Stacking the IRA: Federal Guidance on Coordinating Multiple Funding Sources

NATIONAL HOUSING TRUST

Affordable housing providers can stack multiple funding and tax incentives in the Inflation Reduction Act (IRA) and other funding sources to maximize clean energy benefits. Federal agencies have developed implementation guidance, including rules for combining IRA incentives with federal, state, and local funding sources, balancing encouraging leveraging while preventing duplication of benefits.

This brief summarizes guidance for combining key IRA funding programs and tax credits with other funding sources. Understanding agency guidance is the first step for affordable housing providers and agencies in stacking incentives to maximize IRA's unprecedented opportunities to deliver clean energy benefits to under-resourced communities.

This information presented here is current as of October 2023 and is not intended to be comprehensive. Federal agencies may release more detailed guidance on stacking.

Department of Energy Home Energy Rebates (Home Efficiency Rebates and Home Electrification and Appliance Rebates)

- DOE strongly encourages states to design their rebate programs in ways that allow for effective combinations of various funding sources, including through integration with existing programs.
- Combining **Federal Grants** with rebates is only permitted if the grant funds separate upgrades. No other Federal grants, including another IRA home energy rebate, can be used for the same upgrade.
- **Federal Loans**, such as loans from HUD and EPA's Greenhouse Gas Reduction Fund, may be used to finance any remaining costs for upgrades and individual components of qualified electrification and energy efficiency projects additional to and separate from the value of the rebate.
- Consumers who receive IRA rebates for products that may be eligible for IRA **Tax Credits** may claim the credit after reducing the tax credit basis by the rebate amount.
- **State and Local government funding** can be used to co-fund any remaining costs for upgrades and individual components of qualified electrification projects beyond the value of the Federal rebate.
- The rebates reduce the eligible basis for **Low Income Housing Tax Credits.**

Source:

- DOE's Home Energy Rebate Program Requirements & Application Instructions- Section 3.3.2. Program Requirements: Integrating with Other Programs

HUD Green and Resilient Retrofit Program (GRRP)

- Owners receiving GRRP funds are permitted to receive **rebates, incentives, grants, loans, or any other support through other IRA or Federal, state, or local assistance** programs for activities at the property unless otherwise prohibited by the other assistance program.

- HUD will review applications for duplication of benefits. A duplication of benefits occurs when a person, household, business, government, or other entity receives financial assistance from multiple sources for the same purpose within the same time period, and the total assistance received for that purpose is more than the total need for assistance for that purpose. To avoid a duplication of benefits, owners are responsible for ensuring that GRRP funds are allocated to eligible costs in amounts that do not exceed the need and that the eligible costs are not allocated to another source of government assistance.

- HUD will also perform a subsidy layering review when GRRP funds are combined with another capital subsidy source to ensure that the overall level of assistance is not excessive.

- **Low Income Housing Tax Credit Equity,** HOME funds, grants or incentives provided based on achieving a specific outcome, e.g., constructing a net zero energy ready home, where funding is not allocated for a specific cost or scope of work item, are not considered in a duplication of benefits analysis but would be considered in a subsidy layer review.

Sources:
- Section 9.7 of Housing Notice H-2023-05 GRRP Notice
- HUD GRRP FAQ question "Are there any restrictions on using GRRP funding with other funding sources?"

EPA Greenhouse Gas Reduction Fund (GGRF)

- EPA has not released detailed guidance on rules for combining Federal grants, loans, tax credits, and other types of assistance with GGRF funding. However, EPA has directed applicants for GGRF grants to describe their plan to leverage existing resources from federal, state, Tribal, territorial, and local governments and non-governmental organizations.

- In addition, EPA requires grantees of all three competitions (Clean Communities Investment Accelerator, National Clean Investment Fund, and Solar for All) to mobilize financing and private capital to stimulate additional deployment of greenhouse gas- and air pollution-reducing projects. EPA has stated that grantees can consider tax equity investments, e.g., **Low Income Housing Tax Credits**, from private sources as private capital mobilization.

- EPA will evaluate Solar for All applicants on the extent and quality of their plan to ensure that the Solar for All financial assistance strategy proposed in the application complements, and does not duplicate, existing sources of capital and financial assistance.

Sources:

- EPA's Notice of Funding Opportunity for the National Clean Investment Fund
- EPA's Frequently Asked Questions about the National Clean Investment Fund
- EPA's Frequently Asked Questions about Solar for All

Investment Tax Credits, e.g., Section 48 Energy Tax Credit

- Treasury's proposed guidance for Elective Pay includes a special rule to enable entities to combine **grants and forgivable loans** with tax credits.

- If an investment-related credit property is funded by a tax-exempt grant or forgivable loan, entities would get the same value of the eligible tax credit as if the investment were financed with taxable funds- provided the credit plus restricted tax-exempt amounts do not exceed the cost of the investment.

- If the sum of the tax-exempt grant or forgivable loan and the applicable investment tax credit exceeds the cost of the property, the amount of the tax credit is reduced so that the total amount of the tax credit plus tax-exempt funding equals the cost of the investment property.

- For example:

Cost of solar property =	$80,000
Tax-exempt grant=	$60,000
Section 48 credit value- 50% of costs (30% + 20% bonus)=	$40,000
Sum of tax-exempt grant and credit=	$100,000
Sum of tax-exempt grant and credit minus cost of solar property=	$20,000
Final amount of Section 48 credit value ($40,000-$20,000)=	$20,000

Sources:

- Elective Pay and Transferability Frequently Asked Questions

For questions or feedback on this brief, contact Todd Nedwick, Senior Director of Sustainability Policy, at tnedwick@nhtinc.org.