



TaxNewsFlash

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Proposed regulations: Implementation of advanced manufacturing production credit under section 45X

The U.S. Treasury Department and IRS today released proposed regulations (REG-107423-23) implementing the advanced manufacturing production credit under section 45X established by H.R. 5376 (commonly called the “Inflation Reduction Act of 2022” (IRA)) to incentivize the production of eligible components within the United States. Under section 45X, which applies to components produced and sold after December 31, 2022, “eligible components” include certain solar energy components, wind energy components, inverters, qualifying battery components, and applicable critical minerals. Only eligible components that are produced and sold in a trade or business of the taxpayer are taken into account for purposes of the section 45X credit.

The [proposed regulations](#) [PDF 320 KB] (25 pages) is the first guidance to be issued on section 45X and provides rules on various aspects of the provision, including, but not limited to: that for purposes of section 38, the section 45X credit for any tax year is an amount equal to the sum of the credit amounts determined under section 45X(b) with respect to each eligible component produced by the taxpayer, and, during the tax year, sold by that taxpayer to an unrelated person.

- Proposed Treas. Reg. § 1.45X-1 would provide general rules applicable to the section 45X credit, including the definition of the term “produced by the taxpayer” for both primary and secondary production and also would provide rules relating to the proper credit claimant under a contract manufacturing scenario.
- Proposed Treas. Reg. § 1.45X-2 would provide rules for sales to unrelated persons through a person related to the taxpayer, including the rules for a taxpayer to make an election to treat sales of eligible components to related persons as if made to unrelated persons.
- Proposed Treas. Reg. § 1.45X-3 would provide definitions and credit amounts for certain eligible components, including solar energy components, wind energy components, inverters, and qualifying battery components, and phase-out rules.
- Proposed Treas. Reg. § 1.45X-4 would provide definitions and credit amounts for applicable critical minerals that are eligible components.
- The proposed regulations would also provide rules relating to the determination of production costs for certain components and interaction with the section 48C credit, and provide various examples with illustrative fact patterns for many applications of the proposed rules.

Comments on the proposed regulations, as well as requests to speak and outlines of topics to be discussed at the public hearing (scheduled for February 22, 2024, at 10:00 AM ET), are due by February 13, 2024. If no outlines are received by that date, the public hearing will be cancelled.

Read a related IRS release—[IR-2023-238](#) (December 14, 2023)

Read a related [Treasury release](#) (December 14, 2023)

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