

Introduction to Elective Pay (Direct Pay)

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Disclaimer

The State of Michigan does not provide tax advice. Through the MIO TAC, however, entities can receive free accounting services provided by an accounting firm to help with Elective Pay. New application coming soon!

This presentation provides an overview of certain Inflation Reduction Act tax provisions for general informational purposes only and this presentation and the information contained in it is not tax guidance.

The content in this presentation is based on tax guidance on IRS.gov, information produced by third-party experts, and other publicly-available information.

This presentation relies on simplifications and generalizations to convey high-level points about Inflation Reduction Act tax provisions. Please refer to guidance issued by the IRS and from your professional tax advisor for detailed information on the rules associated with any tax provisions.

Who Are We? About MIO TAC

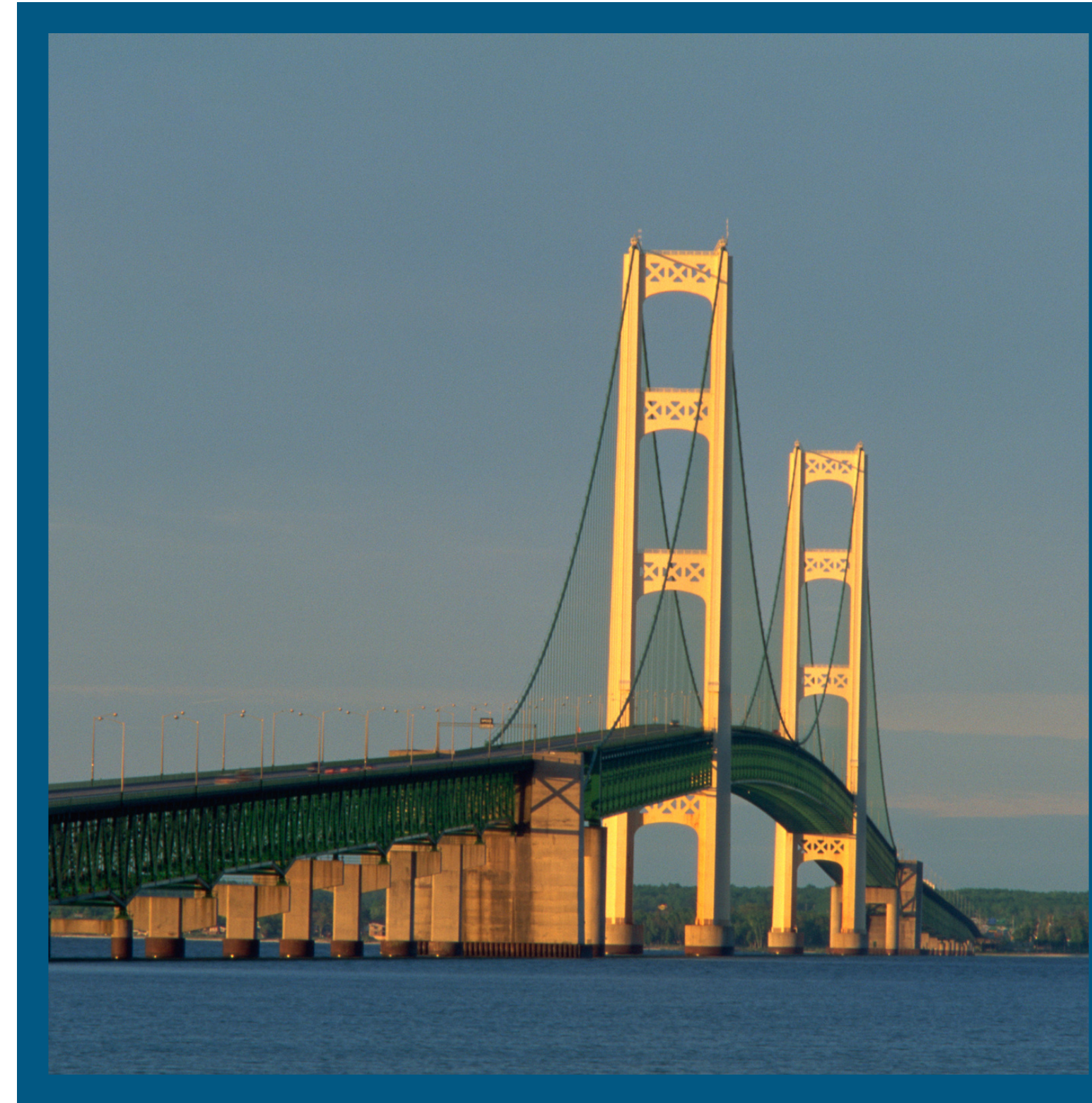
The Michigan Infrastructure Office [Technical Assistance Center \(MIO TAC\)](#) is the state's TA hub.

Objective: to help communities across the state bring federal funds back to Michigan.

MIO TAC has 4 key support services:

1. Grant identification
2. Grant writing
3. Providing matching funds
4. Support for Elective Pay entities

Also coordinates TA offerings across State of Michigan



Elective Pay (Direct Pay) Overview

- Elective Pay is official term; commonly called “Direct Pay”
- New mechanism for **tax-exempt entities** investing in **clean energy**
- Allows entities with no federal tax liability to **make use of federal tax credits for the first time**
- Result: **a check from the IRS** after filing a tax return
- Can **combine** with unrestricted grants, loans, and other types of funding
- Depending on the type of project & tax credit claimed, **can be valued at large % of project costs**
- Generally **uncapped & not competitive**

Keep in mind...

- *Not a grant, but a **reimbursement** (not up-front capital)*
- ***Must own the project** to claim the tax credit*

Elective Pay Eligible Entities



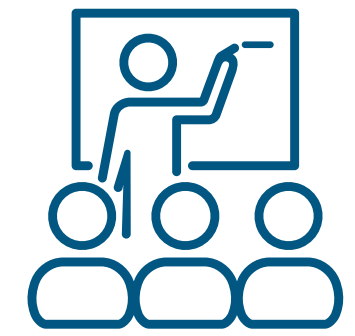
State governments
(the State of Michigan
has filed for Elective
Pay!)



**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](#)



**MICHIGAN
INFRASTRUCTURE
OFFICE**

Elective Pay Eligible Investments

Not all energy projects/investments are eligible for Elective Pay. Some that are include:

- ✓ Solar power (30%+ reimbursement)
- ✓ Geothermal (30%+ reimbursement)
- ✓ Energy storage/batteries (30%+ reimbursement)
- ✓ EV charger installations (6% or 30% reimbursement)
- ✓ EV purchases (up to \$7,500 per passenger vehicle, up to \$40,000 per e.g., electric bus)

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

- ✗ Energy efficiency measures
 - Windows
 - LED Lights
- ✗ Weatherization
- ✗ Heat pump installations (except ground-source heat pumps)

Find more details on all Elective Pay eligible tax credits [here](#)

Elective Pay Examples - Schools

Schools across the country are receiving their Elective Pay checks. Just a few examples:

Northland Pines School District – WI

- 70kW solar panels & 60kW battery storage
- Elective Pay check amount: \$111,375

Maize School District – KS

- 180kW solar panels
- Elective Pay check amount: \$104,585

Hart County Schools – KY

- Geothermal HVAC
- Elective Pay check amount: \$793,078

Ann Arbor Public Schools – MI

- Solar on 4 schools
- Check is in process
- Anticipated Elective Pay amount: \$518,000

Find more examples here:

<https://www.undauntedk12.org/elective-pay-database>

Could your district be next?

MIO TAC Elective Pay Resources

Want to learn more? Visit the MIO TAC Elective Pay Website

- Fact Sheets
- External resources
- Success story videos
- Webinars (*including full webinar for schools!*)
- Latest updates on Elective Pay guidance from the IRS
- FAQ

Already placed an eligible project in service? FREE accounting services! Applications opening again soon!

Project in progress? We offer one-on-one planning & troubleshooting - email me or our general inbox: mieog-michiganinfrastructure@michigan.gov

Want the latest updates? Sign up for MIO TAC Elective Pay email newsletters

Our ask of you

Success stories

- We are featuring Elective Pay success stories on our website.
- If your district has made use of Elective Pay, **please get in touch!**

Projects in progress?

- We are tracking Elective Pay-eligible projects in Michigan. **Please tell us about eligible projects you have underway.**

Q&A

Contact us

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