribal governments and universities.
- **Mechanism?** Grants.<sup>8</sup> More information for applying [here](#).
- **Timeframe for next steps?** EPA has announced \$2 billion in grant opportunities will be posted in [summer 2023](#). Funding timelines and other information is available on EPA's [website](#), and more information and resources to develop project ideas and applications can be found [here](#).

## AIR POLLUTION MONITORING & SCREENING

- **What is it?** Grants to install and maintain air quality monitoring equipment.<sup>9</sup>
- **Who is eligible?** State, local, and Tribal governments; regional air pollution agencies; schools and school districts in low-income and disadvantaged communities.

- **Mechanism?** Grants.<sup>10</sup> More information for applying [here](#).
- **Timeframe for next steps?** Funding and other information is available on EPA's [website](#).

## GRANTS TO REDUCE AIR POLLUTION AT PORTS

- **What is it?** Competitive grants and rebates to reduce air pollution and GHGs from port operations.<sup>11</sup>
- **Who is eligible?** Ports and state, local, and Tribal governments with jurisdiction over ports.
- **Mechanism?** Grants.<sup>12</sup> More information for applying [here](#) – you can also [sign up](#) to receive updates.
- **Timeframe for next steps?** Funding must be dispersed by September 2027. Funding opportunities and other information will be available on EPA's [website](#).

## NEIGHBORHOOD ACCESS AND EQUITY GRANT PROGRAM

- **What is it?** Competitive grants to reconnect communities that have been divided by existing transportation infrastructure barriers, to reduce the impacts of transportation facilities or construction projects on disadvantaged or underserved communities, and to support equitable transportation planning and community engagement activities.<sup>13</sup>

- **Who is eligible?** State and local governments, metropolitan planning organizations.
- **Mechanism?** Grants.<sup>14</sup>
- **Timeframe for next steps?** This program is still in the planning stages, and EPA will update [this webpage](#) with more information once available.

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## Climate Resilience

### URBAN AND COMMUNITY FORESTRY ASSISTANCE PROGRAM

- **What is it?** Competitive grants for tree planting projects that prioritize underserved populations and areas.<sup>15</sup>
- **Who is eligible?** State, local, and Tribal governments or nonprofits.
- **Mechanism?** Grants: check the Forest Service's Urban and Community Forest Program [webpage](#) or contact your [state coordinator](#) for more information.
- **Timeframe for next steps?** One funding opportunity closed on June 1, 2023, and other funding opportunities are expected.

### INVESTING IN COASTAL COMMUNITIES AND CLIMATE RESILIENCE

- **What is it?** Competitive grants and direct investments to support coastal community preparation for extreme weather, restore and protect coastal and marine resources, and support natural resources that sustain coastal- and marine-dependent communities.<sup>16</sup>
- **Who is eligible?** Coastal and Great Lakes states, local and Tribal governments, nonprofits, and universities.
- **Mechanism?** Grants: check NOAA's Inflation Reduction Act [webpage](#) for updates.
- **Timeframe for next steps?** Not specified.

### RECLAMATION DOMESTIC WATER SUPPLY PROJECTS

- **What is it?** Grants and financial assistance for disadvantaged communities to supply domestic water to "communities or households that do not have reliable access to domestic water supplies."<sup>17</sup>
- **Who is eligible?** Not specified but will likely include local drinking suppliers.
- **Mechanism?** Grants: information on the program will be available on the Bureau of Reclamation's Inflation Reduction Act [webpage](#). Sign up [here](#) to receive notifications.
- **Timeframe for next steps?** Not specified.

### DROUGHT MITIGATION IN THE RECLAMATION STATES

- **What is it?** Grants to public entities for water conservation, drought prevention, and habitat restoration (to

mitigate the effects of drought) in the "reclamation states."<sup>18</sup>

- **Who is eligible?** Public entities in AZ, CA, CO, ID, KS, MT, NE, NM, NV, ND, OK, OR, SD, UT, WA, and WY.
- **Mechanism?** Grants: information on the program will be available on Reclamation's Inflation Reduction Act [webpage](#). Sign up [here](#) to receive notifications.
- **Timeframe for next steps?** Not specified.

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## Clean Transportation

### BIPARTISAN INFRASTRUCTURE LAW CLEAN SCHOOL BUS PROGRAM

- **What is it?** Grants made possible through the Bipartisan Infrastructure Law to replace existing school buses with clean and zero-emissions school buses.
- **Who is eligible?** State, local, and Tribal governments, public charter school districts, and certain school transportation contractors.
- **Mechanism?** Grants.
- **Timeframe for next steps?** EPA anticipates awarding \$400 million in grants with an application deadline of August 22, 2023. Further funding opportunities are expected and more information is available on EPA's [website](#).

### CLEAN HEAVY-DUTY VEHICLES

- **What is it?** Grants and rebates for the incremental cost of purchasing zero-emission heavy-duty vehicles and installing the infrastructure to charge/fuel the vehicles.<sup>19</sup>
- **Who is eligible?** State, local, and Tribal governments, school districts, and school transportation authorities.
- **Mechanism?** Grants: the EPA will be offering [grants and rebates](#) to eligible recipients. Submit your contact information [here](#) to be notified when funding opportunities are available.
- **Timeframe for next steps?** Funding and other information is available on EPA's [website](#).

### COMMERCIAL CLEAN VEHICLES

- **What is it?** A tax credit for commercial purchase of electric or other zero-emission vehicles.<sup>20</sup>
- **Who is eligible?** Businesses and non-tax paying entities, including municipalities.
- **Mechanism?** Tax credits: Find out more about eligibility for [new clean vehicles](#) and [used clean vehicles](#). You can claim the clean vehicle credit with this [IRS form](#).
- **Timeframe for next steps?** Available starting in 2023.

### TAX CREDIT FOR ALTERNATIVE REFUELING PROPERTY

- **What is it?** A tax credit for electric vehicle charging and alternative fuel infrastructure installed in



low-income or rural census tracts.<sup>21</sup>

- **Who is eligible?** Businesses, individuals, and non-tax paying entities, including municipalities.
- **Mechanism?** Tax credits: Information on eligibility and IRS forms can be found on this IRS [webpage](#).
- **Timeframe for next steps?** Available starting in 2023.

## Buy Clean

### GRANTS FOR ENVIRONMENTAL PRODUCT DECLARATION AND OTHER LABELS

- **What is it?** As part of the federal government's preferential purchase of environmentally friendly products ("Buy Clean"), the EPA is helping manufacturers of construction materials calculate their products' carbon footprint. Local governments can use the resources made available to also encourage their suppliers to produce a summary of their carbon footprint, called an [Environmental Product Declaration](#) (EPD).
  - With EPDs in place, local governments can initiate their own preferential purchasing programs that encourage industry to decarbonize and to reduce other toxic pollution releases. These local initiatives could amplify existing federal programs and bolster (or help initiate) parallel measures at a state level.
- **Who is eligible?** Manufacturers of construction materials or states/Tribes/nonprofits that assist in measuring, reporting, and steadily reducing the quantity of embodied carbon of construction materials and products.
- **Mechanism?** The EPA will be offering grants and technical assistance to eligible recipients.
- **Time frame for next steps?** The EPA will begin issuing grants in the first quarter of 2024. The resources will be allocated according to the following schedules:
  - The EPA has until Sept. 30, 2031, to spend \$250 million in technical assistance to businesses in measuring and reporting the quantity of carbon emissions in construction materials and products.
  - The EPA, in consultation with the Federal Highway Administration, has until Sept. 26, 2026, to create labels for construction materials for transportation projects.

- 1 [Clean Electricity Production Tax Credit \(Climate Action and the IRA\)](#); [Clean Electricity Investment Tax Credit \(Climate Action and the IRA\)](#).
- 2 For this credit, "low income community" is defined in [Section 45D\(e\) of the U.S. tax code](#).
- 3 [GHG Air Pollution Plans and Implementation Grants \(Climate Action and the IRA\)](#)
- 4 All applicants must have an active [SAM.gov](#) and [Grants.gov](#) registration in order to apply for this grant
- 5 [Greenhouse Gas Reduction Fund \(Climate Action and the IRA\)](#)
- 6 [EPA Announces Initial Program Design of Greenhouse Gas Reduction Fund](#)
- 7 [Environmental and Climate Justice Block Grants \(Climate Action and the IRA\)](#)
- 8 All applicants must have an active [SAM.gov](#) and [Grants.gov](#) registration in order to apply for this grant
- 9 [Air Pollution Monitoring and Screening \(Climate Action and the IRA\)](#)
- 10 All applicants must have an active [SAM.gov](#) and [Grants.gov](#) registration in order to apply for this grant
- 11 [Grants to Reduce Air Pollution at Ports \(Climate Action and the IRA\)](#)
- 12 All applicants must have an active [SAM.gov](#) and [Grants.gov](#) registration in order to apply for this grant
- 13 [Neighborhood Access and Equity Grant Program \(Climate Action and the IRA\)](#)
- 14 All applicants must have an active [SAM.gov](#) and [Grants.gov](#) registration in order to apply for this grant
- 15 [Urban and Community Forestry Assistance Program \(Climate Action and the IRA\)](#)
- 16 [Investing in Coastal Communities and Climate Resilience \(Climate Action and the IRA\)](#)
- 17 [Reclamation Domestic Water Supply Projects \(Climate Action and the IRA\)](#)
- 18 [Drought Mitigation in the Reclamation States \(Climate Action and the IRA\)](#)
- 19 [Clean Heavy-Duty Vehicles \(Climate Action and the IRA\)](#)
- 20 [Commercial Clean Vehicles \(Climate Action and the IRA\)](#)
- 21 [Tax Credit for Alternative Refueling Property \(Climate Action and the IRA\)](#)

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