

How to calculate the bonus for energy storage projects

Do solar & storage projects qualify for a bonus credit?

In domestic content calculations for solar plus storage projects, the solar and storage assets are treated as one project. Norton Rose Fulbright said a standalone grid-scale battery will not qualify for a bonus credit using the percentages in the safe harbor table unless the cells plus at least one other component are U.S.-made.

Do solar projects qualify for bonus tax credits?

The US Treasury updated a table last week that is used to calculate the domestic content of solar, onshore wind and storage projects to determine whether they qualify for bonus tax credits. The updated table is in Notice 2025-08. The updated table applies to domestic content calculations starting on January 16, 2025.

Does IRA add a content bonus to energy credits?

The Inflation Reduction Act (IRA) added a domestic content bonus to certain energy credits that allows taxpayers to increase their tax credits by 10%, so long as they meet the requirements related to the applicable percentage of the total cost of components that are mined, produced or manufactured in the United States (see Tax Alert 2022-1236).

What is the purpose of the solar content bonus?

Mike Carr, Executive Director of the Solar Energy Manufacturers for America (SEMA) Coalition, released the below statement following the announcement: "The purpose of the domestic content bonus is to build a U.S.-based solar supply chain, and the latest guidance, although a positive step, falls short in some respects.

How much domestic content is required for energy projects?

Steel or iron used in these projects must be 100% domestically produced for the energy project to qualify as domestic content. Beyond that requirement, the remaining domestic content materials must add up to at least 40% of project costs (increasing to 45% in 2025).

What is a domestic content bonus?

The bonus is a 10% tax credit adder for solar, wind, and battery energy storage developers that install projects using U.S.-made components, adding to the 30% base investment tax credit. The domestic content bonus applies to facilities and projects built using the required amounts of domestically produced steel, iron and manufactured products.

Bonus Depreciation Calculation Because the business is claiming the ITC, its depreciable basis for the system after applying the ITC is 89% ($100\% - 22\%/2$) of the tax ...

content bonus credit amount for certain qualified facilities or energy projects placed in service after December 31, 2022, and added new §§ 45Y and 48E, which include a domestic content bonus credit amount for certain investments in qualified facilities or energy storage technologies placed in service after December

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31, 2024.

Notice 2024-41 introduces a new elective safe harbor that allows taxpayers to more easily calculate the 10% bonus for projects constructed using specified thresholds of U.S.-source content. The notice provides elective safe harbors for solar photovoltaic (PV) systems, onshore wind facilities, and battery energy storage systems (BESS).

In Notice 2024-41, the IRS has updated the guidance on how taxpayers can qualify for the domestic content bonus for credits under IRC Sections 45, 45Y, 48 and 48E for qualified facilities, energy projects and energy storage technology. Notice 2024-41 creates a new elective safe harbor that lists applicable project components and the "domestic cost ...

Renewable energy projects, including solar, geothermal, battery storage, wind, and biogas, are potentially subject to additional requirements depending on project size and are also eligible for bonus tax credits, depending on the ...

The U.S. Department of the Treasury released additional guidance on the Inflation Reduction Act's domestic content tax credit bonus for solar and battery energy storage projects. The guidance today builds on the domestic ...

On May 16, 2024, the Internal Revenue Service (IRS) issued further guidance (Notice 2024-41, the Additional Notice) intended to provide clarity and certainty surrounding the domestic content¹ bonus credit by (among other changes) ...

On May 16, the U.S. Department of Treasury and Internal Revenue Service (IRS) published updated guidance on how project owners can qualify for the 10 percent Investment Tax Credit (ITC) and Production Tax ...

The U.S. Department of the Treasury released additional guidance on the Inflation Reduction Act's domestic content tax credit bonus for solar and battery energy storage projects.

Bonus Depreciation Calculation Because the business is claiming the ITC, its depreciable basis for the system after applying the ITC is 89% (100% - 22%/2) of the tax basis: $0.89 * \$1,000,000 = \$890,000$ To calculate the bonus depreciation for a solar PV property placed in service in 2025, the business multiplies the depreciable basis by 40%:

The Inflation Reduction Act of 2022 (the "IRA") added and modified certain renewable energy tax credit provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). [1] The IRA additions included a new domestic content bonus credit under Code Sections 45, 45Y, 48, and 48E (the "Domestic Content Bonus Credit"). Under these new rules, ...

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Developers of solar, onshore wind and battery storage projects will no longer have to press equipment suppliers for their costs. Instead, there is an option to use a "safe harbor" table that shows the equipment that should be factored into the calculation and that provides percentages to assume for the different components.

The IRS issued Notice 2024-41 modifying the existing domestic content guidance in Notice 2023-38 on May 16, 2024. It provides a new elective safe harbor that simplifies the calculation needed to determine if solar, ...

On May 16, 2024, the IRS issued Notice 2024-41, which significantly simplifies the calculations to determine if solar, onshore wind and battery projects qualify for a 2% or 10% bonus tax credit for using enough domestic content under the ...

Solar projects greater than 1 MW that don't meet the Treasury's labor requirements and start more than 60 days after guidelines are released are subject to an 80% reduction in domestic content & energy bonus. Here's an ...

A worker in a high-vis vest and hard hat walks between solar panels that cover the roof of a Sam's Club store in California. New IRS guidance clarifies that the 10% domestic content bonus credit ...

o Energy storage devices that have a capacity rating of 5 kilowatt hours or greater (even if not charged with solar)
o For projects 5 MW or less, the tax basis can include the interconnection property costs spent by the project owner to enable distribution and transmission of the electricity

BESS battery energy storage system . CR Capacity Ratio; "Demonstrated Capacity"/"Rated Capacity" ... FEMP is collaborating with federal agencies to identify pilot projects to test out the method. ... SAM was used to calculate the reference yield in the denominator of the PR because this is the most detailed, non-proprietary, and widely ...

About SEIA. The Solar Energy Industries Association (SEIA) is leading the transformation to a clean energy economy. SEIA works with its 1,200 member companies and other strategic partners to fight for policies that create jobs in ...

The Internal Revenue Service explained today how to determine whether wind, solar, storage and other renewable energy projects qualify for a bonus tax credit for using enough domestic content. The guidelines are in Notice 2023-38. They require a more complicated analysis to qualify than expected.

The domestic content bonus is an opportunity for taxpayers claiming clean energy tax credits to claim an additional 10% credit for qualified projects using enough US-made steel, iron, and manufactured products that ...

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In the United States, many commercial customers can take advantage of Modified Accelerated Cost-Recovery System (MACRS) as well as Bonus Depreciation to reduce their federal taxes (here's a great summary from the U.S. Department ...

11. Energy Storage. The IRA added standalone energy storage technology, which includes electrical energy storage property, thermal energy storage property and hydrogen energy storage property, to the list of property eligible for the Section 48 ITC. The Proposed Regulations provide clarity regarding the various types of energy storage property:

To get the domestic content bonus, taxpayers must certify to the Treasury Secretary that (1) certain steel and iron components in their energy projects were ...

Projects sited in an energy community are eligible for a 10-percentage-point increase in value of the ITC (e.g., an additional 10% for a 30% ITC = 40%) or 10 percent increase in value of the PTC. 19 Low-Income Bonus The low-income bonus is only available to projects using the ITC and is subject to a 1.8 GW dc program cap per year.

On May 17, 2024, the IRS released Notice 2024-41, which provides new safe harbors for determining certain energy projects' qualification for the 10% domestic content bonus under the production tax credit (PTC) and investment tax credit (ITC).. The new safe harbor allows taxpayers to determine a project's domestic content percentage by relying on additive ...

In Notice 2024-41, the IRS has updated the guidance on how taxpayers can qualify for the domestic content bonus for credits under IRC Sections 45, 45Y, 48 and 48E for ...

The US Treasury updated a table last week that is used to calculate the domestic content of solar, onshore wind and storage projects to determine whether they qualify for ...

The U.S. Department of the Treasury ("Treasury") and the Internal Revenue Service ("IRS") have modified a framework relating to renewable energy projects that qualify for the domestic content bonus tax credit (the "DC Adder") under ...

First, we must consider that the Tax Cuts and Clean Jobs Act of 2017 introduced " Bonus Depreciation" for the initial year of solar projects, enabling a portion of the project's depreciable base to be depreciated in year one. Upcoming Bonus ...

The domestic content bonus tax credit is one of these bonus credits. Renewable energy projects and energy storage projects that meet certain domestic content requirements allow project owners to qualify for a "bonus ...

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Other posts in the Solar + Energy Storage series. Part 1: Want sustained solar growth? Just add energy storage; Part 2: AC vs. DC coupling for solar + energy storage projects; Part 3: Webinar on Demand: Designing PV ...

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