

TYPES NOT MAPPED YET January 11, 2024 | TTR not mapped yet | Nicholas H. Kappas

Proposed Regulations for Advanced Manufacturing Production Credit: Section 45X and Its Impact on Clean Energy Components

The Treasury Department and the IRS have recently released Proposed Regulations under Section 45X of the Internal Revenue Code of 1986, as amended, pertaining to the Advanced Manufacturing Production Credit. Section 45X offers tax credits for eligible clean energy components produced by a taxpayer in the U.S. or its territories and sold to an unrelated person during a taxable year.

Overall, the Proposed Regulations aim to provide clarity on eligibility criteria, production activities, related-party transactions, and specific definitions to facilitate the application of the Advanced Manufacturing Production Credit. Comments on these regulations are due by February 13, 2024, with a public hearing scheduled for February 22, 2024.

Section 45X(b) outlines credit amounts for different eligible components, subject to phase-out rules from 2030 to 2032. After 2032, only applicable critical minerals qualify for the credit. Eligible components include solar and wind energy components, inverters, qualifying battery components, and applicable critical minerals.

The Proposed Regulations specify that the taxpayer claiming the credit must directly perform production activities resulting in a substantial transformation of eligible components, selling them to unrelated persons. For solar grade polysilicon, electrode active materials, and applicable critical minerals, production includes processing, conversion, refinement, or purification of source materials to derive a distinct eligible component.

In the case of contract manufacturing arrangements, the party performing the substantial transformation can claim the credit. The Proposed Regulations also address related-party sale rules and sales of integrated components.

Proposed Regulation § 1.45X-3 offers technical and industry-specific definitions for solar energy components, wind energy components, inverters, and qualifying battery components, along with credit amounts and phase-out rules. Proposed § 1.45X-4 provides similar details for applicable critical minerals.

We have prepared an in-depth overview of the Proposed Regulations that dives into specific examples as well as categories of eligible components and credit amounts. Read the full report [here](#).

authorsTest

nicholas

Nicholas H. Kappas