

Good News for Catholic Facility Managers!



The Inflation Reduction Act (IRA) includes many changes that make it easier for Catholic organizations to switch to solar energy for their facilities.

Through a number of provisions, this recent law alters the financial landscape for solar projects for nonprofits. All options existing prior to the passage of the IRA remain, including Power Purchase Agreements (PPAs) and leases, however cash or financed projects just became more cost effective. Here are some highlights of these changes:

The Investment Tax Credit (ITC): Previously the solar Federal Investment Tax Credit (ITC) was directly available only to US taxpayers. Previously nonprofits could indirectly access the cost savings of the ITC through a PPA with a third-party taxpayer investor, but only if PPA transactions were permitted by the state or local utility.

- The current 26% ITC was scheduled to step down to 0% over the next three years but is now fixed at 30% through 2032¹ – this applies to Direct Pay as well.

Direct Pay: Via a new mechanism called Direct Pay, US nonprofits can receive a cash payment in lieu of the ITC – this means that owning solar just became 30% cheaper for a nonprofit.

- There are potential adders to the 30% Direct Pay – up to an additional 30% for using domestic materials, serving low-income communities, and/or being located in traditional “energy communities.”

What this Means: This development makes solar feasible in locations where third-party PPAs are prohibited including, but not limited to, parts of: AR, FL, KS, LA, MN, MS, and MO, as well as in some places where the low cost of electricity made a PPA difficult to finance.

- Another benefit of this development: fewer entities would be party to a direct-pay solar project transaction, simplifying the financing process significantly
- If a nonprofit chooses, Operations and Maintenance services can be included, thus providing the same level of management expertise as would be available under a PPA
- Solar + battery storage projects can also qualify for Direct Pay

Beyond Solar: Rebates are available for energy efficiency projects as well

- Rules-writing is now underway for the new law and will go into effect 60 days after they are published
- It makes sense to continue or start to develop projects now; industry expectations are that the new rules will take effect in early 2023

Bottom Line: The IRA makes solar accessible to a much broader range of nonprofits. [Catholic Energies](#) is informed of all the key developments emerging from this new legislation. [Contact us](#) to learn more about how we can help your organization navigate this exciting new landscape for solar and energy efficiency.

¹ For projects over 1MW, there are domestic production requirements beginning in 2024 to obtain the full direct payment