



(Last updated as of 10/30/2025)

Energy Tax Credits Summary

This is a summary prepared for internal use and is subject to change as further guidance is released.

Purpose and Background

Congress passed the Inflation Reduction Act (IRA) of 2022, which revised and created energy tax credits to stimulate and quickly upscale the energy economy. Tax credits are now available to the University of Illinois System for certain energy saving initiatives. Generally, credits range from 6% to 30% of the cost of the energy property, providing significant cost savings for new energy initiatives that drive progress towards the fulfillment of each university's climate commitments. This communication creates an awareness of these tax credits to facilitate reviewing potential projects or purchases and to determine whether they may qualify for one of the credits.

Additionally, in 2025, Congress passed the One Big Beautiful Bill Act (OB3), which impacts energy tax credits originally enacted in the IRA. Revisions are reflected below.

IRA Energy Tax Credits

Types of tax credits under the Internal Revenue Code (IRC) are as follows:

- **Investment tax credits:** qualified energy property or technology either constructed or acquired for original use
- **Carbon sequestration tax credit:** carbon captured and stored and/or utilized
- **Clean vehicle tax credits:** qualified clean commercial vehicles and alternative fuel refueling or charging stations located in low-income or non-urban (rural) areas
- **Production tax credits:** energy produced from a qualified energy source and sold to an unrelated party. These credits are generally not applicable to the university.

Energy tax credits do not apply to installation of energy efficiency projects that reduce total annual energy and power costs (e.g., interior lighting/HVAC/hot water systems, or the building envelope).

Benefits and Timing of Credits

These credits are valuable because they may result in refundable direct payments of the full credit, as opposed to being limited to offsetting the system's tax liabilities. The applicability and calculation of the credits can be complex. As necessary and at the expense of the department claiming the credit, the Tax department will consult with KPMG (the system's external tax preparer) to assist with the qualification determinations, calculations, and reporting requirements. The Tax department will obtain an estimate from KPMG for expenses related to a particular project or purchase credit.

Timing should be factored into plans for qualifying projects or purchases as receiving funds is dependent on the IRS's processing time. The IRS requires the system to pre-register credits once the energy property is placed in service. Therefore, it is important for departments to timely notify their university sustainability liaison listed below. The system will report the credits on its Form 990-T, Unrelated Business Income Tax Return. An example of the timing is as follows:

In general, credits may be claimed in the first year the equipment or property is placed in service. Credits generated in July 2025 will be included on the system's tax return for fiscal year ending June 30, 2026, which will be filed in May 2027. Note that credits may not be received from the IRS until calendar year 2028.

Next Steps

The [Energy Tax Credit Form](#) provides information regarding specific credits a department may consider.

At the onset, project managers need to:

- Review the information provided in this summary with the appropriate personnel and project experts (e.g., architect, contractor, or building designer);
- Determine credit qualifications for approved projects; and
- Complete and submit [Energy Tax Credit Form](#) to the university sustainability liaison identified below as early as possible for review.

University sustainability liaisons will then work directly with University Office of Capital Programs and Real Estate Services (UOCPRES). As necessary, UOCPRES will work with other System Offices, such as Tax and Legal Counsel.

University sustainability liaisons are as follows:

- UIC – Andy Mitchell
- UIS – Bob Mitchell
- UIUC – Morgan White
- System – Angie Stanford (also UOCPRES contact)

The project cannot rely on a tax credit for funding. The project must be fully funded and meet all required approvals. Once the determination is made that the project qualifies for an investment tax credit, departments are encouraged to identify and prioritize use of the funds when obtaining approval. Examples include, but are not limited to, debt reduction of the project, deferred maintenance, UIC Green Revolving Fund (GRF), or UIUC Revolving Loan Funds (RLF).

Departments need to collect, provide, and maintain all related documentation to substantiate the credit, which must be retained for a period of seven (7) years after the credit is claimed.

Summary of Energy Credits

Each project or purchase must be reviewed to ensure it qualifies, meets all requirements, and identifies potential restrictions.

Conditions and Restrictions

Credits may be maximized if various conditions are met, such as:

- Most credits have prevailing wage, apprenticeship, domestic content, energy community, and/or low-income community requirements for additional bonus credits.

Prevailing wage - Laborers and mechanics employed by the university or any contractor or subcontractor in the construction of a facility, and the alteration or repair of such facility, shall be paid wages at rates not less than the prevailing rates for construction, alteration, or repair. The minimum wages shall be based on the wages the Secretary of Labor determines to be prevailing for the corresponding classes of laborers and mechanics employed on projects of a character similar to the contract work in the civil subdivision of the State in which the work is to be performed.

Apprenticeship - The university shall ensure that 15% of the total labor hours of the construction, alteration, or repair work (including such work performed by any contractor or subcontractor) shall be performed by qualified apprentices. This requirement shall be subject to any applicable requirements

for apprentice-to-journeyworker ratios of the Department of Labor or the applicable State apprenticeship agency. The university, each contractor, or subcontractor who employs four or more individuals to perform construction, alteration, or repair work with respect to the construction of a qualified facility shall employ one or more qualified apprentices to perform such work. Exceptions to this requirement are available if the university pays a penalty commiserate to the number of labor hours in lieu of apprenticeship or has made good faith efforts in requesting qualified apprentices from a registered apprenticeship program.

Additional information on these two conditions is provided in [IRS Publication 5855](#).

Domestic Content

For steel and iron:

- All steel and iron manufacturing processes must take place in the US, except metallurgical processes involving refinement of steel additives.
- The steel and iron requirements apply to all construction materials made primarily of steel or iron and used in infrastructure projects such as transit or maintenance facilities, rail lines, and bridges. These items include, but are not limited to, structural steel or iron, steel or iron beams and columns, running rail and contact rail.
- These requirements do not apply to steel or iron used as components or subcomponents of other manufactured products or rolling stock, or to bimetallic power rail incorporating steel or iron components.

For manufactured products:

Not less than 40% of the total costs of all manufactured products of such facility are attributable to manufactured products (including components) that are mined, produced, or manufactured in the US. For property with beginning-of-construction prior to 6/16/2025, the 40% domestic content rules apply; for property with beginning-of-construction on or after 6/16/25 but before 1/1/2026, 45% domestic content is necessary; for beginning-of-construction during calendar year 2026, 50% domestic content is necessary; for beginning-of-construction after 12/31/2026, 55% domestic content is necessary to claim the credit.

Additional information on the domestic content bonus credit is provided in [IRS Notice 2023-38](#) and updated by [Section 70513 of OB3 Legislation](#).

Energy Community

See [mapping tool](#) for statistical area and coal closure categories of energy communities. Note that brownfield sites are not shown on the map. A brownfield site, as defined at [42 U.S.C. 9601\(39\)](#), also qualifies as an energy community.

Additional information is provided in [IRS Notice 2025-31](#).

- Credits may be subject to various restrictions, such as:
 - Credits may be reduced if the energy property is financed with tax-exempt bonds, restricted grants, or restricted forgivable loans (i.e., funds received specifically for acquiring such energy property). Note: Funding sources are not considered to determine credit eligibility other than the aforementioned financing mechanisms.
 - The system must own the property and cannot take advantage of credits as a lessee.
 - In public-private partnership (P3) arrangements, the system is deemed to be the property owner and is eligible for the credits.

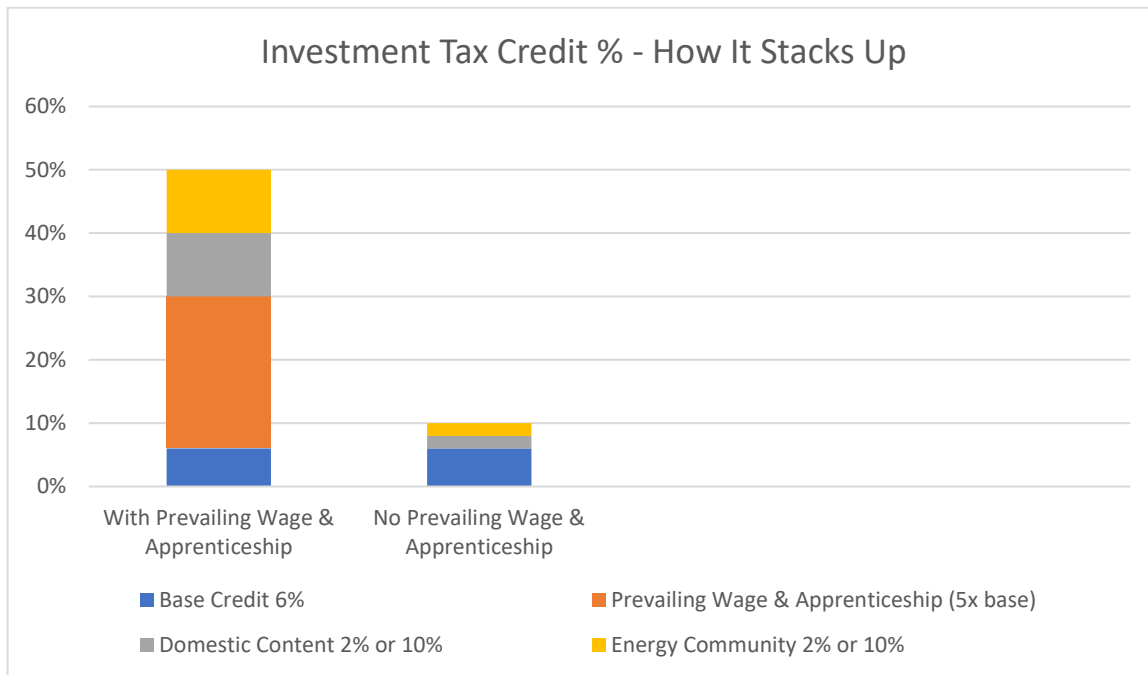
- In power purchase agreements, the system is not the property owner and is not eligible for the credits.
- Sales must be to unrelated parties.
- Certain credits have other restrictions (e.g., beginning of construction date and a placed-in-service date).

Investment Tax Credits

48, 48E, and 48C

Investment Tax Credits are obtained when a unit invests in a qualified energy property or technology by either construction or acquisition for original use.

Unless otherwise specified, each of these credits establishes a “base” credit (6%), with a “bonus” credit available for projects meeting prevailing wage and apprenticeship requirements. The bonus credit is five (5) times the base credit amount (30%). Investment tax credits apply an additional 10% (40%) bonus for meeting domestic content manufacturing requirements and an additional 10% (50%) bonus for facilities located in energy communities. In the absence of prevailing wage and apprenticeship requirements, the domestic content and energy community bonus credits are reduced from 10% to 2%.



IRC Section 48 Investment Tax Credit

This credit is for capital investment in qualified energy property or technology by either construction or acquisition for original use. Effective 1/1/2025, this credit only applies to geothermal projects, and construction must begin prior to 1/1/2035.

The base credit is equal to 6% of the basis (cost) of the property. Bonus credits apply for qualifying properties.

IRC Section 48E Technology-Neutral Clean Electricity Investment Tax Credit

This credit is for capital investment in any qualified facility used to generate electricity, placed in service after 12/31/2024, with a greenhouse gas emissions rate not greater than zero. This credit may also be used for any energy storage technology, including thermal energy storage properties. This investment tax credit replaces the IRC Section 48 Investment Tax Credit once it phased out for most technologies after 12/31/2024. The base credit is equal to 6% of the basis of the energy property. The bonus credits apply for qualifying properties (30-50%), plus an additional 10% bonus for projects located in low-income communities. The credit may *not* be combined with credits described under IRC Sections 45, 45J, 45Q, 45U, 45Y, 48, or 48A.

The qualified facility must meet either the maximum net output of less than one (1) megawatt (as measured in alternative current) or the domestic content requirements.

If the qualified facility meets neither of the requirements, the amount of the credit depends on the date construction begins:

- in calendar year 2025 – 85%
- after 12/31/2025 – 0%

Wind and Solar

For property placed in service after 12/31/2027, the Section 48E credit is eliminated for properties producing electricity using wind or solar energy. An exception exists for projects with beginning of construction on or before 7/4/2026.

Fuel Cell Properties

For Section 48E fuel cell properties beginning construction after 12/31/2025, all projects are eligible for a 30% credit without regard to greenhouse gas emissions and without regard to prevailing wage and apprenticeship requirements. Such properties will not be eligible for any additional "bonus" credits available to other technologies.

Carbon Sequestration Tax Credit

IRC Section 45Q Carbon Capture and Sequestration Credit

This credit is for carbon captured and stored and/or utilized during a 12-year period. The credit is for any industrial facility or direct air capture facility construction of which begins on or after 1/1/2023 and before 1/1/2033 and/or for equipment placed in service after 7/4/2025 used to enhance oil or natural gas recovery.

The credit is \$17 per metric ton of qualified carbon oxide captured and sequestered; \$12 per metric ton of qualified carbon oxide injected for enhanced oil recovery or utilized. For direct air capture facilities, the credit is \$36 per metric ton of qualified carbon oxide captured and sequestered and \$26 per metric ton of qualified carbon oxide injected for enhanced oil recovery or utilized. To qualify for a bonus rate equal to five (5) times the base amount, the project must meet prevailing wage and apprenticeship requirements. The credit is only available for qualified carbon oxide captured and disposed of or used within the US. The credit may *not* be combined with credits described under IRC Section 45V.

Clean Vehicle Credits

45W and 30C

IRC Section 45W New Commercial Clean Vehicles Tax Credit

This credit is for purchases of qualified clean commercial vehicles acquired for commercial use or lease within the US. For vehicles acquired after 9/30/2025, the Section 45W credit is eliminated.

If your unit purchased a qualifying vehicle between 7/1/2024 and 9/30/2025, contact University Tax.

IRC Section 30C Alternative Fuel Vehicle Refueling Property Tax Credit

This credit is for the cost of an alternative fuel refueling or charging station located in a low-income or non-urban (rural) area. Alternative fuels include electricity, ethanol, natural gas, hydrogen, and biodiesel. For property placed in service after 6/30/2026, the Section 30C credit is eliminated.

The credit is equal to 6% of the cost of the charging or refueling station. To qualify for the bonus rate of 30%, the project must meet prevailing wage and apprenticeship requirements. The credit is limited to a maximum of \$100,000 per item of property.

Low Income – any population census tract if:

- The poverty rate for such tract is at least 20%, or
- In the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80% of statewide median family income, or
- In the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80% of the greater of statewide median family income or the metropolitan area median family income

Urban Area – a census tract (defined by the Bureau of the Census) which, according to the most recent decennial census, has been designated as an urban area by the Secretary of Commerce; the [US Census Bureau](#) defines an “urban area” as “a territory that must encompass at least 2,000 housing units or have a population of at least 5,000. This includes adjacent territory containing non-residential urban land uses.”

See [2020 Census Qualifying Urban Areas and Final Criteria Clarifications](#).

Production Tax Credits

IRC Sections 45 Production Tax Credit, 45Y Technology-Neutral Clean Electricity Production Tax Credit, 45U Zero-Emission Nuclear Production Tax Credit, 45V Clean Hydrogen Tax Credit, 45X Advanced Manufacturing Production Tax Credit, and 45Z Clean Fuel Production Tax Credit.

Note: Since the university does not own its solar farms and building solar would be consumed within the system, it is likely that these credits are not applicable to the university. For additional information, contact University Tax.

Summary Chart

See summary chart of relevant energy tax credits below.

Energy Tax Credits After Enactment of One Big Beautiful Bill Act of 2025

Credit	Benefits	Restrictions	Period ¹	Footnotes
Alternative Refueling Property Credit (IRC Section 30C)	6% - 30% of costs, up to \$100,000 an item	<ul style="list-style-type: none"> •Prevailing Wage Requirements •Apprenticeship Requirements •Leases are excluded •Subject to recapture 	Began 7/1/2023; Eliminated for property placed in service after 6/30/2026	30C(e)(2) – Property used by tax-exempt entity and must be used in low-income tract areas
Production Tax Credit (IRC Section 45)	Credit is 0.55 cents per kWh/ bonus credit 2.75 cents per kWh	<ul style="list-style-type: none"> •45(b)(7) – Prevailing Wage Requirement •45(b)(8) – Apprenticeship Requirements 	Began 7/1/2023; Eliminated except for geothermal with construction beginning before 1/1/2035	45(b)(3) – Credit reduced for TEB 45(b)(9) – Bonus for domestic content
Credit for Carbon Sequestration (IRC Section 45Q CCUS)	\$22 - \$30 per metric ton of qualified carbon oxide	<ul style="list-style-type: none"> •45Q(f)(1)-Domestic capture and disposal only •45Q(h)(3)-Prevailing Wage Requirements •45Q(h)(4)-Apprenticeship Requirements •Cannot be combined with 45V 	Began 7/1/2023 and includes projects that begin before 12/31/2032	45Q(f)(8) – Credit reduced for TEB
Investment Tax Credit (IRC Section 48)	6% - 30% credit based on capital investment of renewable or conventional energy technology (timing)	<ul style="list-style-type: none"> •48(a)(5)(B)- Denial of production credit •48(a)(10) – Prevailing Wage Requirement •48(a)(11) – Apprenticeship Requirement •48(a)(15) - Cannot be combined with section 45V or 45Q 	Began 7/1/2023; Eliminated except for geothermal with construction beginning before 1/1/2035.	<ul style="list-style-type: none"> •48(a)(12) – Domestic Bonus Credit Amount •48(a)(4) – Credit reduced for TEB
Clean Electricity Investment Tax Credit (IRC Section 48E)	6% - 30% of qualified capital investment in in electric generating	<ul style="list-style-type: none"> •48E(d)(3) Prevailing Wage Requirements •48E(d)(4) Apprenticeship Requirements 	Facilities placed into service before 1/1/2025 with phaseout	<ul style="list-style-type: none"> •48E(d)(2) – Credit reduced for TEB •48E(e)(2) – subject to phaseout
Qualified Commercial Clean Vehicles (IRC Section 45W)	\$7,500 for vehicles under 14,000 lbs. and \$40,000 for vehicles up to 14,000+ lbs	45W(d)(3) – Cannot be combined with Section 30D This credit is preferred to Section 30D since it is based on direct pay whereas the latter is not and may only be used to offset tax liabilities.	Vehicles placed in service between 12/31/2022 and 9/30/2025.	•45W(d)(2) – Vehicles placed in Service by Tax-Exempt Entities

¹ Dates reflected are based on the university's 6/30 fiscal year end.