



# Updates on Direct Pay (Elective Pay) Program for New Jersey's Local Governments and Tax-Exempt Entities

April 2, 2025



## Introducing Sustainable Jersey

- Certification program for municipalities and schools in New Jersey
- Tools, resources, and guidance to help municipalities and schools become more sustainable
- Grants and funding for municipalities and schools
- Regional Hubs





# SUSTAINABLE CULTURE SUSTAINABLE SUSTAINABL



91%
OF NJ POPULATION
LIVES IN A
REGISTERED
OR CERTIFIED
COMMUNITY



83%

OF MUNICIPALITIES
PARTICIPATING

67%

of NJ public school districts registered with Sustainable Jersey for Schools



MUNICIPALITIES **CERTIFIED** 

140 BRONZE CERTIFIED



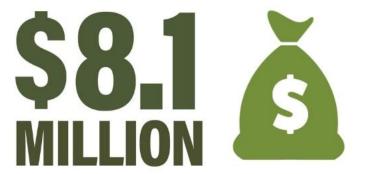
SCHOOLS CERTIFIED

307 BRONZE CERTIFIED





**SUSTAINABILITY ACTIONS COMPLETED** by both municipalities and schools



IN GRANTS FOR MUNICIPALITIES, SCHOOLS & SCHOOL DISTRICTS

## Agenda

**Governor's Office Resources for Direct (Elective) Pay Tax Credits** 

Dana Adelman – State of New Jersey

Measuring Direct Pay Uptake: Update on the Current Status of Direct Pay and a Call to Action to Share Your Stories

Annabelle Rosser – Atlas Public Policy

**Direct Pay Overview** 

Tracey Woods – Sustainable Jersey



**Questions and Answers** 



These slides give a general overview of some Inflation Reduction Act tax provisions and are for informational purposes only. They are not meant to be tax guidance.

For detailed information, please check the guidance issued by the IRS for <u>Elective pay and transferability</u>.



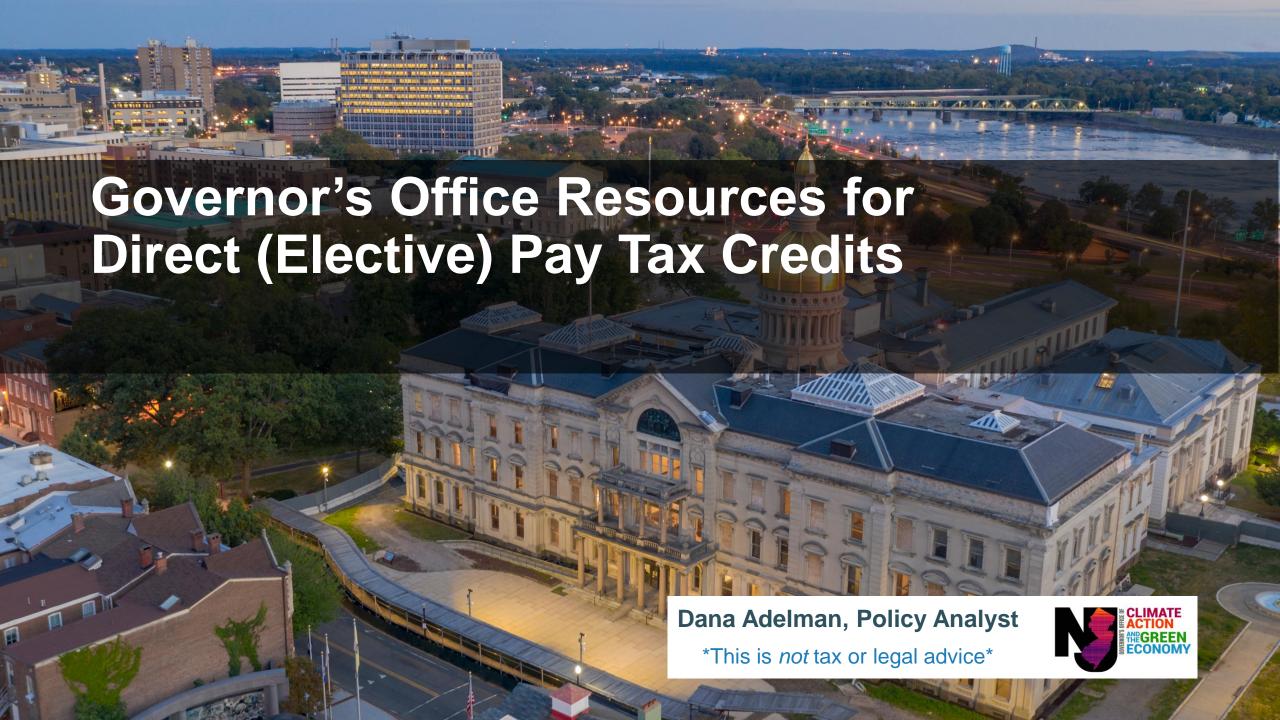


## **Direct Pay/Elective Pay Overview**

- Allows tax-exempt and governmental entities, including municipalities and school districts, to receive payment equal to tax credits for qualifying clean energy projects
- Not a competitive grant and loan program, payment is issued if entity meets eligibility requirements
- Direct Pay is currently authorized for 10 years
- Entities file for tax credit when the project is completed

### **Eligible Projects Include**

- Electric Vehicles
- Some EV Charging Equipment
- Renewable Energy Projects Solar, Wind, Geothermal
- Battery Storage
- Microgrids





### **Next steps**

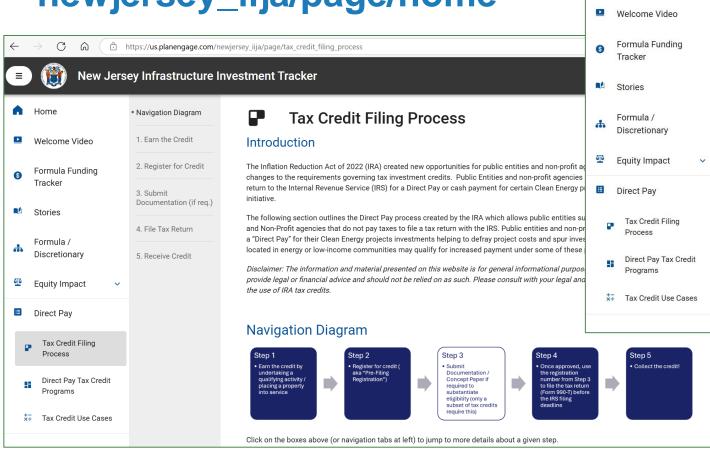


### Finding the right credit for you

C

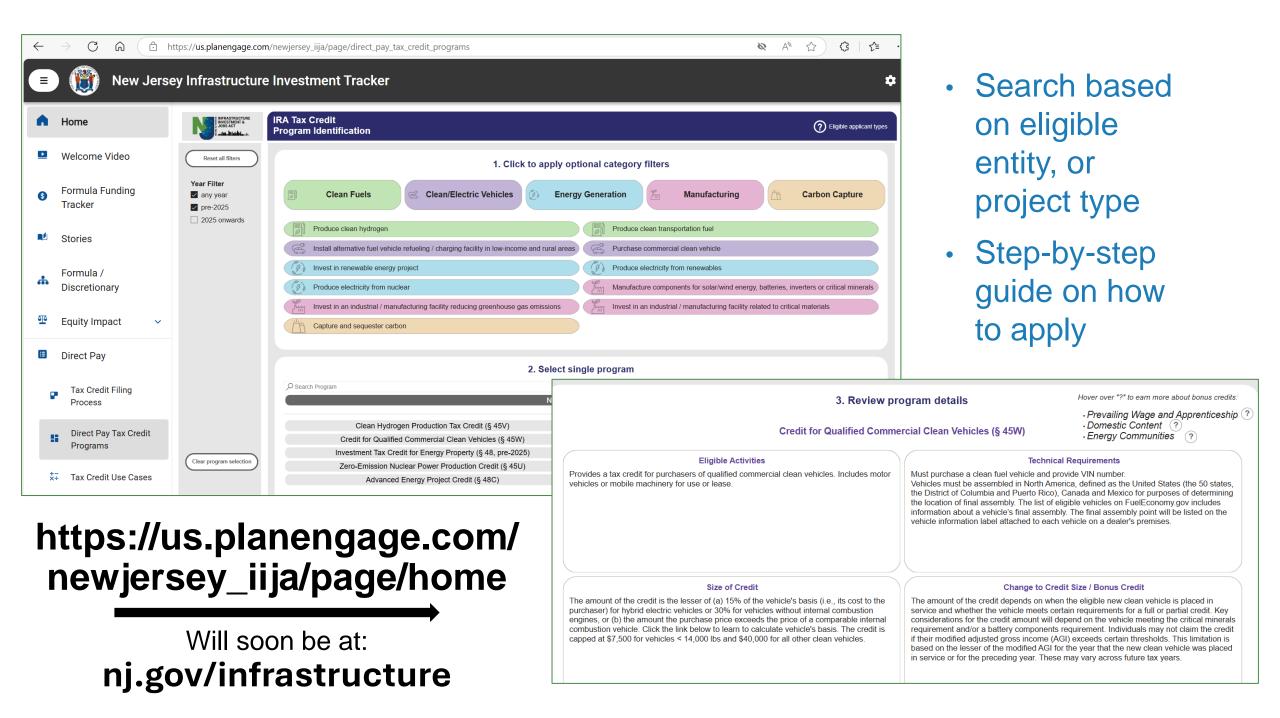
**Home** 

### https://us.planengage.com/ newjersey\_iija/page/home



https://us.planengage.com/newjersey\_iija/page/home **New Jersey Infrastructure Investment Tracker New Jersey** Infrastructure Investment Tracker With the enactment of the Bipartisan Infrastructure Law (BIL), New Jersey has an extraordinary opportunity to reimagine and transform its aging infrastructure, protect its natural resources, and address longstanding inequities experienced by underserved communities throughout the state. NJ has developed this website to track BIL formula funding to monitor and measure the impact of the many BIL programs on Governor Murphy's goals for equity and

sustainability in improving the lives of NJ's residents.







Update on the Current Status of Direct Pay and a Call to Action to Share Your Stories

Annabelle Rosser Atlas Public Policy April 2<sup>nd</sup>, 2025



### DIRECT PAY ISN'T IMPACTED BY FUNDING FREEZE

- Credits are not Grants
  - Credits are mandatory spending
  - Non-discretionary
  - Enshrined in Statutory Law
- Filings continue to be processed as normal
- Upcoming IRS office hours <u>4/9</u>,
   <u>4/23</u>

### Check the status of your filing

- Secure messaging tool in the pre-registration portal
- 2. E-mail <a href="mailto:irs.elective.payment.or.transfer.o">irs.elective.payment.or.transfer.o</a> <a href="mailto:f.credits@irs.gov">f.credits@irs.gov</a>
- 3. Call 1-800-829-4933 (expect long hold times) or 1-877-829-5500



### THE LAW PROTECTS DIRECT PAY RECIPIENTS

### What if my payment is delayed?

- Lawyers for Good Government Guidance:
  - If there is a problem with a filing, the IRS will send a CP131 letter
    - If you have received a letter, vital to respond within the time window
  - If no letter is received, call IRS Nonprofit Division to check status of return
    - 1-877-829-5500 has been more familiar with Direct Pay issues
  - If they have no record of the return, this is where it is important to have:
    - Your certified mail receipt and
    - Your return receipt
  - Can sue to enforce payment of credits already claimed if IRS refuses to pay
  - Visit <u>www.lawyersforgoodgovernment.org/elective-pay-ira-tax-incentives</u> for updates



### PROTECTING DIRECT PAY LONG TERM

- Legal Protections
  - Direct Pay only changeable through legislation or regulations
  - Legislative changes likely not effective until 2026
  - Regulatory changes could be effective sooner
- Advocacy
- Continuing to File
- Storytelling

### **Inside Climate News**

Pulitzer Prize-winning, nonpartisan rep biggest crisis facing our planet.

Politics

### Mayors Across US Urge Congress Not to Repeal Clean Energy Tax Credits

The Inflation Reduction Act incentives for developing clean energy have created thousands of jobs in local communities across the country. The Trump administration froze further spending on them.







**59**Jurisdictions

114 Projects

Projects Serving DACs

15

\$23M

Total Tax Credits Claimed 82,987
Tons of CO2 Reduced

Project Type

Congressional District

Disadvantaged Community

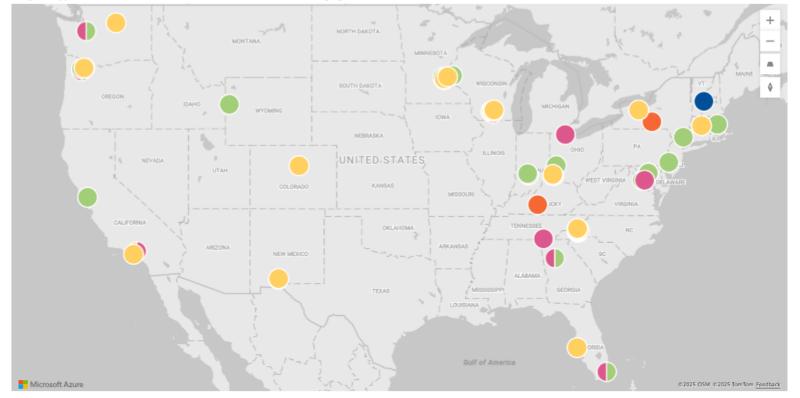
**Energy Community** 

Climate Vulnerability

#### Projects by Installation Type

Project Type is shared by the project owner. Most projects include one type of energy infrastructure, though some include more than one. Projects that do not have an address are not included in the map below.

Project Type ● Clean/Alternative Fuels ● Electric Vehicle ● EV Charging ● Geothermal ● Solar



## SHOWCASING UPTAKE

- Fills critical data gap by crowdsourcing project stories
- Provides
   stakeholders with an
   accessible public
   dashboard
- Explore at

   www.climateprogram
   portal/direct-pay tracker







## SPOTLIGHT: ALEXANDRIA, VIRGINIA

- Alternative Fuel Vehicle Refueling
   Property Credit (30C)
  - 8 charging stations, 17 ports
- Credit for Qualified Commercial
   Clean Vehicles (45W)
  - 23 passenger electric vehicles



### PROJECT DATA COLLECTED

**Project Owner** 

Entity Type

**Project Details** 

Project Type

Location

Tax Credit Information

Tax credit and bonuses used

Filing status

Tax credit amount

**Project Impact** 

Quantitative metrics

Community benefits



### ADD YOUR PROJECT TO THE MAP

### 1. Complete data collection form

atlaspolicy.com/DirectPayTracker

Project Name *	
Project Type *	
Solar	
Wind	
Geothermal	
Electric Vehicle	
EV Infrastructure	
Clean/Alternative Fuels	
Hydrogen Production	
Other	

### 2. Complete excel template

Would v	vou like	to submit	multiple	projects	at once	via an	excel	temp	late

Yes No

If the entity you are reporting for has multiple Direct Pay funded projects and you would prefer to submit them in bulk, please use this <u>excel template</u> to share them. Please download the template, add the project data, and upload the file below. If you have any questions or technical difficulties please email annabelle.rosser@atlaspolicy.com or sign up for <u>office hours</u>.

#### Upload your completed excel project file here

Upload

or drag files here.









## **Direct Pay Eligibility**







## **Direct Pay Eligibility**

- Tax-exempt organizations, including municipalities and school districts, are eligible for Direct Pay tax incentives.
- Eligible entities typically must be sole owners of project to take advantage of Direct Pay program.



Runnemede's Code Enforcement EV at the Green Fair





## **Direct Pay Eligible Projects**

Category	Eligible Projects	Base Tax Credits	
Qualified Commercial	qualifying clean vehicles e.g. EVs and Plug-in Hybrids	Up to \$7,500 per light vehicle	
Clean Vehicles	For eligible vehicles, see:  irs.gov/credits-deductions/commercial-clean-vehicle-credit  https://fueleconomy.gov/feg/tax2023.shtml	Up to \$40,000 per larger vehicle	
AFV Refueling/Charging Equipment (non-urban and low-income)	qualified fuels include electricity, ethanol, natural gas, hydrogen, and biodiesel	Up to 30% for eligible equipment	
Investment Tax Credit (Most municipal and school renewable energy projects fall into this category.)	solar, geothermal, small wind, energy storage, fuel cells, biogas, microgrid controllers, and combined heat and power properties	Typically 30% of costs	
Production Tax Credit	wind, biomass, geothermal, solar, small irrigation, landfill and trash, hydropower, marine and hydrokinetic energy	Varies by project type	

Full list of Direct Pay eligible tax credits at <a href="irs.gov/pub/irs-pdf/p5817g.pdf">irs.gov/pub/irs-pdf/p5817g.pdf</a>.

### Delawa National Canic River Paterson Allentown Edison 968 ft Long Branch Trenton Philadelphia Toms River **Vilmington** Wharton. Late Forest and Atlantic City

## Alternative Fuel Vehicle Refueling Property Credit (30C credit)

Eligible census tracts fall into two categories and eligible property can be in either type of tract (or both, if the tract falls under both categories) to qualify:

- **1. Low-income community census tracts:** Population census tracts as described in Internal Revenue Code section 45D(e), i.e., the "low-income community" definition of the New Markets Tax Credit (NMTC).
- **2. Non-urban census tracts:** Population census tracts defined as "not an urban area" (or "non-urban area") according to Treasury/IRS guidance.

Time periods when property would need to be installed in order to qualify in either census tracts:

- Eligible tract through 2024 (2011-2015 NMTC tracts)
- Eligible tract through 2029 (2016-2020 NMTC tracts)
- Eligible tract through 2030 (2020 Non-Urban tracts)

At right: Screenshot of U.S. DOE map of eligible locations for Alternative Fuel Vehicle Refueling Property Credit in New Jersey. <a href="https://experience.arcgis.com/experience/3f67d5e82dc64d1589714d5499196d4f/page/Page/">https://experience.arcgis.com/experience/3f67d5e82dc64d1589714d5499196d4f/page/Page/</a>





## **Direct Pay Adders**



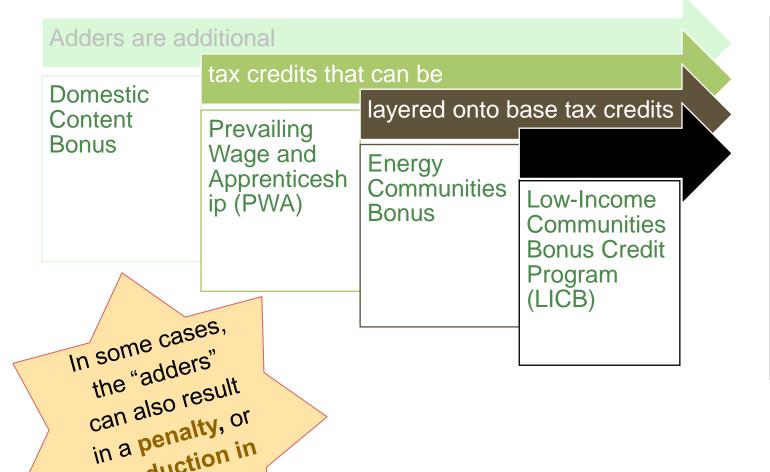




a reduction in

credit.

## **Direct Pay Adders**



Example					
Eligible project cost	\$100,000				
Base Incentive – 30%  Adders:	-\$	30,000			
Domestic Content bonus	-\$	10,000			
Low-Income Communities Bonus Credit Program		10,000			
Cost to Entity	\$	50,000			

## **Direct Pay Adders - Domestic Content**

- □ Applies to clean energy projects OVER1MW in size
- □ **Doesn't** Apply to:
  - EVs, EVSE, and clean energy projects under 1MW (no penalty)
- □ Build America/Buy America (BABA)
   Compliant projects receive +10% adder
- Non-compliant projects:
  - Start of construction in 2025: receive only 85% of Direct Pay funds
  - Start of construction in 2026: NO
     DIRECT PAY

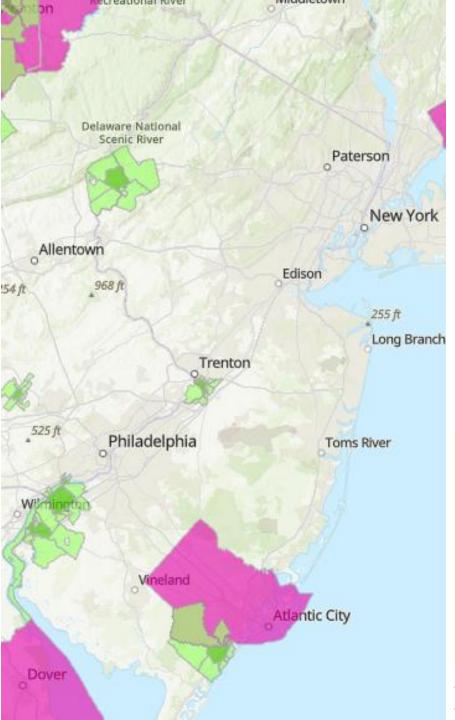
### **BABA Eligible Products**

- Iron and Steel (structural) 100% US source
- Manufactured products 40% US source, percentage increases in three years.

Entities can apply for exceptions.

## Direct Pay Adders - Prevailing Wage and Apprenticeship (PWA)

- □ Prevailing wage requirements –
   Similar to Davis Bacon requirements with additional rules around apprenticeships
- No adder, penalty if not compliant



## Direct Pay Adders - Energy Communities Bonus

- Only available for and eligible projects (no EVs/EVSE)
- □ Adder +10%
- □ Brownfields may be eligible and NOT shown on the map.

#### **2024 Coal Closure Energy Communities**

#### **Tract Status**



Census tract with a coal closure



Directly adjoins a tract with coal closure

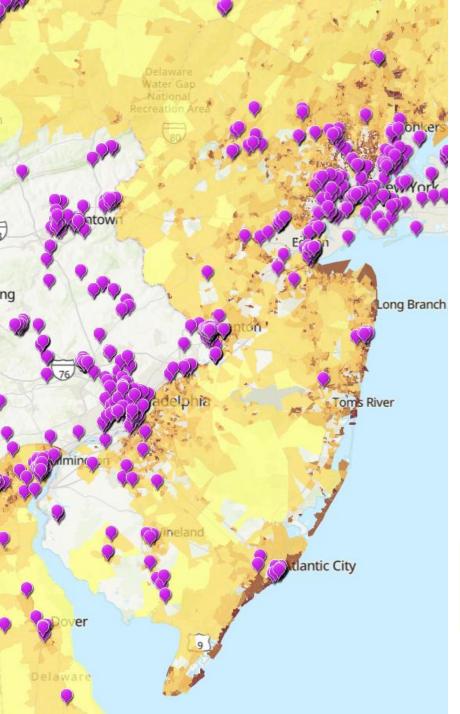
#### 2024 MSAs/non-MSAs that are Energy Communities



MSAs/non-MSAs that meet both the Fossil Fuel Employment (FFE) threshold and the unemployment rate requirement and are an energy community as of June 7 2024

At right: Screenshot of U.S. DOE map of energy communities in New Jersey.

https://arcgis.netl.doe.gov/portal/apps/experiencebuilder/experience/?id=a2ce47d4721a477a8701bd0e08495e1d



## Direct Pay Adders - Energy Communities Bonus

**NJ Brownfield Map** 

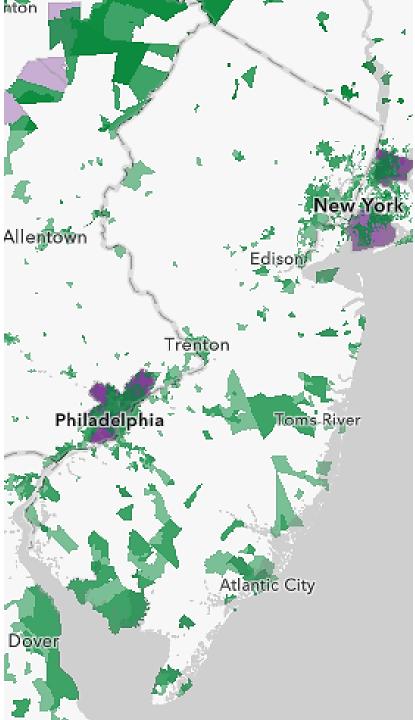
**?** 

**Brownfields Properties (ACRES)** 

Areas in shades of Brown: Housing Density(Unit per acre, Census block group)

At right: Screenshot of U.S. DOE map of energy communities in New Jersey.

https://enviroatlas.epa.gov/enviroatlas/interactivemap/?featuredcollection=e5f95175f9184d508be636377796f1c2



# Direct Pay Adders - Low Income Communities Bonus Credit Program (LICB)

- □ Only for Investment Tax Credit eligible projects
- → +10-20%, requires application
- ☐ Only adder with limited funding, apply as soon as the project is confirmed
- Must apply BEFORE project implementation
- This is a SEPARATE application than registering for your Direct Pay Tax Credit
- Application is open NOW through August
- · Applications accepted on a rolling basis until the credit is used up
- Application Page Link
- <u>Detailed information on the Low Income Communities Bonus Credit Program</u> from Lawyers For Good Government

At right: Screenshot of U.S. DOE map of LICB eligibility in New Jersey. https://experience.arcgis.com/experience/12227d891a4d471497ac13f60fffd822





## Planning Projects with Direct Pay in Mind



## **Planning for Direct Pay**

- Direct Pay will be available for at least ten years
- Entities typically must be sole owner of project
- Plan with Direct Pay in mind, consider rethinking:
  - Solar/renewables Power Purchase Agreements
     (PPAs) and other leasing models
  - EVs vehicle leasing
  - EV Charging site forbearance, partnerships
- Using Tax-Exempt Bonds will cause a 15% reduction in tax credit



Oradell EV charging station



Runnemede EV charging station





## **Using Direct Pay with Other Incentives**

Direct Pay can be used in combination with other funding sources as long as total incentive does not exceed total project cost.

Example	
Lightweight EV	\$24,000
NJ BPU Clean Fleet Grant	-\$4,000
Direct Pay Tax Credit	-\$7,500
Total cost to entity	\$12,500
Total cost to entity	\$12,500

Sustainable Jersey Energy Technical Assistance can help identify funding to use in combination with Direct Pay.

To request a technical assistance consultation, paste the following link to your browser and access the signup form

bit.ly/SJEnergyTARequestForm







## Filing for Direct Pay

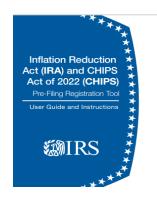






## Filing for Direct Pay

- Entitles need to pre-register to get IDs for each project, e.g.10 EVs = 10 ID numbers
- It may take more than a month after registration to receive project IDs
- File tax forms with IRS by deadline for the year the project was completed.



IRA and CHIPS Pre-Filing
Registration Tool User
Guide and Instructions

### Register for elective pay at:

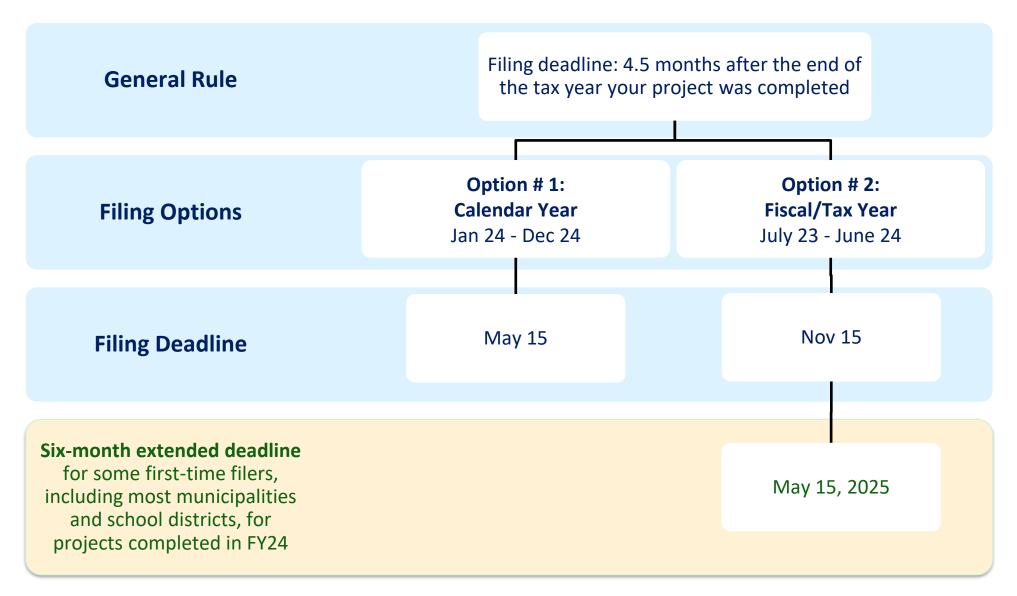
https://www.irs.gov/creditsdeductions/register-for-elective-paymentor-transfer-of-credits

This is what the right application page looks like... Searching for "IRS Direct Pay" can lead you to the wrong one!!





## **Direct Pay: Filing Deadlines**







## **Upcoming Events**





Sustainable Jersey has provided technical assistance to over 200 municipalities and school districts.

Sustainable Jersey-PSE&G Partnership Program to Support Energy Efficiency in Our Communities Eligible municipalities are served 100% by PSE&G for electricity and natural gas.

**Application Deadline: Friday, April 4, 2025** 

Free Energy Technical Assistance for New Jersey Municipalities and School Districts

- pursue energy efficiency upgrades for facilities and
- support energy efficiency outreach campaigns





## **Upcoming Events**

### **Upcoming Webinar:**

Municipal Leader's Guide to Preparing for the June Energy Pricing Increases

4/15/2025 from 1-2 PM Webinar Registration

Municipal EV Programs from Atlantic City Electric 4/9/2025 from 12 - 1 PM Webinar Registration

### **Training on Demand**

**Unveiling the Sustainable Jersey Purchasing Center Webinar** 

PowerPoint Link Webinar Link

## Check out the NEW Sustainable Jersey Purchasing Resource Center

Online tool with directory of cooperative purchasing options and a quote library.

Bit.ly/PurchasingCenter



2025 NEW JERSEY

## SUSTAINABILITY

SUMMIT



MAY 9, 2025, 9:00AM - 4:00PM

BELL WORKS, HOLMDEL, NEW JERSEY

Learn More & Register:



bit.ly/SustainabilitySummit-25



### **Sustainable Jersey Underwriters and Sponsors**

#### **Program Underwriters**













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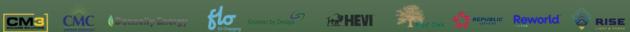
























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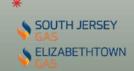
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## Thank You

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