

[Request for Comments on Elective Payment of Applicable Credits and Transfer of Certain Credits \(irs.gov\)](#)

2022-50

- **What guidance is needed in calculating a reduction in tax credits for tax-exempt bond financing?**

The IRS should provide a detailed list of bonds that are applicable, such as bonds from the federal government and state organizations. Then provide example calculations for each type of bond with a standard qualified energy property project. That way, applicant can apply the examples to their specific projects if they are financed through tax-exempt bonds.

The list of bonds should also clarify if financing through a State Revolving Fund, by way of the EPA's Clean Water Act, qualifies as a tax-exempt bond.

- **Whether any documentation or registration should be required and what factors the government should consider to prevent improper payments or excessive payments and whether clarification is needed on the penalty provisions for excess payments.**

An application or registration process should be implemented to 1) confirm that applicable entities and taxpayers are eligible for payment and 2) to prepare a draft payment agreement or letter of understanding. Procedures for the draft payment agreement or letter of understanding could be facilitated as follows:

1. Once the applicable entity has a defined scope of work, preliminary design documents, schedule and capital cost estimate, they use the IRS guidance document to outline the eligible components of their qualified energy property.
2. The applicable entity provide supporting documentation for domestic content, energy community, wage and apprenticeship information to show that the correct bonus credits apply or do not apply.
3. The applicable entity prepares a draft funding amount based on the applicable bonus credits, energy percentage and eligible components of their proposed qualified energy property.
4. The applicable entity submits the draft funding amount in their application or registration documents to the IRS.
5. The IRS reviews the application or registration documents to 1) confirm the applicable entity is eligible, 2) confirm the proposed bonus credits and energy percentage are valid and 3) verify the proposed eligible components are eligible for the payment requested.
6. The IRS prepares a draft funding agreement or letter of understanding and sends it back to the applicant. Once the property is placed in service, the applicant submits the letter of understanding and all construction documentation to the IRS for final approval.

Such an application or registration process will prevent improper payments or excessive payments.