

ELECTIVE PAY:
TAX CREDITS FOR TAX-EXEMPT ENTITIES

By installing clean energy technologies, **your organization has likely earned a federal tax credit, *even if it doesn't have any tax liability.*** This means you are entitled to these funds and can claim them through **Elective Pay.**

Entities Eligible to Use Elective Pay:

- **Local & Tribal governments**
- **Agencies & instrumentalities of these governments** (e.g., public school districts, transportation authorities, etc.)
- **Community colleges & public universities**
- **Non-profit organizations**
- **Rural electric cooperatives**
- **Houses of worship**

Using Elective Pay ultimately results in receiving a reimbursement from the Internal Revenue Service (IRS) for 30% or more of your eligible project costs.

Elective Pay requires tax-exempt entities to file a federal tax return, often for the first time. Contacting your local Elective Pay Ambassador is a great place to start!



MICHIGAN INFRASTRUCTURE OFFICE

ELECTIVE PAY:
MAKING CLEAN ENERGY PROJECTS MORE ACCESSIBLE THAN EVER

Elective Pay, often referred to as "direct pay," allows tax-exempt entities to take advantage of federal clean energy tax credits for the first time. This means eligible entities such as local and Tribal governments, non-profits, rural electric co-ops, houses of worship, public school districts, and others can now receive payment for a portion of their clean energy projects.

Key Features

Elective Pay is stackable. Elective pay-eligible tax credits can be paired with unrestricted grants and other federal incentives.

Elective Pay is not a competitive process. In most cases, eligible entities are not competing for funds, as the vast majority of these tax credits are not capped.

Examples of Eligible Projects



Powering public schools, municipal buildings, churches, food banks, and others with solar



Creating resilience hubs at communal locations using battery storage to offer support services during power outages



Upgrading aging HVAC systems at public schools with highly efficient geothermal heat pumps

Process for Receiving Your Elective Payment



Step 1
Place the project in service.

Step 2
Match the project with the relevant tax credit and bonus credits.

Step 3
Gather project data & Employer Identification Number and determine tax year. Ensure compliance with all relevant requirements.

Step 4
Pre-register the project(s) with the IRS through its online portal 120 days before filing your return.

Step 5
Within 60-120 days, receive project ID number(s).

Step 6
File tax return & make the Elective Pay selection.

Step 7
Receive a check from the IRS (between 45 days and 6 months after filing).

MICHIGAN INFRASTRUCTURE OFFICE