Renewable Energy Services

TRANSFORMING ENERGY INVESTMENTS INTO OPPORTUNITIES

The renewable energy industry is an ever-evolving landscape, with both boundless and complex growth opportunities— chief among them – maximizing government incentives, understanding the new legislation rules with the passage of the Inflation Reduction Act of 2022 (IRA), and amplifying the financial viability of a renewable energy facility – its never been more important to stay ahead.

That's why Marcum established its renewable energy practice to help businesses, investors, and developers understand the range of financial and tax benefits and challenges in this sector. Our renewable energy consultants can help you position yourself for success in rapidly changing times, take advantage of opportunities as they arise, and manage risks.

UNLOCK THESE KEY OPPORTUNITIES WITH MARCUM

Tax Credits and Incentives

Renewable energy project economics in the US are largely dependent on tax incentives, called Production Tax Credits ("PTCs") or Investment Tax Credits ("ITCs"). These incentives allow an owner of a qualifying generating facility in the US to claim a federal tax credit under Section 45 (PTC) or Section 48 (ITC) of the US tax code.

ITCs allow taxpayers to deduct a percentage of the cost of installing a qualified energy project from their federal taxes. PTCs are based on a per kilowatt-hour (kWh) price for electricity produced by the project for the first 10 years.

As discussed below, the IRA legislation extending both the federal PTC and ITC is another example of the importance of renewable sources in meeting today's energy needs.

Inflation Reduction Act

The IRA marks a transformative moment in the renewable energy landscape, ushering in a suite of legislative enhancements:

- Extension and expansion of Section 45 PTC and Section 48 ATC tax credit regimes
- Extension of ITC to apply to stand-alone energy storage facilities
- Option to elect PTC to extend to solar projects (under the current Section 45 regime through 2023, then via Section 45Y)
- Numerous energy-related tax credits for clean hydrogen, nuclear energy, stand-alone storage facilities, and advanced manufacturing credits for producers of solar and wind components were created.

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- Transferability and direct pay mechanisms established by the IRA allow stakeholders in clean energy to monetize their investments in new ways.

Marcum will guide you through IRA's complexities and maximize your benefits, capturing available credits and creating tangible gains for your energy initiatives.

Transferability and Direct Pay

The IRA introduced pivotal changes for monetizing investments in the clean energy space through transferability and direct pay options:

- **Transferability** permits the sale of credits to third parties on the open market, bypassing the need for complex tax equity structures and making 11 clean energy tax credits more accessible. Key points include:
  - Mandatory pre-registration of credit-generating projects via the IRS online portal.
  - Recapture risks shift to the transferee.
  - Credits cannot be re-transferred once purchased.
  - Purchasers are not taxed on credits bought at a discount.
  - At-risk and passive activity loss rules remain applicable.
- **Direct Pay** offers a cash payment alternative from the IRS to certain entities like states, local governments, nonprofits, and tribes in place of tax credits. It's crucial to note that credits previously transferred are not eligible for direct pay.

Marcum's advisory services guide clients through these processes, providing tax structuring, planning, and valuation to help ensure all benefits are fully captured in compliance with rules and regulations.

Repowering

Repower is the redevelopment of existing renewable projects with current technology to increase efficiency, reliability and extend useful life.

Repower leverages the existing infrastructure of a qualified energy facility to create a new facility using current technology.

Pursuant to the 80/20 Rule established by the IRS Revenue Ruling 94-31 (restated in Notice 2016-31), a repowered facility could qualify to be treated as having a "new" placed in service date, including qualification for tax credits, if at least 80% of the qualified energy facility is attributable to new or refurbished components. This allows the facility to potentially qualify for incentives such as the ITC or PTC, as applicable.

Marcum Service Offerings

Picture a world where your accounting, tax, and advisory needs are not just met but anticipated with precision-crafted solutions.

For developers and investors, tax-planning strategies are the cornerstone of renewable energy deals. Tax regulations can change, so it's essential to consult with a tax professional to understand how the rules apply to your project and what tax benefits it may secure.

Our experience in technical accounting and transaction advisory is your strategic edge, honed through years of guiding clients across complex investments. Marcum professionals employ a phased approach to add value at every stage of a transaction – with a particular emphasis on tax benefits and credits.

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The Marcum approach includes:

- Assistance with project selection
- Engagement in the transferability of tax credits
- Assessment of tax and accounting considerations in the context of deal structures
- Analysis of the project to confirm tax qualifications under IRS rules, including the 80/20 rule
- Modeling tax and accounting impact on the project, developers, and investors
- Assistance with cash flow projections and related tax and accounting impacts
- Performance of project valuation analyses
- Assistance in discussions with developers, accounting, and law firms, as necessary
- Site visits

Complex Accounting Areas:

- Variable Interest Entity assessment
- Preparation and review of tax equity models and structuring, tracking ongoing internal rate of return calculations;
- Accounting for investments in tax credit structures: Partnership flip structures using Proportional Amortization Method and Hypothetical Liquidation of Book Value (HLBV) and Sale-leaseback
- Evaluating accounting treatment of Power Purchase Agreements (PPA) (Lease Identification, Derivative assessment, Virtual / Synthetic PPAs)
- SPAC Combinations, Joint Ventures, Partnership Structures
- Effective sale treatment and exit strategies
- Accounting policies and new accounting standards
- Consulting services for improving the impact on environmental, social, and governance (ESG) initiatives
- ASC 805 and IRC 1060 purchase allocation analyses, including valuation of tangible and intangible assets.

CONTACT OUR SPECIALISTS:

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