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Direct Pay

(Elective Pay)

The Inflation Reduction Act of 2022

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Office of Financial Management

Working together for the equitable future of every Washingtonian.

Direct Pay (Elective Pay)

- Inflation Reduction Act’s “elective pay” (often called “direct pay”) provisions: tax-exempt and governmental entities will, for the first time, be able to receive a payment equal to the full value of tax credits for building qualifying clean energy projects.
- Unlike competitive grant and loan programs, in which applicants may not receive an award, direct pay allows entities to get their payment if they meet the requirements for both direct pay and the underlying tax credit.
- Applicable entities can use direct pay for [12 of the Inflation Reduction Act’s](#) tax credits, including for generating clean electricity through solar, wind, and battery storage projects; building community solar projects that bring clean energy to neighborhood families; installing electric vehicle (EV) charging infrastructure; and purchasing clean vehicles for state or city vehicle fleets.

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Examples of potentially eligible projects for state agencies/higher education institutions

- ✓ Electric Vehicles
- ✓ Charging Stations
- ✓ Solar

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Key Requirements

- ✓ Proof of ownership
- ✓ Placed in service date

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2024 Legislation for Direct Pay

[6098.SL.pdf \(wa.gov\)](#)

16 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.79
17 RCW to read as follows:
18 The **inflation reduction elective pay account** is created in the
19 state treasury. All receipts from elective pay provided under P.L.
20 117-169 (inflation reduction act of 2022) must be deposited into the
21 account. Moneys in the account may be spent only after appropriation.

[5949-S.SL.pdf \(wa.gov\)](#)

30 NEW SECTION. **Sec. 8008.** (1)(a) The director of the office of
31 financial management, or the director's designee, shall collect a
32 list of clean energy projects from state agencies that may qualify
33 for elective payment under P.L. 117-169 (**inflation reduction act of**
34 **2022**), such as the purchase of electric vehicle fleets; alternative
35 fuel vehicle refueling and charging; and renewable energy projects
36 including wind, solar, geothermal, electrolytic hydrogen, and energy
37 storage.

38 (b) For tax years 2023 and 2024, the director or director's
39 designee shall work with agencies, including institutions of higher

Direct Pay (Elective Pay) – OFM’s Implementation Plan

- OFM Letter sent earlier this year to agencies to collect a list of projects potentially eligible for Direct Pay



Adobe Acrobat
Document

- Creating a centralized webpage as resource to agencies [Direct Pay | Office of Financial Management \(wa.gov\)](#)
- [Communications](#) to agencies to complete the pre-filing and tax return by 11/15/2024 for projects placed in service in FY2024
- Supporting role in educating, coordinating effort to take advantage of the program
- Future projects: For the upcoming 2025 Supplemental and 2025-27 Biennial Budgets: OFM has provided agency [budget instructions](#) related to identifying projects with potential eligibility for the elective pay program.
- OFM will continue to inventory eligible projects, educate agencies on eligibility requirements, and work with agencies to ensure the timely filing of tax returns.

Direct Pay (Elective Pay) – Agencies with Eligible Projects

What will agencies need to do?

1. Identify and pursue the qualifying project or activity (project and budget staff members)
2. Placed in service: The applicable credit property must be placed in service during the fiscal year the tax return is for.
3. Complete pre-filing registration with the IRS:
This will include:
 - preparer(s) create an account with [ID.me](#) to be able to log in to the [IRS portal](#)
 - providing information about the entity,
 - which applicable credits the entity intends to earn,
 - and each eligible project/property that will contribute to the applicable credit and other information required.Once pre-filing is completed, the IRS will provide a registration number for each applicable credit property. That registration number will go on the tax return as part of making the elective pay election. Pre-filing registration needs to be done in sufficient time to have a valid registration number to file tax return.
4. File Form 990-T by the due date (or extended due date) and make a valid elective payment election.

Tax credits (money) from Direct Pay get deposited in Fund 28V - Inflation Reduction Elective Pay Account

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Tax Forms:

Form 990-T (main form)

- a. Form 3800 General Business Credit
- b. Form 8936 EV Vehicles + Schedule A
- c. Form 3468 Investment Credit (ITC)
- d. Form 8911 EV Infrastructure

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Questions/Concerns from Agencies

- Use of employee personal information to complete registration and tax returns: what are the implications and can employee refuse to register/file under their name?
Agency will need a main preparer, a backup, and a signer for the tax return.
Response: Employee is acting in their official capacity, not a personal liability
- Who should sign the tax return for the agency filing? And what risks/liabilities would be implied?
Response: Agency head/designee at director's level
Employee is acting in their official capacity, not a personal liability
- Can this process be centralized (at OFM)?
Response: whoever owns the property is the one to file under their own tax identification number

Direct Pay (Elective Pay) - Important Links and Resources

For preparer to create an account with ID.me

[Create an ID.me account - ID.me](#)

Start the pre-filing process with the IRS once an ID.me account is created

[Sign In \(irs.gov\)](#)

IRS tutorial video to navigate the pre-filing portal

<https://www.stayexempt.irs.gov/home/depth-topics/ira-and-chips-act-pre-filing-registration-tool-overview>

IRS frequently asked questions

[Elective pay and transferability frequently asked questions: Elective pay | Internal Revenue Service \(irs.gov\)](#)

IRS office hours

September 18, 2024 1-2:30 p.m. EDT [Register](#)

October 2, 2024 1-2:30 p.m. EDT [Register](#)

Lawyers for Good Government

[Elective Pay & IRA Tax Incentives — Lawyers for Good Government](#)

Directive Pay (Elective Pay) - Important Links and Resources

Resources:

OFM Federal Funds Coordinator

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Teams Information Sharing Sessions

Friday at 9:00AM (email [Denise](mailto:Denise.Nguyen@ofm.wa.gov) for meeting link)

OFM's Direct Pay Information Page

[Direct Pay | Office of Financial Management \(wa.gov\)](#)

Technical Assistance

The Office of Attorney General



Q & A



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