

Treasury announces timeline for Inflation Reduction Act guidance

The Treasury Department this week announced its planned timeline for rolling out its next round of guidance on several key tax provisions in the Inflation Reduction Act (P.L. 117-169), which was signed into law August 16.

Corporate, clean energy guidance imminent

Treasury said in a December 19 statement that guidance on certain corporate tax and clean energy provisions in the new law is expected by the end of the year. This includes:

- Initial guidance on the corporate alternative minimum tax and the 1 percent excise tax on stock buybacks, two of the most significant corporate revenue raisers in the new law and
- A consumer-focused frequently-asked-questions (FAQ) document on the tax credit for energy-efficient home improvement projects and residential energy property. The FAQs were released December 22.
[URL: https://www.irs.gov/pub/taxpros/fs-2022-40.pdf](https://www.irs.gov/pub/taxpros/fs-2022-40.pdf)

Also expected by year-end is information for vehicle manufacturers on “the anticipated direction” of the critical mineral and battery component requirements that electric vehicles (EVs) will have to meet to qualify for the new law’s clean energy tax incentives, according to Treasury’s statement.

Beginning in 2023, vehicles will qualify for the EV tax credit only if at least 40 percent of the value of the battery’s applicable critical minerals have been extracted or processed domestically or with free trade partners, or were recycled in North America, and at least 50 percent of the value of the battery’s components have been manufactured or assembled in North America. (Those percentages will both begin increasing in 2024.) In addition, the Inflation Reduction Act mandates that beginning in 2024, an EV cannot qualify for the clean vehicle tax credit if any of the vehicle’s battery components were manufactured or assembled by a “foreign entity of concern” (as defined in 42 U.S.C. section 18741). Starting in 2025, a vehicle cannot qualify if its battery contains critical minerals that were extracted, processed, or recycled by a foreign entity of concern.

Looking further ahead . . .

Treasury indicated that it also intends to issue a notice of proposed rulemaking in March 2023 with proposed guidance on the critical minerals and battery components requirements. The department noted in this week’s release that the critical mineral and battery component requirements in the Inflation Reduction Act can take effect only after Treasury issues that proposed rule.

Recap of recent guidance

In a related development, Treasury released guidance this week on the Inflation Reduction Act’s tax credit for sustainable aviation fuel (SAF). Notice 2023-06 explains the requirements for aviation fuel to be eligible for the

SAF credit, the various methods for claiming the credit, and the registration requirements. The notice also includes a request for public comments.

URL: <https://www.irs.gov/pub/irs-drop/n-23-06.pdf>

Late last month, Treasury issued initial guidance on the “prevailing wage and apprenticeship requirements” that businesses must meet to claim enhanced tax credits related to the Inflation Reduction Act’s clean energy provisions. The new requirements will apply to qualifying facilities, projects, property, or equipment for which construction begins on or after January 30, 2023.

URL: <https://www.federalregister.gov/documents/2022/11/30/2022-26108/prevailing-wage-and-apprenticeship-initial-guidance-under-section-45b6bii-and-other-substantially>

Treasury also recently released a revenue procedure setting out key processes that manufacturers and sellers of clean vehicles must follow for vehicles to be eligible for one or more of the Inflation Reduction Act’s clean vehicle tax incentives, including tax credits for new and previously owned clean vehicles, as well as for commercial clean vehicles.

URL: <https://www.irs.gov/pub/irs-drop/rp-22-42.pdf>

A detailed discussion of the clean energy tax provisions in the Inflation Reduction Act is available from Deloitte Tax LLP.

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/inflation-reduction-act-2022-clean-energy-incentives.html>

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