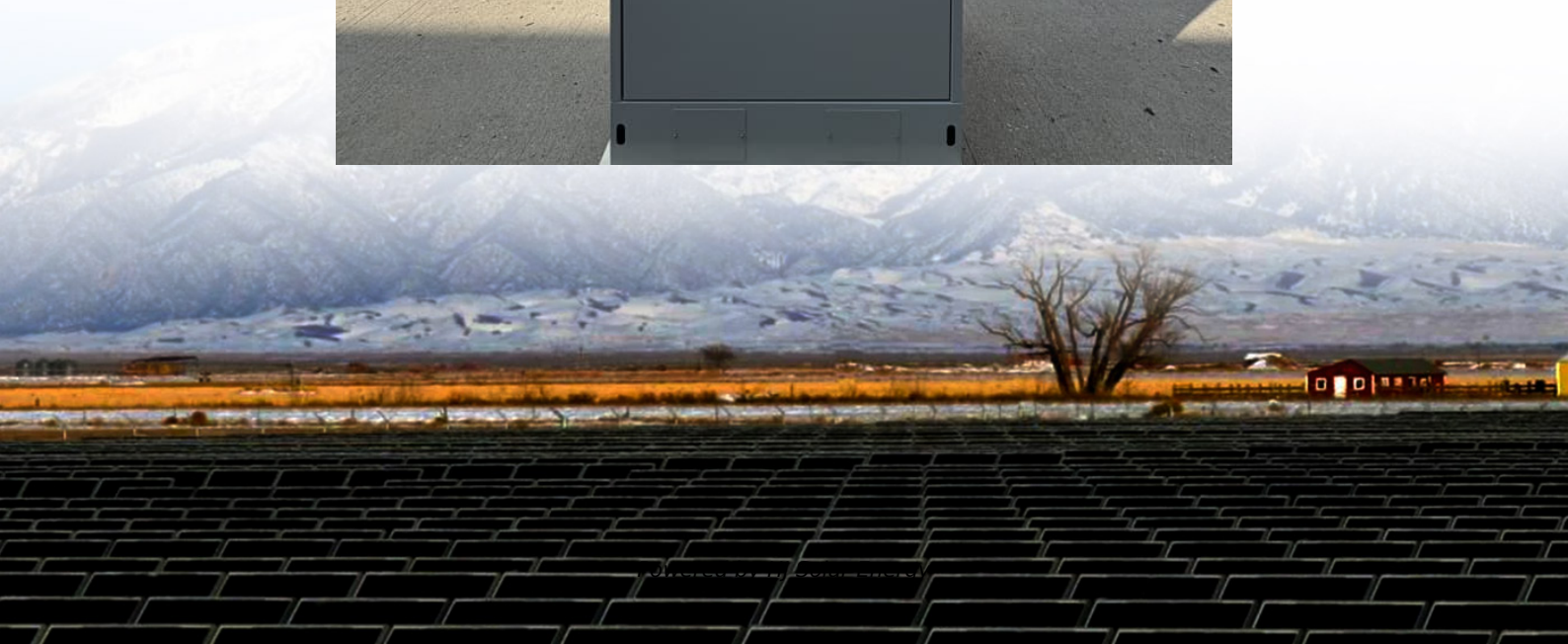


# **Interpretation of the tax incentives for shared energy storage**





## Overview

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This guidance has provided welcome clarity for sponsors, investors, lenders, credit buyers, equipment vendors, service providers, and tax credit insurance providers, allowing for the market for financing energy storage facilities based on the monetization of ITCs to take off.

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Tax-exempt and governmental entities, such as state and local governments, Tribes, religious organizations, and non-profits may install energy-generation and storage property to meet energy demands, reach clean energy transition goals, or save money on energy costs. This tax credit can help offset.

The Inflation Reduction Act of 2022, P.L. 117 - 169, significantly amended and expanded the investment tax credit (ITC) under Sec. 48, including making additional types of energy property eligible for the ITC, and providing increased credit amounts for energy projects that satisfy prevailing wage.

The U.S. Treasury Department and IRS on December 4, 2024, released final regulations (T.D. 10015) relating to the investment tax credit (ITC) for energy property under section 48, including rules for determining whether investments in energy property are eligible for the energy credit and for.

The ITC is a key incentive for investment in clean energy facilities and energy storage technology. The final regulations provide guidance on amendments to Section 48 under the Inflation Reduction Act of 2022 (the "IRA"). In November 2023, IRS and Treasury released proposed and temporary.

Investment tax credits are designed to reduce the cost of technologies and practices and incentivize private investment, resulting in adoption. Section 48 of the tax code provides an investment tax credit specifically for property in the energy sector including qualified small wind, waste energy.



On Aug. 16, 2022, President Joe Biden signed into law the Inflation Reduction Act of 2022 (IRA), which includes new and revised tax incentives for clean energy projects. This alert provides a summary of the IRA's impact on tax credits for energy storage technologies, which were extended and. What is a tax payer's basis in a thermal energy storage property?

The final regulations further provide that a "taxpayer's basis in the thermal energy storage property includes the total cost of the thermal energy storage property and HVAC system less the cost of an HVAC system without thermal storage capacity that would meet the same functional heating or cooling needs."

Who can install energy-generation & storage property?

Tax-exempt and governmental entities, such as state and local governments, Tribes, religious organizations, and non-profits may install energy-generation and storage property to meet energy demands, reach clean energy transition goals, or save money on energy costs.

What regulatory guidance has the government released on energy storage?

Of particular importance to the energy storage industry, the government has released final regulatory guidance for the ITC (both Section 48 and 48E of the Code), prevailing wage and apprenticeship (PWA) requirements, and transferability and direct payment, as well as other guidance on the energy community and domestic content tax credit "adders."

What is the base tax credit for energy projects?

- For projects beginning construction on or after Jan. 29, 2023 or where the maximum net output is 1 MW or greater, the base tax credit is 6% of the taxpayer's basis in the energy property or qualified facility (or energy storage technology).

Are IRA tax benefits a viable option for energy storage facilities?

While the vitality of the IRA tax benefits in their current form is currently subject to uncertainty given the results of the 2024 federal general election, the existing market practice for financing energy storage facilities since the IRA's passage continues to evolve in reaction to the act's new requirements and opportunities.

What are the New IRA rules for energy storage?



Energy storage was one of the major beneficiaries of the IRA's new rules on both the deployment and manufacturing sides. The IRA enacted the long-sought investment tax credit (ITC) under Section 48 and 48E of the Internal Revenue Code (the Code) for standalone energy storage facilities.



## Interpretation of the tax incentives for shared energy storage

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### Energy Storage Soft Costs Resources

NYSERDA Energy Storage Market Acceleration Bridge Incentives The New York State Energy Research and Development Authority's (NYSERDA) offer incentives through its Retail Energy ...

### [Navigating the Final IRS Regulations for Investment ...](#)

The IRS and U.S. Department of the Treasury recently released the final regulations for the Investment Tax Credit (ITC) under Section 48 of ...



### Instructions for Form 5695 (2024)

The residential clean energy credit added a credit for qualified battery storage technology. Battery storage technology costs are allowed for the residential clean energy credit for expenses paid ...

### One Big Beautiful Bill Act > Tax Incentives > Energy Storage

The One Big Beautiful Bill Act (OBBBA), signed into law by President Donald Trump on July 4, 2025, provides for enhanced restrictions on

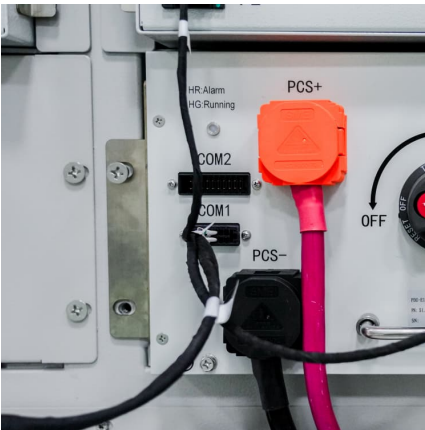


entities claiming many of the ...



### [What taxes do shared energy storage power stations pay?](#)

For example, states focused on renewable energy may offer lower property tax rates, income tax credits, or specific exemptions for equipment purchases. Conversely, other ...



### [Standalone Storage and the Investment Tax Credit](#)

The Inflation Reduction Act included more than \$300 billion in clean energy incentives, including extensions of the production tax credit and investment tax credit. The ...



### [The State of Play for Energy Storage Tax Credits](#)

This guidance has provided welcome clarity for sponsors, investors, lenders, credit buyers, equipment vendors, service providers, and ...



[Energy Storage Incentives / Minnesota Department of ...](#)

Incentives are currently available for battery storage systems up to 50kWh paired with solar energy systems. For customers outside Xcel Energy service areas ...



[New York Energy Storage Tax Incentive Reference Guide](#)

Overview Multiple tax incentives are available for the deployment of energy storage and solar resources in New York State. These tax incentives are provided by both New York State and ...

**IRS releases guidance on wind and solar facility tax credits: Key**

IRS Notice 2025-42 updates tax credit eligibility rules for wind and solar projects under EO 14315, redefining when construction begins for sections 45Y and 48E.



[Proposed regulations address clean electricity ...](#)

In brief What happened? The IRS and Treasury on June 3 published proposed regulations on the Section 45Y clean electricity production tax credit and the ...



### Battery Storage Technology Tax Credit

The following Residential Clean Energy Tax Credit amounts apply for the prescribed periods: 30% for property placed in service after December 31, 2016, and before January 1, 2020



### **Battery energy storage systems: Benefits and tax incentives**

This article explains the benefits of battery storage systems, and provides information on tax credits that the owners of battery storage systems can claim to help defray ...

### **What are the eligibility requirements for the federal tax ...**

To be eligible for the federal tax credit for energy storage systems, such as battery storage technology, the following requirements must ...



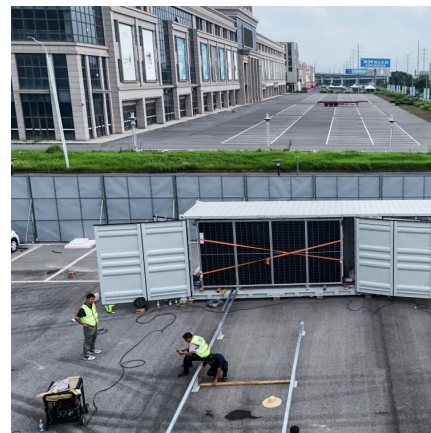


## Final Regulations Issued Regarding Section 48 Investment Tax ...

The ITC is a key incentive for investment in clean energy facilities and energy storage technology. The final regulations provide guidance on amendments to Section 48 ...

## A GUIDE TO FEDERAL TAX INCENTIVES

FEDERAL ENERGY INVESTMENT TAX INCENTIVES<sup>1</sup> Section 48(a) of the Internal Revenue Code has provided tremendous benefit to the commercial geothermal heat pump industry. The ...



## TAX INCENTIVES ON BATTERY ENERGY STORAGE ...

Although, the Energy Storage Tax Incentive and Deployment Act, introduced in 2019, intends to make those systems eligible for the same 30% tax credit. ITC (Investment Tax ...

## Tax-Exempt Entities and the Investment Tax Credit (§ 48 and ...

Tax-Exempt Entities and the Investment Tax Credit (§ 48 and § 48E) Tax-exempt and governmental entities, such as state and local governments, Tribes, religious organizations, ...

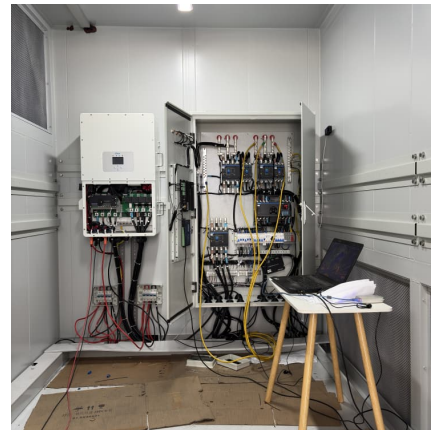


### How the 2025 Battery Storage Tax Credit Boosts Residential and

The U.S. battery storage market is gaining traction, thanks to supportive policies like the federal Investment Tax Credit (ITC). As of 2025, this credit continues to serve as a ...

### [What taxes do shared energy storage power stations pay?](#)

Understanding the complex tax obligations associated with shared energy storage power stations is crucial for operators and investors alike, as it can significantly affect ...



### [SALT and Battery: Taxes on Energy Storage , Tax Notes](#)

The IRA expanded the investment tax credit by eliminating the requirement that a storage system be charged by solar and including stand-alone energy storage systems ...



## Tax Incentives

Tax Incentives Malaysia offers a wide range of tax incentives ranging from tax exemptions, allowances to enhanced tax deductions. Generally tax incentives are available for tax resident ...



## Solar + Storage

The Energy Storage Tax Incentive and Deployment Act would result in the acceleration of the energy storage deployment and would encourage continued innovation and reconfiguration of ...

### [Analysis on impact of shared energy storage in](#)

The growing movement toward a cleaner environment and the desire for saving energy costs have encouraged electricity consumers to use clean and low-cost renewable ...



### [What is the tax rate for energy storage batteries?](#)

The tax rate for energy storage batteries varies by jurisdiction, intended use, and applicable tax incentives. 1. Federal tax credits and state ...



### **How do utility-specific incentives for energy storage ...**

Utility-specific incentives for energy storage vary significantly by state, reflecting different strategies to support the integration of storage ...



### **Tax-exempt investment in partnerships holding energy properties**

A notable limitation of both traditional and hybrid tax equity structures arises when energy property, which is otherwise eligible for the ITC and accelerated depreciation, is ...

## **Contact Us**

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