



Inflation Reduction Act: Advanced Manufacturing Production Credit

Section 45X Production Tax Credit

The Inflation Reduction Act of 2022 (IRA) established a collection of interrelated tax credits and incentives supporting domestic clean and renewable energy production. A crucial aspect of that legislation — the Advanced Manufacturing Production Credit under IRC Section 45X — supports the domestic production of components (solar, wind, batteries, and inverters) and critical minerals. Importantly, this credit incentivizes the manufacturing of components required by those seeking to take advantage of many other credits included in the IRA. The credit will accelerate the U.S. supply chain of renewable energy production. However, the Sec. 45X credit can be complex, and taxpayers must carefully apply the rules to maximize their benefit and avoid pitfalls.

What components are eligible?

- ✔ Solar energy components
- ✔ Wind energy components
- ✔ Inverters
- ✔ Qualifying battery components
- ✔ Applicable critical minerals

Note that there are subcategories for each of the above eligible components.

How can the credit be used?

- ✔ Use the credit as a general business credit (Sec. 38)
- ✔ Sell the credit to a buyer (Sec. 6418)
- ✔ Obtain a tax refund through direct pay for five years (Sec. 6417)

How is the credit calculated?

Calculation method is dependent on the type of component or subcomponent:

- ✔ Value (\$) per size (square meter) or weight (kilogram)
- ✔ Value (\$) per electric capacity (watts or kilowatt-hours)
- ✔ Percentage of the cost of production

What criteria impacts the Section 45X credit?



Production in the United States



Sale to an unrelated third party



Active trade or business



Timing of production & sales



Related party limitations

Supporting you when claiming the Section 45X credit

Our manufacturing team can help you navigate and apply the rules of the Sec. 45X credit. Our consulting services include:

- ✔ Analysis & documentation of eligibility by component
- ✔ Calculation of eligible credit
- ✔ Consulting on credit monetization options
- ✔ Trade or business determination
- ✔ Related party determination & election, if applicable
- ✔ Reporting of credits on applicable tax forms
- ✔ Preregistration filing requirements with the IRS
- ✔ Integrated product analysis
- ✔ Contract manufacturing arrangements
- ✔ Product development consulting to explore eligible components
- ✔ Market research for eligible components

Ready to learn more? Contact us today.

