

SOLAR FOR NONPROFITS

NEW OPPORTUNITIES IN THE IRA



Going Solar For Nonprofits

Two Options for Nonprofits to Go Solar



Direct Ownership

Direct ownership involves the nonprofit purchasing and owning a solar system for its property. It's suitable if funds can be raised, cash is available upfront, financing can be arranged or incentives and grants are accessible.



Third-Party Ownership

Under third-party ownership, an external entity like a solar developer or community investors own and operate the solar system for the organization. The organization pays the third party for the system's monthly electricity production. Nonprofits often prefer this option due to limited financing capabilities.

Elective Pay Opportunity with the Inflation Reduction Act

Before the Inflation Reduction Act (IRA) of 2022, nonprofits were not eligible to apply the federal tax credit to their solar installations. To leverage the full value of the federal tax credit, these organizations had to install their systems through third parties who were able to monetize the tax credit and incorporate those savings into the final price. With the passing of the IRA, tax-exempt organizations are now able to take advantage of the federal tax credit through an elective pay option. Elective pay operates similar to a rebate system in which an entity notifies the IRS of an eligible project when filing an annual tax return and then receives a portion of the project cost as refund from the IRS. The tax credit is 30% of the installed system cost through 2032, then steps down to 26% in 2033, and 22% in 2034.

Additional Incentives

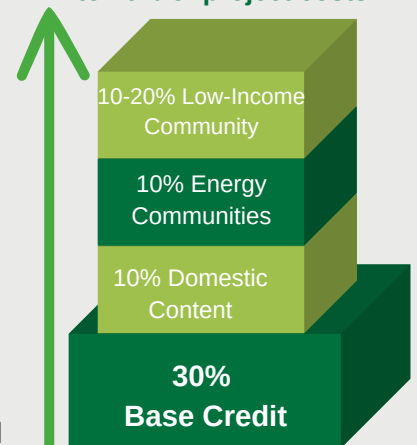
Projects can also add to the base ITC credit through additional bonus credits—specifically, "domestic content," "energy community," and "low-income community"—based on certain conditions.

The "low-income community" bonus credit, capped at 1.8 gigawatts annually for 2023-2024, supports projects in low-income, tribal, or affordable housing communities.

Designated "energy communities" can claim an extra 10%, given they meet specified criteria. These communities include brownfields, areas with fossil fuel-related employment history, or those impacted by coal mine closures or retirements of coal-fired electric generating units.

Domestic content bonus requires that projects domestically source 40% of steel and iron products including the steel photovoltaic module racking, inverters, PV tracker, and any steel or iron rebar used in the concrete pad foundation.

In rare cases, ITC tax incentives could cover up to 70% of project costs!





Case Study: Urban Dreams

Urban Dreams, in collaboration with The Nature Conservancy in Iowa and other Grow Solar Polk County partners, turned on a new solar array at their building in downtown Des Moines.

Expected to save more than \$3,200 a year in energy costs, the savings from the solar system will enable Urban Dreams to reinvest in its people, mission and programming as the organization works to break down barriers to success and uplift underserved and underrepresented people. Through provisions in the Inflation Reduction Act, the Urban Dreams project is eligible to leverage the federal solar tax credit through the new elective-pay mechanism and a low-income adder, helping to make the project more affordable.

This installation is the capstone of the Grow Solar Polk County program, spanning 2022 and 2023, that spurred 583.63 kW of solar power and led to \$1,624,802 in local investment throughout the county.



\$3,236.51
First Year Savings



92.8%
Electric Bill Offset



23.5 kW
Solar PV System Size



32,858 kWh
First Year Production

Urban Dreams Solar Project: By the Numbers

Base Cost Per Watt	\$2.33	All-in Project Price	\$65,973
Base Price	\$54,755	30% Federal Direct Pay	-\$19,792
Adders	\$13,310	Projected Net System Cost	*\$46,181
Grow Solar Group Buy Discount	-\$2,820	*also applied for additional IRA low-income community bonus tax adder of 10% or an additional savings of \$6,597	

Solar Best Practices

TIMELINE: PRE INSTALLATION

Take a look at the timeline below to find the best next steps when adding solar for your nonprofit.



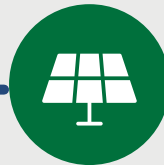
Research your energy needs. Understanding how much energy your building uses is crucial for properly sizing your array. Gather your past 12 months of utility bills to gauge your annual energy usage. Make sure to also consider future energy needs, including additions like an electric vehicle or heat pump that could increase your usage.



Know your local rules. Check with your local city or county about any ordinances in place that might impact your solar project. Examples of these ordinances are setbacks and structural assessments.



Consult your tax professional to understand [IRS Elective Pay Guidance](#) for making decisions about funding the project. Nonprofits can use restricted tax-exempt amounts like grants, donations or federal dollars to calculate the total cost when determining the tax credit amount. However, if the restricted tax-exempt money and the total (including credits) is more than the project cost, the tax credit is reduced to match the unrestricted dollars contributed to the project. Note, if tax-exempt amounts are received for general purposes, rather than for the specific purpose of acquiring/constructing/reconstructing the project, these funds will not reduce the tax credit.



Contact solar installers and get a site assessment. Do a bit of research and gather at least 2-3 bids. Choose a local installer when possible, and be cautious around offers from out-of-state companies. Most installers provide site assessments free of charge.

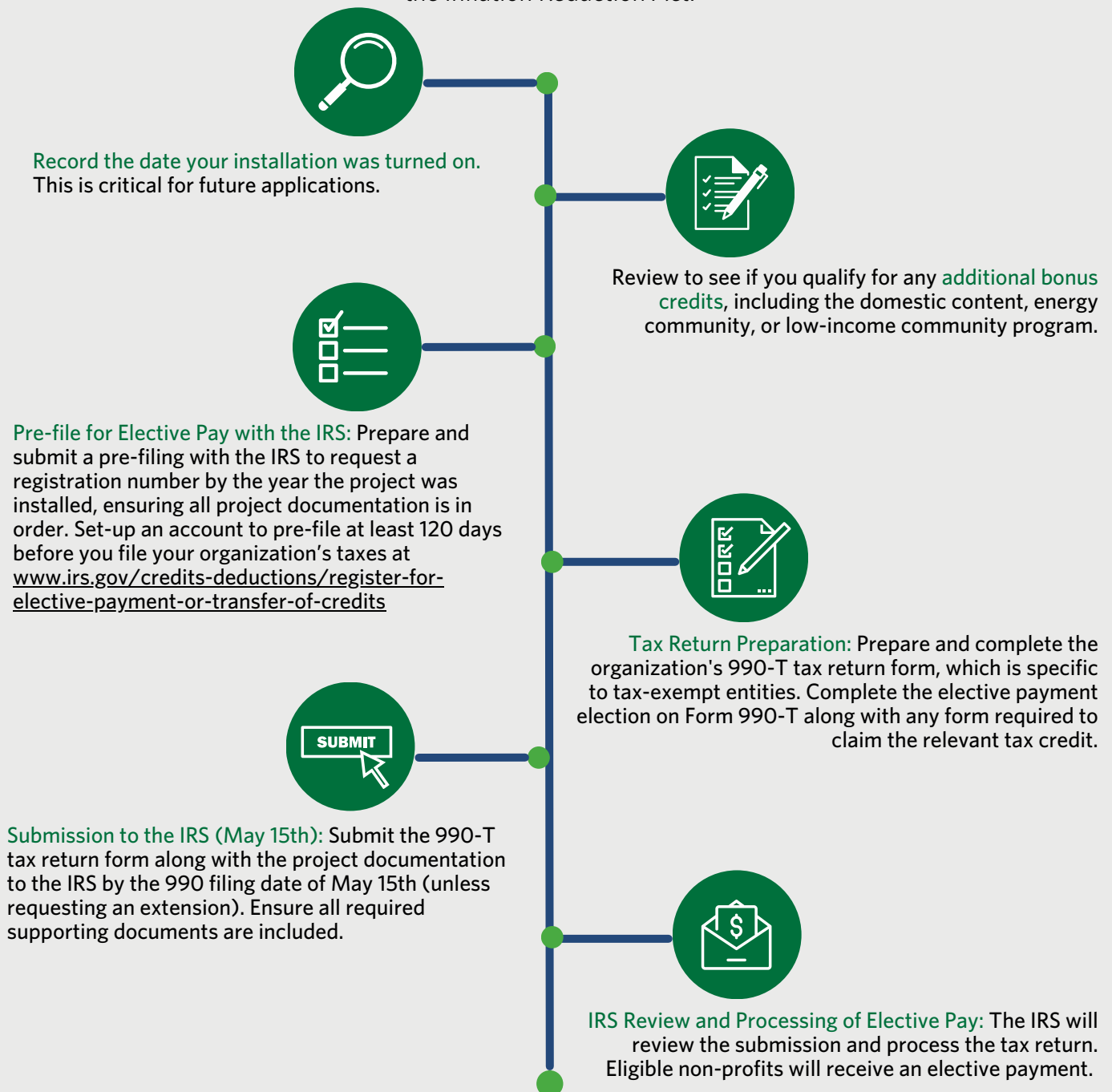


To understand the benefits of installing solar, nonprofits need to comprehend the national, state, and local laws that influence solar investments, including net metering regulations and tax credits. Make sure you and your solar installer are up-to-date on current solar policy.

Solar Best Practices

TIMELINE: POST INSTALLATION

Review the timeline below for a sample checklist outlining the steps Urban Dreams, our case study from page three, followed when applying for federal incentives for their solar project. While not exhaustive, this list covers key steps that many nonprofits will take to apply for federal benefits under the Inflation Reduction Act.



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