Bond Case Briefs

Municipal Finance Law Since 1971

How IRA Elective Pay is Helping Cities Meet Climate Action Plans

The Inflation Reduction Act (IRA) of 2022 continues existing and creating numerous new tax incentives for clean energy today. The most notable change for municipal governments has been the option for elective pay, in which local governments can take advantage of rebates as a non-taxable entity. Through elective pay, cities large and small can receive rebates for projects in clean energy and electric vehicles.

Understanding which projects are eligible for direct pay and how to file with the IRS is important for city staff as due dates are approaching, plus filing depends on how your jurisdiction elects to calculate their tax year (e.g., calendar year or fiscal year). For first-time filers and municipalities electing a calendar tax year — which are likely most local governments — filings for projects that were put into service in 2023 are due November 15, which includes an automatic six-month extension for first-time filers. In subsequent years, for local governments that choose a calendar year calculation, filings would be due on May 15.

Each project must preregister and receive a number before filing. Due to wait times for registration numbers from the IRS lasting upwards of several months, local leaders should act now to be ready by the filing deadline. It is also worth noting that coordination across multiple city departments is likely needed, including legal, financial and sustainability teams and others.

Continue reading.

National League of Cities

by Kelly Aves

JULY 2, 2024

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com