



TaxNewsFlash

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Renewable electricity production inflation factors, reference prices for 2023

The U.S. Treasury Department and IRS today released for publication in the Federal Register a [notice](#) [PDF 229 KB] that provides the 2023 inflation adjustment factor and reference prices used in determining the availability of the credit for renewable electricity production under section 45.

Inflation Reduction Act amendments

Section 45 was amended by H.R. 5376 (commonly called the “Inflation Reduction Act” (IRA)).

- The IRA changed the manner in which the section 45 credit amounts are calculated for any qualified facility placed in service after December 31, 2021.
- The IRA also removed the one-half reduction of the credit amount under section 45(b)(4)(A) for qualified hydropower facilities and marine and hydrokinetic renewable energy facilities placed in service after December 31, 2022.
- In the case of any qualified facility placed in service before January 1, 2022, the section 45 credit amounts are determined under the calculation rules provided by the prior version of section 45.
- The IRA also amended the phaseout of the section 45 credit for wind facilities under section 45(b)(5) such that it does not apply to facilities placed in service after December 31, 2021.
- In addition, the IRA added a new phaseout of the section 45 credit under section 45(b)(10) in the case of qualified facilities placed in service after December 31, 2022, for taxpayers making an elective payment election under section 6417.
- The IRA also amended the credit amount reduction under section 45(b)(3) in the case of qualified facilities the construction of which began after August 16, 2022, and amended section 45(d)(4) to

restore the section 45 credit for electricity produced in solar energy facilities in the case of qualified facilities placed in service after December 31, 2021, and the construction of which begins before January 1, 2025.

Credit rates

The notice provides that for qualified facilities placed in service before January 1, 2022:

- The 2023 credit rate on the sale of electricity produced from wind, closed-loop biomass, geothermal energy, and solar energy facilities claiming the renewable electricity production credit is 2.8 cents per kilowatt hour (up from 2.6 cents for 2022).
- The credit rate on the sale of electricity produced in open-loop biomass, landfill gas, trash, qualified hydropower, and marine and hydrokinetic renewable energy facilities is 1.4 cents (up from 1.3 cents for 2022).

In addition, the notice provides that for qualified facilities placed in service after December 31, 2021:

- The 2023 credit rate on the sale of electricity produced from wind, closed-loop biomass, geothermal energy, and solar energy facilities claiming the renewable electricity production credit is 0.55 cents per kilowatt hour.
- The credit rate on the sale of electricity produced in open-loop biomass, landfill gas, trash, qualified hydropower, and marine and hydrokinetic renewable energy facilities is 0.3 cents.

Finally, the notice provides that for qualified hydropower facilities and marine and hydrokinetic renewable energy facilities placed in service after December 31, 2022:

- The 2023 credit rate on the sale of electricity produced from qualified hydropower and marine and hydrokinetic renewable energy facilities claiming the renewable electricity production credit is 0.55 cents per kilowatt hour.

Reference prices

- The inflation adjustment factor for 2023 for qualified energy resources is 1.8909 (up from 1.7593 for 2022).
- The 2023 reference price for electricity produced from wind is 3.74 cents per kilowatt hour (down from 4.09 cents in 2022).
- The reference prices for facilities producing electricity from closed-loop biomass, open-loop biomass, geothermal energy, solar energy, municipal solid waste, qualified hydropower production, and marine and hydrokinetic renewable energy have not been determined for calendar year 2023.
- Because the 2023 reference price for electricity produced from wind (3.74 cents per kilowatt hour) does not exceed 8 cents multiplied by the inflation adjustment factor (1.8909), the phaseout of the credit provided in section 45(b)(1) does not apply to such electricity sold during calendar year 2023.
- For electricity produced from closed-loop biomass, open-loop biomass, geothermal energy, solar energy, municipal solid waste, qualified hydropower production, and marine and hydrokinetic renewable energy, the phaseout of the credit provided in section 45(b)(1) does not apply to such electricity sold during calendar year 2023.

For the 2022 factors and reference prices, read [TaxNewsFlash](#).

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