

## **Alert** | Energy Project Finance & Development



June 2023

### **IRS Issues Proposed Regulations for Energy Projects Located in Low-Income Communities**

The Internal Revenue Service issued **proposed regulations** on May 31, 2023, for the Low-Income Communities Bonus Credit Program under Section 48(e) of the Internal Revenue Code. The proposed regulations provide more details on the procedures and criteria of the application process for entities to be able to receive increased U.S. federal income tax credits for solar and wind facilities in low-income communities.

The proposed regulations provide definitions of key terms related to the program. They also address the reservations of the capacity limitation allocation for certain applicants, provide application materials necessary to demonstrate a project's viability, provide necessary documentation to be submitted when the project is placed in service, and provide guidance on post-allocation compliance including disqualification and recapture of the credits. The IRS requested comments on specific definitions and requirements that will be considered in the next release of program guidance. Comments to the proposed regulations are requested by June 30, 2023.

Previously, the IRS issued **Notice 2023-17**, summarized in our **GT Alert**, which established the Low-Income Communities Bonus Credit Program for applicants seeking an allocation of the environmental justice solar and wind capacity limitation for the 2023 calendar year.

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