



U.S. Department of the Treasury

How A Transformed IRS Will Deliver On Clean Energy

President Biden in August 2022 signed the Inflation Reduction Act (“IRA”), providing critical resources to modernize the IRS after decades of underfunding. The Strategic Operating Plan shows how the IRS will use IRA resources to provide taxpayers with world class customer service and reduce our deficits by hundreds of billions by pursuing high dollar noncompliance.

The IRA also leverages the tax code to provide the largest set of incentives for clean energy investment in the nation’s history. The IRA’s provisions were designed by Congress to strengthen domestic energy security and accelerate the building of America’s clean energy economy. The significant increase in resources for the IRS in the IRA, along with sufficient discretionary funding, will help the IRS effectively implement the approximately 20 new or revised clean energy-related tax incentives, along with several new cross-cutting provisions that impact the administration of multiple incentives. **These are some of the improvements that will help the IRS implement and administer these clean energy provisions.**

Clear rules for the clean energy tax incentives: In addition to underlying eligibility rules, the amount available to taxpayers can vary based on whether the taxpayer adheres to certain labor standards; locates activity in certain geographic areas; uses certain domestically produced content; and/or meets certain greenhouse gas emissions thresholds in the production process.

- The IRS is focused on developing clear, effective, and transparent guidance to administration of these provisions, so that taxpayers have the certainty they need to invest in clean energy and energy efficiency improvement projects.
- The IRS will explore ways to help taxpayers receive credits and deductions for which they are eligible, such as through taxpayer mapping tools, plain language in IRS communications, and clear processes for the allocated credits.

New monetization and transferability mechanisms: The new mechanisms for taxpayers and other entities to monetize clean energy incentives are another important focus area for IRA implementation.

- The IRS will develop a digital process to facilitate the claiming of tax credits, including by non-profits, state and local governments, and tribal entities, and enable eligible taxpayers to sell certain credits to an unrelated taxpayer. These new monetization

mechanisms will significantly expand the range of actors undertaking clean energy investments and receiving associated benefits through the tax code.

- The IRS will establish clean vehicle credit transferability in 2024, enabling taxpayers to exchange their tax credit for an equivalent reduction in the purchase price of an eligible vehicle at the time of sale rather than waiting to claim the tax credit on their return the following tax season.

Updated technology: By leveraging new technology to administer the clean energy incentives, the IRS will create as seamless a process as possible for taxpayers while addressing the risk of potential fraud.

- The IRS will take a digital first approach and digitize critical information in paper-submitted forms to improve the taxpayer's experience and accelerate processing and issue resolution for individuals and businesses.
- The IRS will create allocated credit application processes and a tax filer experience that is user-friendly, seamless, and efficient, with modern processes that allow users to correct errors and receive timely status information.

Outreach to help stakeholders understand and claim appropriate credits and deductions:

Robust outreach and education that is tailored and timely will help educate all stakeholders about the tax provisions and their requirements.

- Notably, IRS launched a clean vehicle consumer website and educational campaign to inform consumers, manufacturers, and sellers about available credits for new, used, and commercial clean vehicles.
- The IRS will provide stakeholders, tax filers, and government and tax-exempt entities with the tools, data, and information they need to identify and claims clean energy credits and deductions.
- The IRS will work with other federal agencies and non-federal partners to ensure quality information about the clean energy and efficiency credits is shared widely throughout the country.

Along with IRS' annual discretionary budget, the IRA investment over 10 years will transform the IRS so that it provides world class service to taxpayers, delivers refunds quickly, enforces tax laws with a focus among high earners and corporations, supports the IRA's clean energy investments, and ensures that all Americans gain receive tax benefits for which they are eligible. These additional resources will not be used to increase the audit rates for small businesses and households making less than \$400,000, relative to historical levels. The IRS is focused on pursuing high-income and high-wealth individuals, complex partnerships, and large corporations that are not paying the taxes they owe. Put together, the IRA is a historic investment in building an economy that works for everyone.

For Further Information:

- [Strategic Operating Plan](#)
- [IRS.gov Tools](#)
- [Taxpayer Experience Days](#)
- [Taxpayer Online Account](#)
- [Tax Information in Non-English Languages](#)