

Unlocking Federal Clean Energy Funds

How Nonprofits & Public Entities Can Apply for the IRS's
"Direct Pay" Reimbursement for Clean Energy Projects

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Presented by:





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Groundwork's Climate & Environment Program Area assists schools, local governments, utilities, and developers in clearing the way for local renewable energy infrastructure.



- ▶ Founded in 1974. Facilitates and manages various programs and services within the 10 counties of Northwest Lower Michigan.
- ▶ Primary service categories: workforce development (Northwest Michigan Works!); business & economic development, and **community development**.
- ▶ Our mission is to build stronger communities and enhance the quality of life in Northwest Michigan.

<https://www.networksnorthwest.org/>

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MIO TAC Elective Pay Ambassador Program



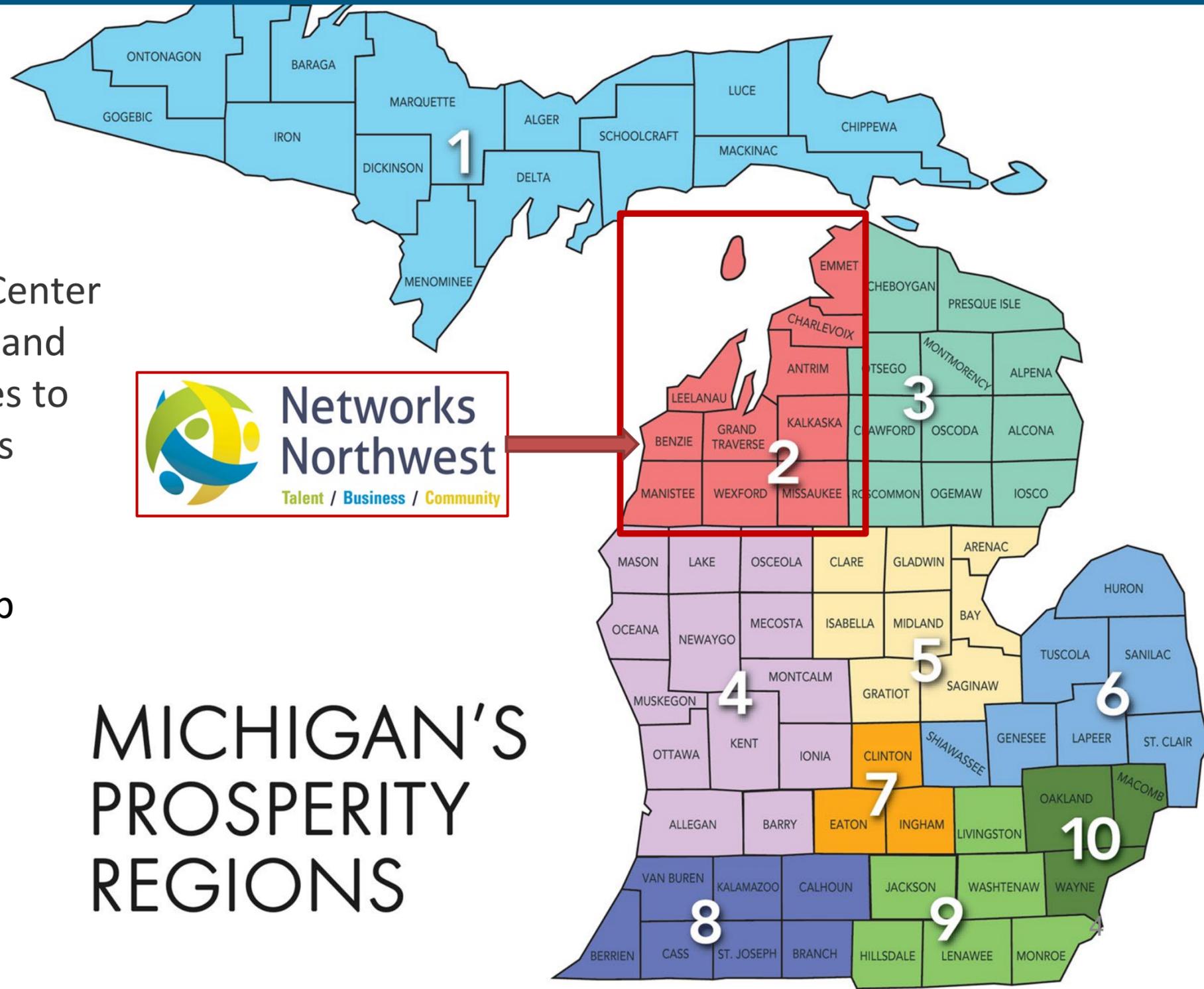
**MICHIGAN
INFRASTRUCTURE
OFFICE**

Michigan Infrastructure Office Technical Assistance Center (TAC) is committed to providing technical assistance and educational resources for elective pay-eligible entities to help draw federal infrastructure money to Michigan's communities.

Your region's Elective Pay Ambassador is here to help with questions about eligibility for these tax credits and help you pre-file for your organization's tax credit(s) with the IRS!

Find your regional EP Ambassador:

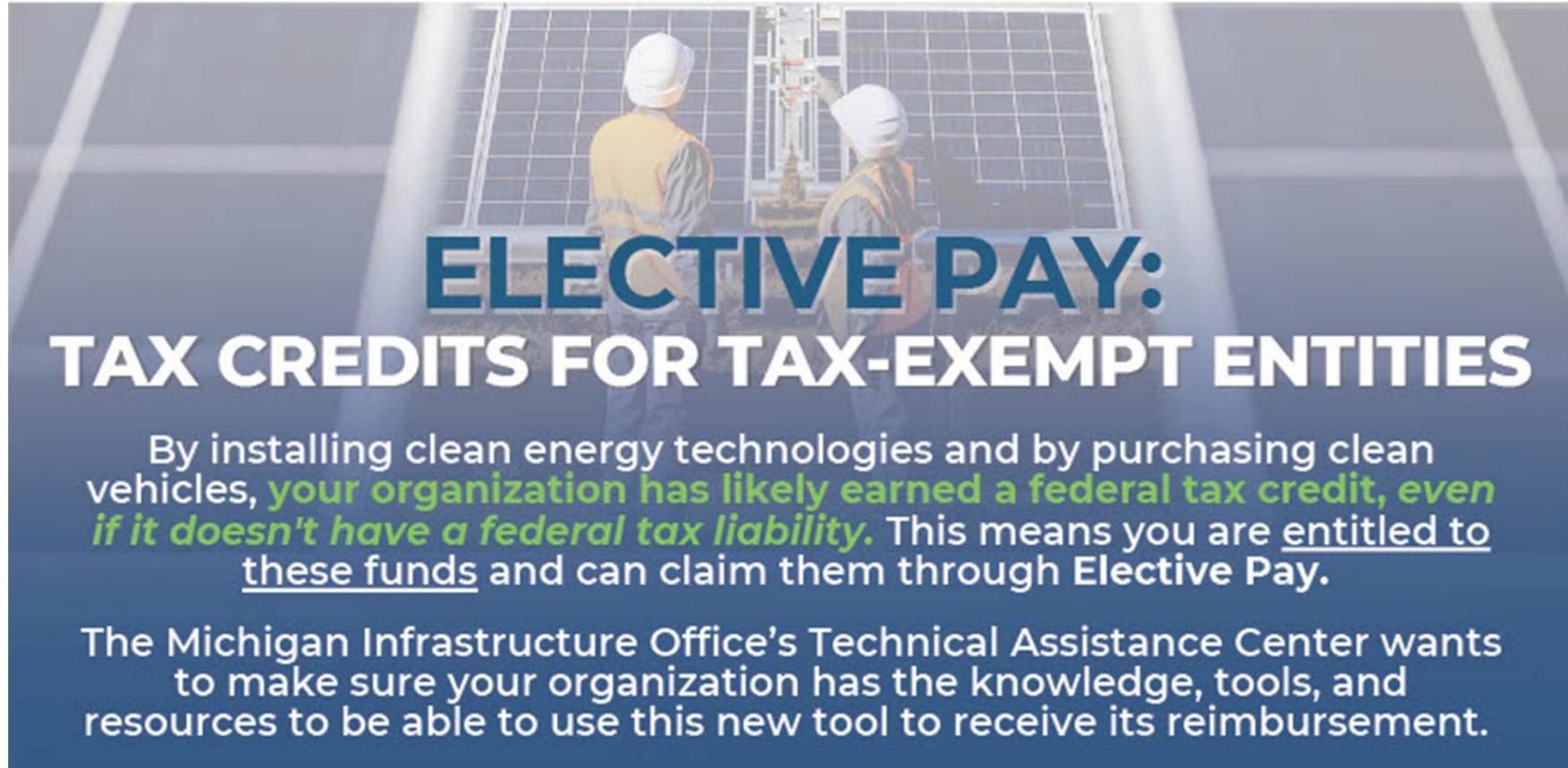
<https://www.michigan.gov/whitmer/issues/michigan-infrastructure-office/elective-pay>



**MICHIGAN'S
PROSPERITY
REGIONS**

What are Elective Pay Tax Credits?

Official IRS term is “**Elective Pay**” but **also called “Direct Pay**” (used interchangeably) created by the Inflation Reduction Act of 2022 (IRA)



ELECTIVE PAY:
TAX CREDITS FOR TAX-EXEMPT ENTITIES

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

The Michigan Infrastructure Office's Technical Assistance Center wants to make sure your organization has the knowledge, tools, and resources to be able to use this new tool to receive its reimbursement.

Using Elective Pay ultimately results in receiving a check from the Internal Revenue Service (IRS).

Get reimbursed for a sizable portion of your project costs (30%-70%) with this new tool.

Elective Pay requires tax-exempt entities to file a federal tax return with the IRS, often for the first time.

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.

Who Can Apply?



State governments
(the State of Michigan has used Elective Pay!)



Local and Tribal governments



Agencies & instrumentalities of these governments (public school districts, transportation authorities, etc.)



Community colleges & public universities



Non-profit organizations



Rural electric cooperatives



Houses of worship

Any organization described in sections 501 through 530 that meets the requirements to be recognized as exempt from tax under those sections (including, among others, all organizations described in section 501(c)).

See IRS FAQ on eligibility [here](#)

Eligible Investments

Not all energy projects/investments are eligible for Elective Pay. Examples of eligible projects and purchases include:



Solar power ✓



EV purchases ✓



Geothermal ✓



EV chargers ✓



Energy storage/batteries ✓

Common energy projects/investments that are not eligible for Elective Pay include:

- ✗ Energy efficiency measures (windows, LEDs, insulation)
- ✗ Heat pump installations (except ground-source heat pumps)

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



Installing vehicle charging infrastructure at community colleges, public parks, and more

Top Tax Credits

These 3 tax credits are the most popular credits for Elective Pay eligible entities.



Commercial Clean Vehicle Credit (45W)

- Applies to electric, plug-in hybrid, and fuel cell electric vehicles
- Value: One-time payment of **up to \$7,500 or \$40,000**
- Based on a 3-step assessment

Important! Now only available for vehicles placed in service by September 30, 2025



EV Charging Infrastructure Tax Credit (30C)

- Value: **6% or 30%** of total project cost, depending on if certain labor requirements are met
- Max \$100,000 per charger
- One time payment
- Rural and low-income areas only - check [map](#) for eligibility

Important! Now only available for chargers placed in service by June 30, 2026



Clean Electricity Investment Tax Credit ("ITC") (48E)

- Used for e.g., **solar, geothermal HVAC systems, wind, energy storage**
- Value: **6% or 30%** of total project cost
 - Plus bonus credits!
- One time payment

Important! New deadlines and restrictions!

What's changed with Elective Pay?

Here's a quick look at the key changes to select Elective Pay-eligible federal clean energy tax credits following the passage of the One Big Beautiful Bill Act (OBBBA).

Type of project & tax credit	Deadline	How to act now
Plug-in hybrid & electric vehicles (45W)	9/30/25*	Prepare to claim credit for vehicles acquired by 9/30/25
EV chargers (30C)	6/30/26*	Place infrastructure in service by 6/30/26
Solar** & Wind** (48E)	12/31/27*	Start construction in 2025 if possible. If beginning construction after 7/4/2026, must place in service by 12/31/27.
Energy storage** (48E)	12/31/34	Start construction in 2025 if possible. Must begin construction by 12/31/34.
Hydropower** (48E)	12/31/34	If begin construction in: 2033: receive 75% of credit
Geothermal (48)	12/31/34	2034: receive 50% of credit 2035 & onward: no credit

NEW Regulations Created by OBBA: Prohibited Foreign Entities of Concern

- Restrictions for projects involving entities from China, Iran, Russia, and North Korea – **if noncompliant, cannot claim tax credit**
- **Applies to solar, wind, & energy storage (NOT geothermal or EV chargers) if started construction after 1/1/2026**
- **MANY more details in statute; draft regulations issued in Feb 2026**
- **Your Installer should provide documentation of component manufacturers**

1. **Entity-level restrictions**

- a. Disallow tax credits if the taxpayer is a “Prohibited Foreign Entity,” defined as either a “Specified Foreign Entity” or a “Foreign Influenced Entity.”

2. **Payments restrictions**

- a. Disallow tax credits if the taxpayer makes payments to entities that are considered Prohibited Foreign Entities

3. **Material Assistance restrictions**

- a. Disallow tax credits if a certain % of manufactured products (e.g., solar modules, nacelles) used in the project are made by Prohibited Foreign Entities.

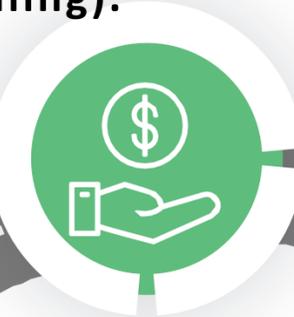
*Entity-level restrictions and payments restrictions apply to entities with a tax year starting after 7/4/25

Elective Pay Process

PRO TIP: Gather project data & documentation, and ensure compliance with all relevant tax credit requirements *before* placing project in service.

Step 7

Receive a check from the IRS (~45 days to 6 months after filing).



Step 5

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



Step 6

File tax return & make the Elective Pay selection



Step 4

Complete pre-filing registration the project(s) through IRS online portal ~120 days before filing your return.



Step 3

Compile project information & documents, and set up an ID.me account.



Step 2

Identify the relevant tax credit(s), bonus credit(s), and your tax year/filing deadline.



Step 1

Place the project in service.



Testimonials

"The [solar] project was \$59,000, and we are looking at getting 30-40% back through the tax credits. Given that, it wasn't a hard decision. Our vestry was really supportive. Applying for the direct pay was not difficult through the IRS website. They were very responsive regarding what we sent them, and whether it was appropriate, and whether they needed additional information."

- Wendy Heeden, Vestry Warden, St. Philip's Episcopal Church, Beulah, MI



Solar panels installed in 2024. Photo Source: Facebook page of St. Philip's Episcopal Church, Beulah.

Testimonials

Testimonial from Steven Dubois, Executive Director of the Roscommon County Transportation Authority, after Elective Pay Ambassador Mike Wilson helped them through their pre-filing registration process. Having only recently installed the solar carport at their facility, Steven reports saving \$600 on their electric bill already.

“ We are very grateful for the help...You made the process a whole lot easier. We would still be trying to figure it out without your assistance. Thank you!!! ”
- Steven Dubois
Executive Director, Roscommon County Transportation Authority

- **Type of project: Solar carport**
- **Project size: 60kw**
- **Placed in service: Nov. 2025**
- **Project cost: \$400,000**
- **Expected reimbursement: \$160,000 (40%)**



Testimonials: Local Governments and Elective Pay

<https://youtu.be/-NFleP7D0V0>



MI Elective Pay Success Story Video Series

Hear from Michigan entities about how Elective Pay helped them invest in clean energy

<https://youtu.be/qY7spFWgJCo>



Michigan Houses of Worship & Elective Pay

Michigan Nonprofits & Elective Pay



<https://youtu.be/hjsE8HNLKq0>



<https://youtu.be/EXfRhoHGumM>

Public Schools & Elective Pay

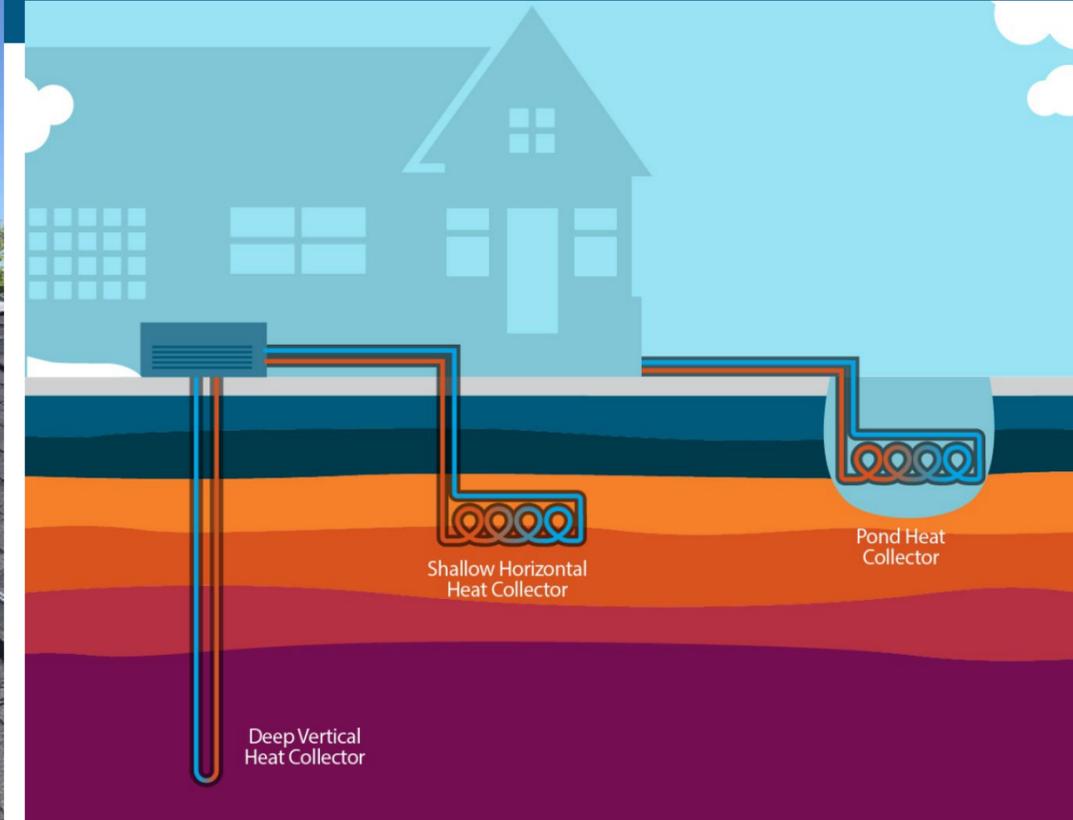
Questions?



<https://www.heartland.edu/images/continuingEd/communityed/TurbineCAMPUS.jpg>



<https://www.michigan.gov/egle/newsroom/mi-environment/2025/12/11/unlock-savings>



<https://www.energy.gov/eere/geothermal/geothermal-heat-pumps>



<https://www.dteenergy.com/us/en/business/community-and-news/renewable-energy/energy-storage.html>



<https://bridgemi.com/michigan-environment-watch/michigan-invest-110m-ev-chargers-134k-plug-it-wont-go-far/>

Getting “Into The Weeds”: Specific Eligibility Questions for Each Project



1. Prohibited Foreign Entity (PFE) Rules Apply?

- Restrictions for projects involving entities from China, Iran, Russia, and North Korea – **if noncompliant, cannot claim tax credit**
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Exceptions to the Material Assistance Provisions of PFE Rules

If construction began on a wind, solar or battery storage project (regardless of size!) before 12/31/2025, it is exempt from the material assistance provisions of the PFE rules.

What does “beginning of construction” mean?

- The date on which the owner has **paid or incurred 5% or more*** of the total eligible project costs

MIO TAC **advises 10%, to account for any cost increases over the construction timeframe of the project.*

OR

- The date the owner **begins physical work of a significant nature** (“physical work test”) and maintain continuous construction until completed.

More info: Lawyers 4 Good Government’s Guidance Brief on “Beginning of Construction for Energy Credits Generally”

<https://l4gg.docsend.com/view/jcvcv663h9we6tcr>

Material Assistance Rules

- Each component of a technology must meet a minimum specified % of components **produced by non-PFEs** (based on materials costs) to construct the facility or energy storage technology (EST). The required % is the material assistance cost ratio.
- Does **not** consider *where* the materials are produced, but *who* makes them.
- The material assistance cost ratio must be greater than or equal to the threshold ratio, which is determined based on the year during which construction begins. See next slide.

Material Assistance Rules

(apply to solar, wind, and battery storage)

Qualified Facility (Solar or Wind)	
Construction Year	Threshold % Ratio
2026	40%
2027	45%
2028	50%
2029	55%
Beyond 2029	60%

Energy Storage Technology	
Construction Year	Threshold % Ratio
2026	55%
2027	60%
2028	65%
2029	70%
Beyond 2029	75%

Material assistance cost ratio = cost of non-PFE manufactured products incorporated into the qualified facility or EST (total costs - cost of PFE products) / total cost of manufactured products.

2. Calculate Your Base Tax Credit

Projects Claiming the Investment Tax Credit or “ITC” (48E):

Examples: Solar, geothermal



Projects <1MW

30%

Projects ≥1MW

6% or 30%

Projects smaller than 1 MW are exempt from Prevailing Wage & Apprenticeship (PWA) rules.

Projects 1 MW or greater must comply with PWA rules to receive the 30 % credit, otherwise will receive a 6% credit.

ALL Projects Claiming the Charging Infrastructure Credit (30C)

Examples: EV chargers



Any charger installation

6% or 30%

All EV charger installations must comply with PWA rules to receive the 30% credit, otherwise will receive a 6% credit.

****Verify the Size of the Project!!**

When determining whether a project falls below **the one MW nameplate capacity threshold**, it is important to remember that **multiple energy properties may be aggregated and considered a single project if the energy properties are owned by a single entity and *four or more* of the following attributes are present:**

- The energy properties are constructed on contiguous pieces of land;
- The energy properties are described in a common power purchase, thermal energy, or other off-take agreement(s);
- The energy properties have a common intertie;
- The energy properties share a common substation or thermal energy off-take point;
- The energy properties are described in one or more common environmental or other regulatory permits;
- The energy properties are constructed under a single master construction contract; or
- The construction of the energy properties is financed under the same loan agreement.

Prevailing Wage & Apprenticeship Requirements

- 4 components →
- Applies to ITC, PTC, EV charging credit, among others
- Documentation is important!
- Exceptions:
 - ITC & PTC projects <1MW
 - Good Faith Effort Exception - written request & no response or request denied
- See more details [here](#)



01

Pay

Must meet prevailing wage specific to the location of the project

02

Labor Hours

Min. 15% of hours worked must be by apprentices from certified programs

03

Apprentices Ratio

Must meet applicable ratio of apprentices to journeymen established by the registered apprenticeship program

04

Participation

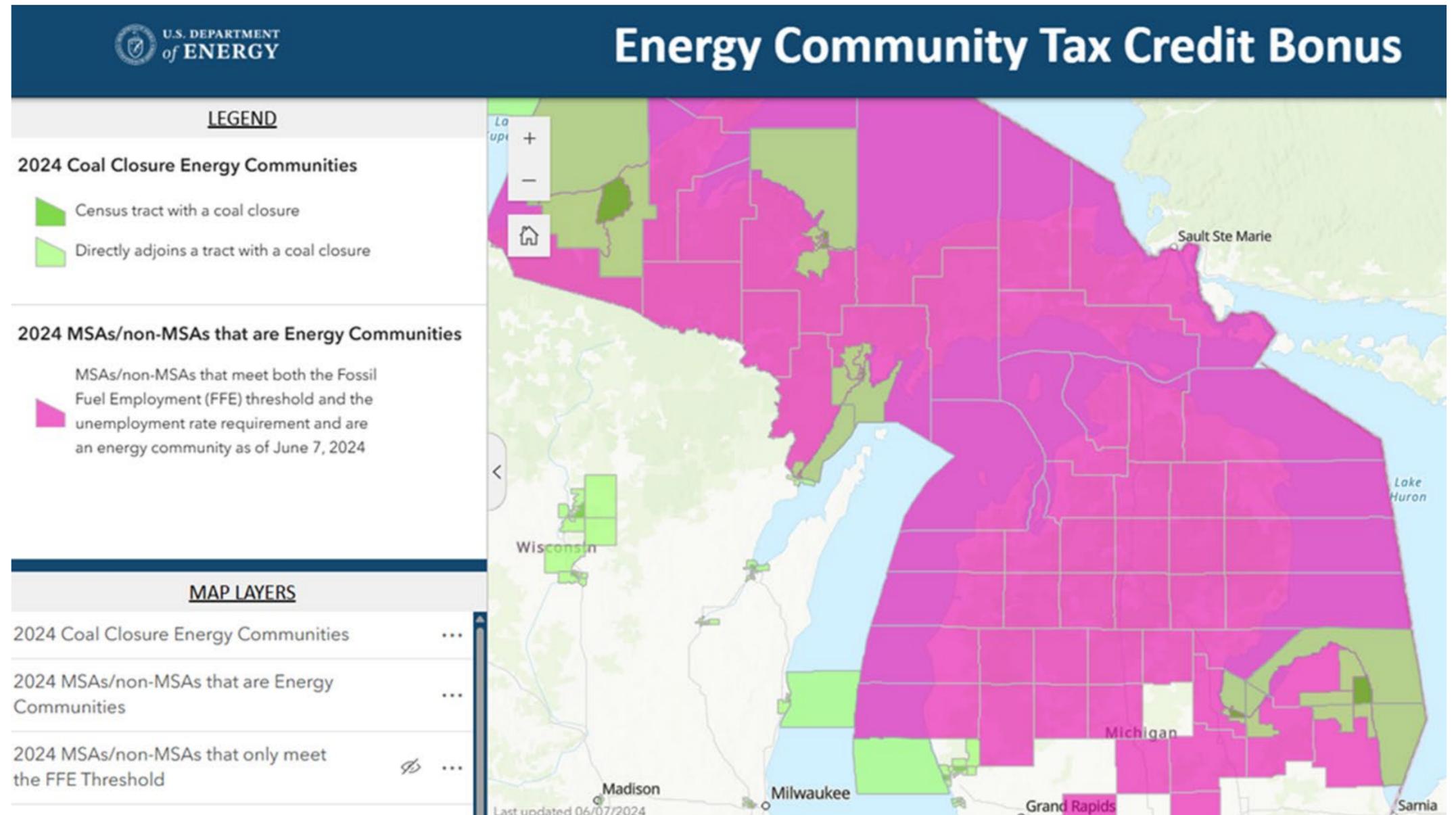
Any taxpayer, contractor, or sub-contractors with 4+ employees must hire at least 1 apprentice

3. Calculate your Energy Community Tax Credit Bonus

Bonus #1:
Project is located in an Energy Community (all of Northern MI!)

+ 2 percentage points on top of 6% ITC base,
or
+10 percentage points on top of 30% ITC base

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



4. Calculating Your Credit –Potential Bonuses for Low Income & Tribal Communities

Bonus #2: Solar or Wind project (<5MW) in low income & Tribal communities

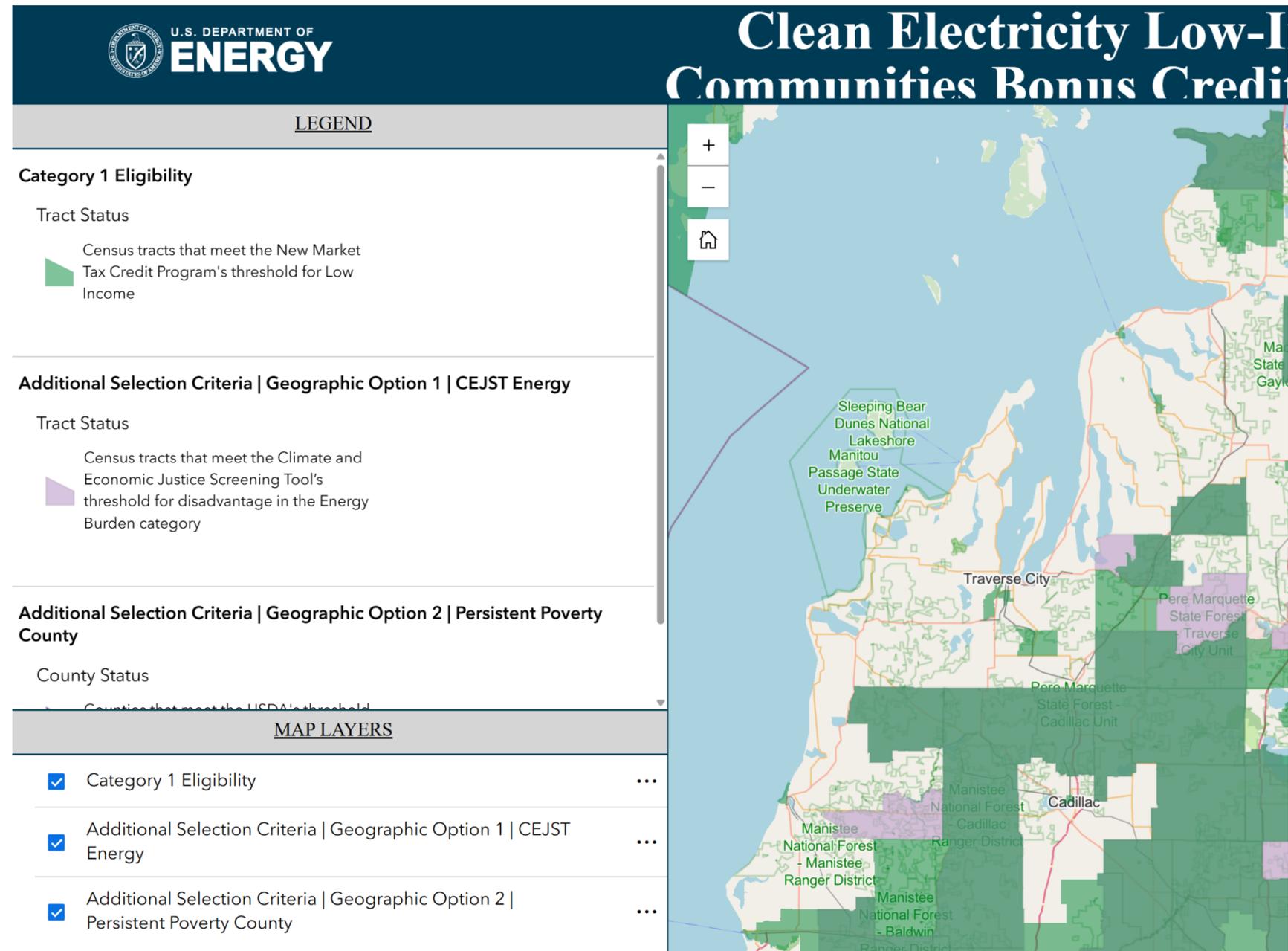
+10 or 20 percentage points (ITC)



Visit the IRS website [here](#) for more info & to apply

Important: Requires application to DOE & allotment (competitive & capped).

<https://experience.arcgis.com/experience/12227d891a4d471497ac13f60fffd822>



5. Calculating Your Bonus Credit or Penalty for Domestic Content Requirements

- **Bonus #3: Project uses a certain % of made-in-the-USA products (domestic content)** (steel, iron, manufactured products)
+ 2 percentage points on top of 6% ITC base, or
+10 percentage points on top of 30% ITC base

- **Or Penalty? Domestic Content requirement!!**

If project is **>1MW** and **does not meet** these requirements, *credit is reduced to 85% of credit amount if commenced construction in 2025, and 0% if commence construction 2026 and beyond.*

➔ More details [here](#)



<https://troescorp.com/sky-solar-works-with-troes-launches-100kwh-30kw-bess/>

6. Determine Your Filing Deadline

Determine your tax year & familiarize yourself with relevant filing deadlines.

- General rule: The **deadline to file** your return is the **15th day of 5th month after your tax year ends** (+6 months if using extension).
- **Pre-register** projects **120 days before filing deadline** (IRS recommendation)

2025 tax filing deadlines and guidelines

Please choose your tax year from the menu on the left below to get the correct recommended pre-registration and filing deadline dates.



<https://www.michigan.gov/whitmer/issues/michigan-infrastructure-office/elective-pay>

April 1, 2024 - March 31, 2025

July 1, 2024 - June 30, 2025

Oct. 1, 2024 - Sept. 30, 2025

Jan. 1, 2025 - Dec. 31, 2025

If your 2025 tax year was Oct. 1, 2024 - Sept. 30, 2025

Without extension		With extension	
IRS- recommended date for completing pre-registration	Filing deadline	IRS- recommended date for completing pre-registration	Filing deadline after extension
October 15, 2025	February 15, 2026	April 15, 2026	August 15, 2026

7. Financing Options

Michigan Saves

<https://michigansaves.org/bridge-financing/>



Michigan Saves financing prefunds the estimated tax credit for eligible upgrades, with the financing paid back in full when the credit is received from the Internal Revenue Service (IRS).

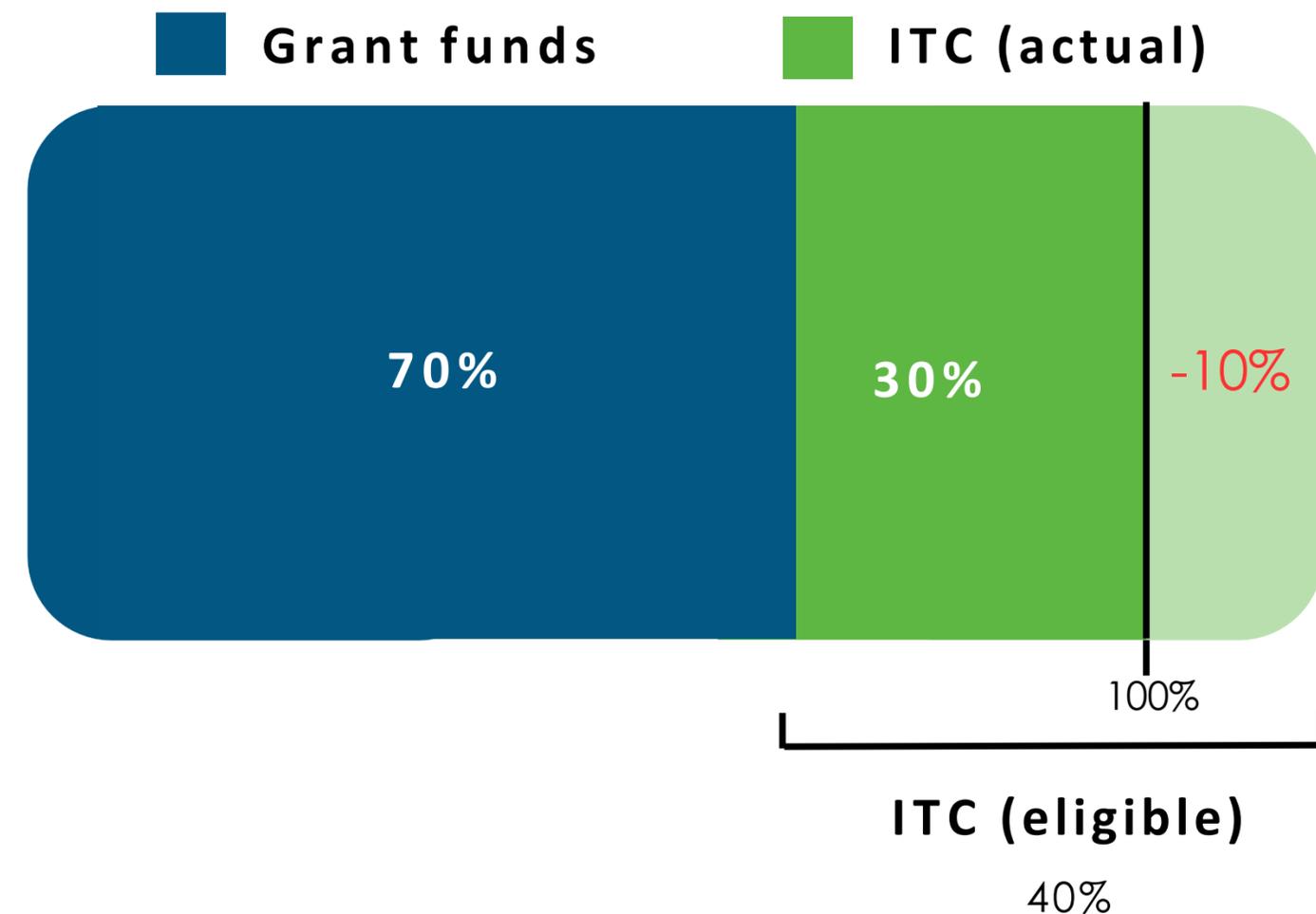
Michigan Climate Investment Hub - Ben Dueweke, Director
dueweke@miclimatehub.org



8. "Braiding" Funds with Grants or Project-Specific Donations?

No Excess Benefit Rule: tax-exempt grant funds + tax credits cannot exceed 100% of project costs. Tax credit value will be reduced to ensure this is the case.

Example: If a project receives a grant covering 70% of project costs, the project may be eligible for a 40% Investment Tax Credit, but the **actual credit received would be reduced to 30%** so as not to exceed 100% of project costs.

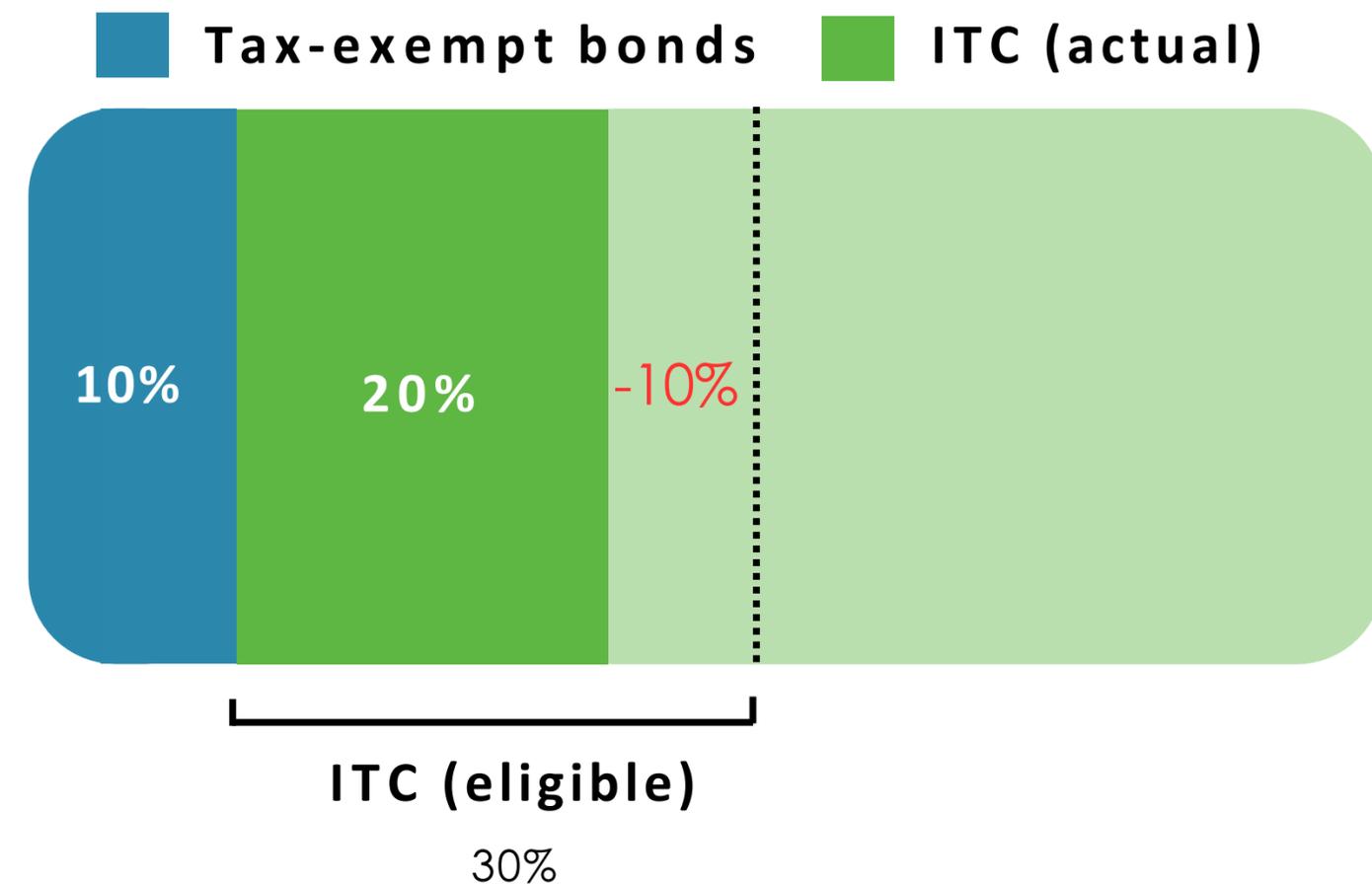


9. Braiding Funds - Tax-Exempt Bonds?

Tax-Exempt Bonds Restrictions - Using tax-exempt bonds to finance a project triggers a reduction in the value of the tax credit.

Reduction equal to % of project financed with tax-exempt bonds, up to **15% maximum**.

Example: Project uses a tax exempt bond to cover 10% of project costs. The project is eligible for a 30% ITC. The credit is reduced by the portion of the project financed with tax-exempt bonds (10%), resulting in a 20% credit.



Questions?



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<https://www.lawyersforgoodgovernment.org/elective-pay-ira-tax-incentives>

<https://www.michigan.gov/whitmer/issues/michigan-infrastructure-office/elective-pay>

<https://nwm.org/electivepay>