

The background of the slide is a photograph of the Illinois State Capitol building in Springfield, Illinois, taken at dusk. The building's large, illuminated dome is a prominent feature, glowing with a warm light. The sky is filled with soft, colorful clouds in shades of orange, pink, and blue. In the foreground, there are green trees and a street with some light trails from vehicles. A large, semi-transparent blue rectangle is overlaid on the left and center of the image, containing the text.

Federal Funds Overview

Federal Funds and Infrastructure Office

Bob LaRocca, Deputy Director

Green Communities Summit, November 22, 2024

Confidential

Agenda

- About FFIO
- Matching Fund Legislation
- Direct Pay Program
- Helpful Resources

ABOUT THE FEDERAL FUNDS AND INFRASTRUCTURE OFFICE (FFIO)

Officially created by Executive Order No. 624, and tasked with implementing a whole-of-government to compete for federal funding by:



Identifying and tracking key federal funding opportunities and Massachusetts applications through the State Clearinghouse



Leading bi-weekly meetings of the interagency Advisory Council on Federal Funds and Infrastructure



Leading the Massachusetts Federal Funds Partnership and other meetings to support local governments in their applications for federal funding



Implementing the Federal Match legislation (*Chapter 214 of the Acts of 2024*)

SUPPORT FOR LOCAL GOVERNMENTS

The Federal Funds and Infrastructure Office (FFIO) leads a whole-of-government effort to compete for federal funding, including the following resources for local government applicants:

Monthly Federal Funds Partnership meetings with hundreds of local leaders.

Video recordings, grant lists, and other resources on the [FFIO website](#).

FFIO has a [Project Intake Form](#) to track in-progress or submitted federal grant applications, or projects that could be eligible for federal funds.

Contact the FFIO email inbox (FedFundsInfra@mass.gov) for questions about federal grant opportunities!

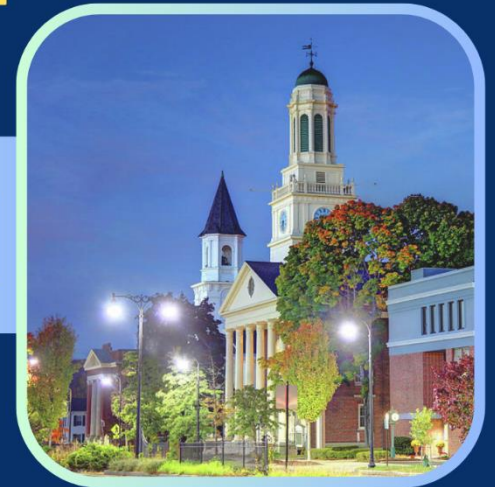
FFIO COMMUNITY TOUR

- **First meeting was November 18th at Berkshire Innovation Center in Pittsfield!**
 - Provide information on federal grant application resources made available by the new legislation
 - Seek community input on priority projects seeking federal funding
 - Solicit feedback on the Federal Funds Partnership and other FFIO processes

FEDERAL FUNDS & INFRASTRUCTURE OFFICE (FFIO) **COMMUNITY TOUR**

1:00  18 NOV 
PM 2024

Come meet the FFIO team, learn about our office, and how our resources can help your community.



RSVP



 **BERKSHIRE INNOVATION CENTER
PITTSFIELD**
& ZOOM

Questions? Email us at:
fedfundsinfra@mass.gov

Federal Funds Legislation Overview



- On September 24, 2024, Governor Healey signed into law Chapter 214 of the Acts of 2024, legislation that unlocks up to **\$750 million for Massachusetts to aggressively pursue federal funding opportunities**, including programs authorized by the Bipartisan Infrastructure Law, the Inflation Reduction Act, and the CHIPS and Science Act.

Federal Funds Legislation Overview



- The new Commonwealth Federal Matching and Debt Reduction Fund (“**Match Fund**”) will be funded with interest earnings on the Stabilization Fund balance, and may be used for the purpose of pursuing federal funds until December 1, 2026.
- Legislation also includes allocations of:
 - Up to **\$50M** for other financial assistance for cities, towns, and tribes
 - Up to **\$12M** for technical assistance for cities, towns, and tribes

Match Fund Purpose



- **The Match Fund may be used to pursue federal grants and other federal programs.**
- This includes helping eligible entities to satisfy non-federal cost share requirements (matching funds) for discretionary grant programs.

Increase our
competitiveness

Expand
opportunities

Match Fund Eligibility



- **The following entities are eligible to apply for matching funds:**
 - State agencies
 - Independent governmental state or public entities (quasi-governmental entities)
 - Municipalities (cities and towns)
 - Tribes
 - Regional planning agencies (RPAs)
 - Community development corporations (CDCs)
 - Other development authorities or agencies

How to Apply for Matching Funds



- To apply for matching funds, eligible entities must fill out and submit the [Federal Matching Fund Request Form](#).
- A matching funds commitment is subject to review, approval, and the availability of funds.
- Disbursement of matching funds are contingent upon a successful federal grant award and availability of funds.

A screenshot of the "Federal Matching Funds Request Application" form. The form has a teal header with the title. Below the title, there is a paragraph explaining the process and a note to email supporting documentation to fedfundsinfra@mass.gov. A disclaimer states that matching fund requests are subject to review, approval, and the availability of funds. The form body is light blue and contains three required fields, each with a red asterisk and a "Required" label. The fields are: 1. Applicant Full Name, 2. Contact Full Name, and 3. Contact Email. Each field has a white input box with the placeholder text "Enter your answer".

Federal Matching Funds Request Application

The Commonwealth of Massachusetts has established a process to track, evaluate, and approve applicant requests for matching funds for federal grant opportunities. This form will be reviewed by the Federal Funds and Infrastructure Office and the Executive Office for Administration and Finance. **Please fill in the fields below.**

Please email supporting documentation to fedfundsinfra@mass.gov, which includes but is not limited to: the grant program's notice of funding opportunity ("NOFO") or funding opportunity announcement ("FOA"), the applicant letter of interest ("LOI"), concept note, pre-application materials, as well as the most recent draft application at the time of submitting this form. **If these documents are not provided, your application will not be deemed complete.**

Disclaimer: Matching fund requests are subject to review, approval, and the availability of funds.

* Required

1. Applicant Full Name *

Enter your answer

2. Contact Full Name *

Enter your answer

3. Contact Email *

Enter your answer

What is Direct Pay?

- The Inflation Reduction Act (IRA) makes the largest investment in clean energy in United States history, and much of that investment is delivered via tax incentives.
- Under the IRA, tax-exempt and governmental entities – such as cities and towns -- that do not owe Federal income taxes are, for the first time, able to receive a payment equal to the full value of tax credits for building qualifying clean energy projects or making qualifying investments. This is called Direct Pay (also known as Elective Pay).
- By filing a return and using Direct Pay, these entities can receive a cash refund from the IRS for certain clean energy projects.
- Direct pay applies to projects put into service January 1, 2023 through December 31, 2032, creating a decade of tax opportunity to save money on necessary infrastructure replacements and upgrades while reducing energy costs and carbon emissions.
- **Unlike competitive grant programs, the overall potential of these tax credits to states and municipalities is unlimited.**
- Note on these credits being “mandatory, not discretionary”

FFIO's Role in Federal Tax Opportunities

- Continue to execute on an aggressive, whole-of-government approach to federal funding
 - Collaboration on Direct Pay with OCIR, DCAMM, DLS, ANF, etc.
- Align with pending federal match legislation (S.2554)
 - Leverage interest off of the Rainy Day Fund to provide cities and towns with financial and technical assistance to help initiate qualifying clean energy projects
- Provide municipalities with actionable information, curated from third-party sources
 - Federal Funds Partnership, monthly newsletters, and webinars

The Commonwealth's Approach to Direct Pay

1. Understand and execute the Commonwealth of Massachusetts filing process for 2023



2. Provide actionable guidance and resources to cities, towns, and tax-exempt orgs (TEOs)



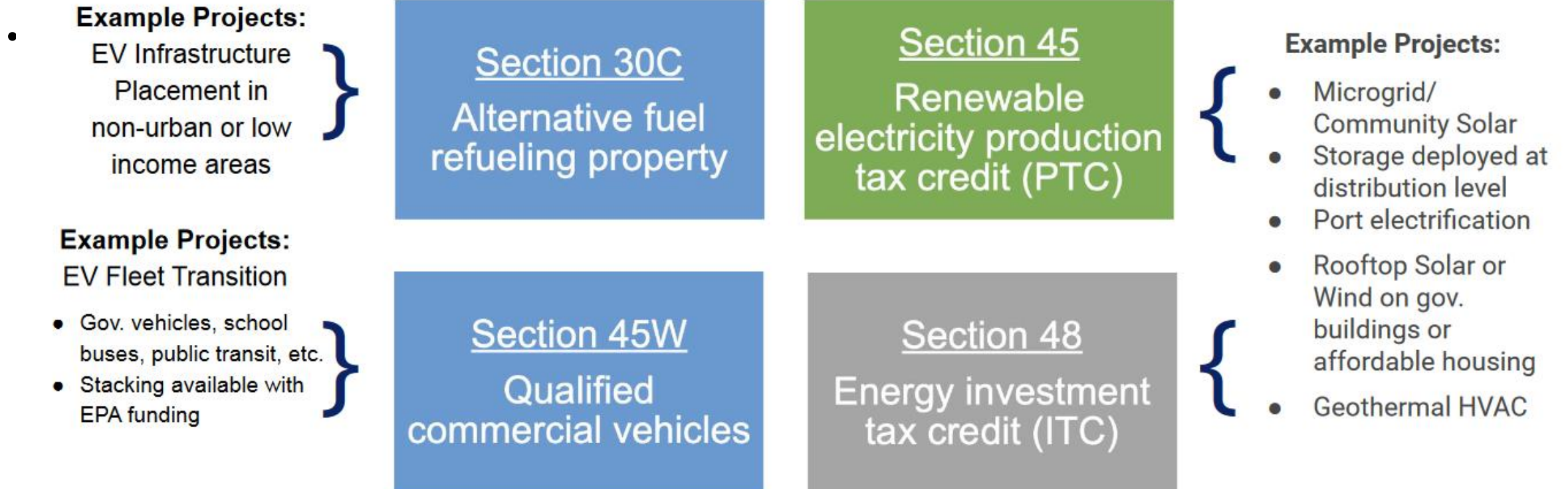
3. Build strategy for maximizing impact and usage of tax credits for the state/TEOs



4. Provide bridge lending/financing mechanisms for capital projects for TEOS



Most relevant tax credits for municipalities



Credit Amounts

- The most common credit is the Investment Tax Credit (ITC). The amount of the ITC is calculated as a base credit of 6% on the investment basis of the project.
- For the replacement of existing municipal vehicle fleets with new electric vehicles, entities can receive up to \$7,500 per light vehicle and up to \$40,000 per larger vehicle.

Some Basics on Bonuses

Please Note: Additional details apply

Low-income Communities	Energy Communities	Prevailing Wage and Apprenticeship**	Domestic Content* **
10-20% bonus	10% bonus	5x bonus	10% bonus
... if project is in a low-income community with extra bonus if residential or econ benefit project	...if project is in historical "energy community" (i.e., closed coal mine, some brownfield sites)	...if reqs for prevailing wages and registered apprentices are met	...if 100% of applicable steel and iron and an applicable share of 'manufactured products' produced in U.S.
ITC only	Applies to both ITC tax basis and PTC rate	Applies to both ITC tax basis and PTC rate	Applies to both ITC tax basis and PTC rate

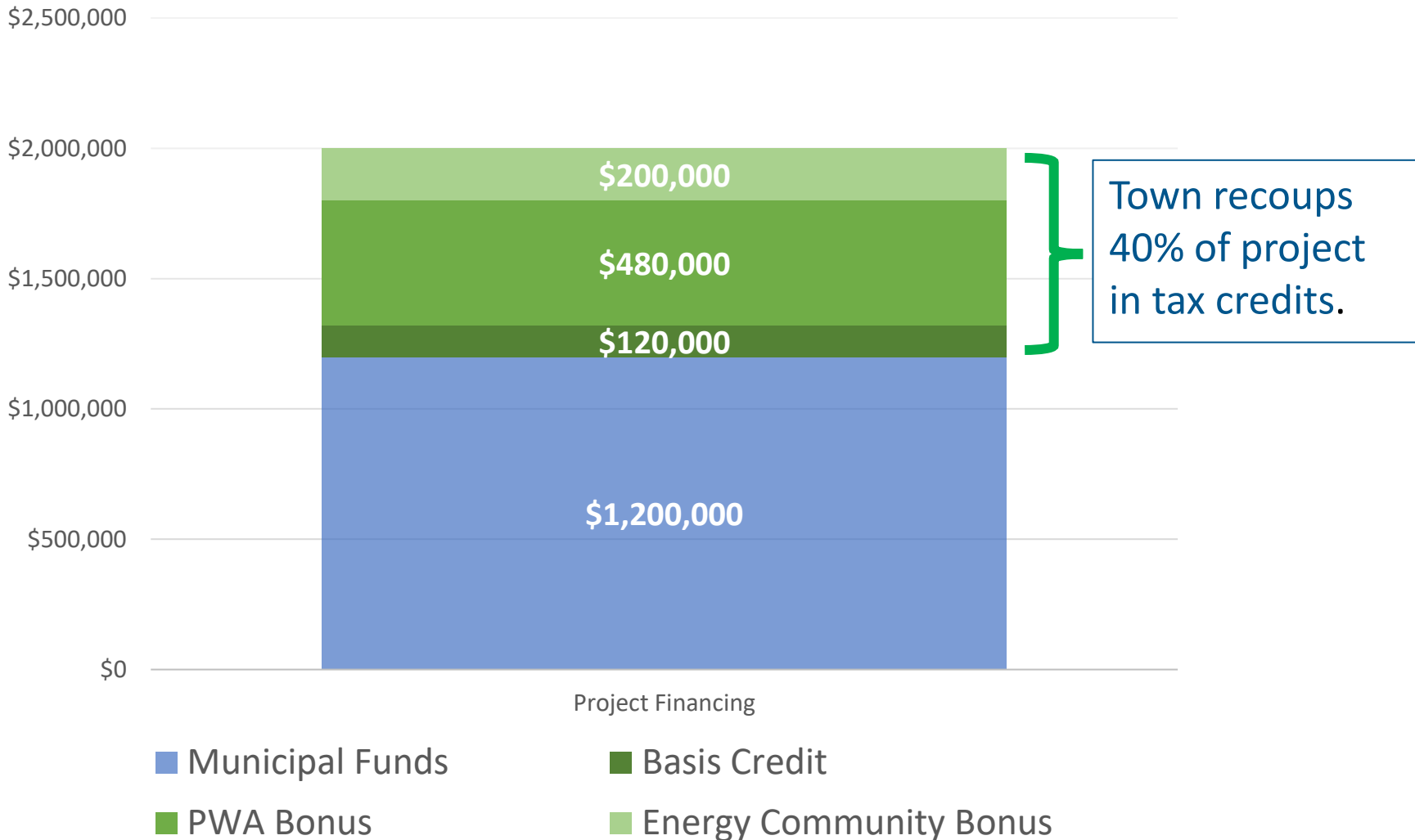
* - On December, 28, 2023, IRS issued new guidance on this rule for projects beginning in 2024 (see Notice 2024-9)

** - Applicable for projects of a size >1MW

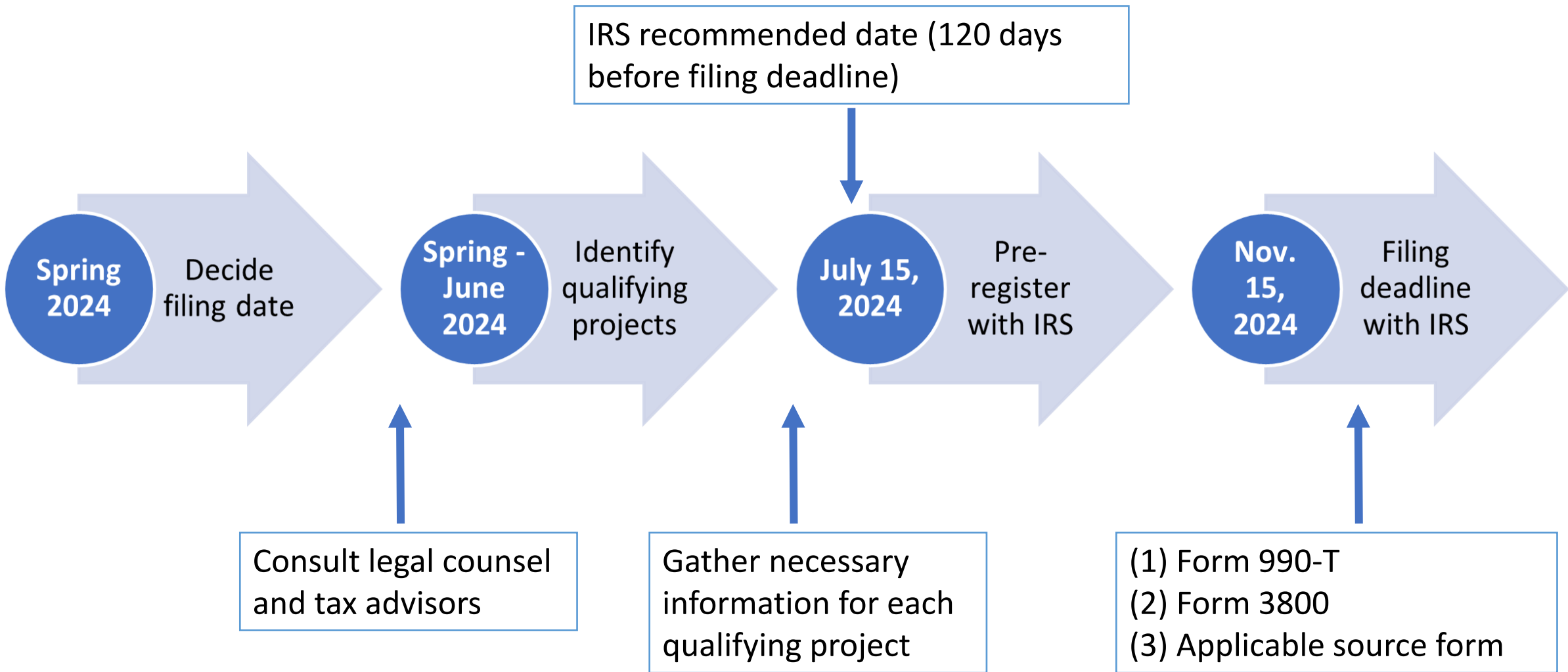
How Direct Pay Credits and Bonuses Affect a \$2M Project

Example:

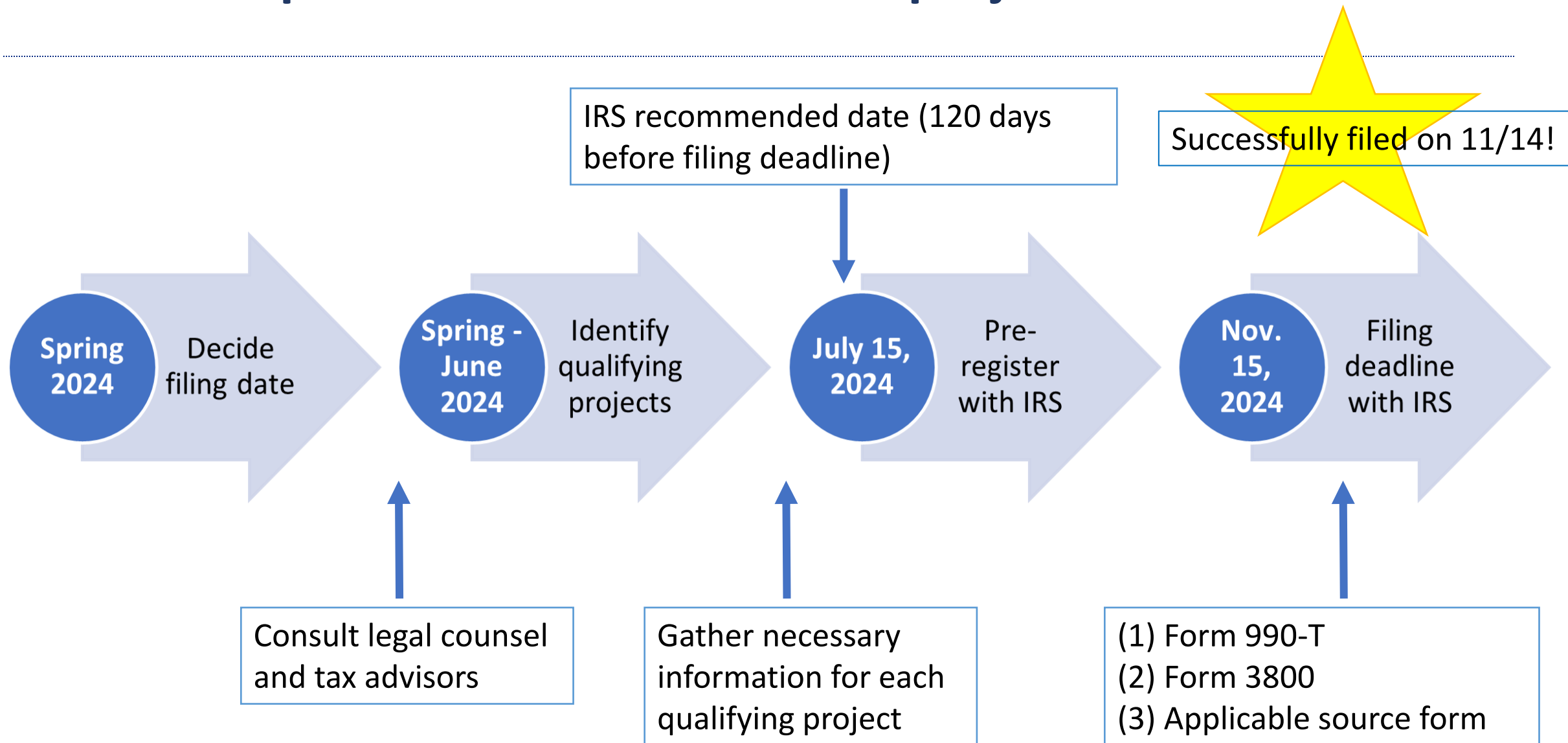
- A municipality with brownfield status installs microgrid with solar and energy storage.
- Eligible for an ITC (Energy ITC, Sec. 48)
- Project cost is \$2M



The state's process timeline for 2023 projects



The state's process timeline for 2023 projects



2023 Massachusetts Projects

More than 80 Direct Pay-eligible projects were filed with the IRS, including:



Sec 30C: Alternative Fuel Property

Fall River Heritage State Park



Sec. 45W: Commercial EVs

Dozens of light EVs purchased by
OSD



Sec. 45: Investment Tax Credit

Solar and Geothermal Projects at
the Veterans' Home in Chelsea

Helpful Resources

- [FFIO's Direct Pay Information Page](#)
- [Elect Pay Overview](#)
- [CAP webinar](#) on Direct Pay
- Lawyers for Good Government [Elective Pay resources](#), including worksheets on:
 - [EV Purchase](#)
 - [EV Infrastructure](#)
 - [Tracking](#) ITC and PTC projects
 - [Slides](#) from a presentation to local governments (but provides overview of Direct Pay for all)
- IRS [Video Tutorial](#) on pre-registration
- [IRS Q&A](#)

Thank you!

Additional Slides

Applicable Credits for Direct Pay:

- Direct Pay enables cities and towns to leverage both production tax credits (“PTCs”) and investment tax credits (“ITCs”)
- PTCs include credits for producing electricity from renewable sources, including wind, biomass, geothermal, and solar (Sec. 45).
- ITCs include credits for investing in renewable energy projects such as solar, small wind, microgrid controllers, and combined heat and power properties (Sec. 48). ITCs also include credits for purchasing commercial clean vehicles (Sec. 45W) and investing in alternative fuel vehicle refueling and charging properties (Sec. 30C).

Next Steps: Do you have 2023 Projects?

1. **Decide filing date.** Cities and towns must first decide whether they will file based on a **calendar or fiscal year**. Filing on a calendar year would enable the entity to potentially receive credit for clean energy projects placed into service at any point during 2023.
 - The IRS is giving cities and towns an automatic one-time 6-month extension. Normally, entities filing according to a calendar year would have to file 4.5 months after end of tax year (May 15), For this time only, that deadline is automatically extended to **November 15th**.
2. **Identify qualifying projects & gather necessary information.** The IRS requires that eligible entities **own the asset** for which they are seeking credits. To understand if a project owned by an entity qualifies for a particular year, the entity must determine that the project was **placed into service**.
3. **Pre-register 120 days before filing date.** Entities must pre-register with the IRS to obtain a Unique Registration Number for each applicable credit property. The IRS recommends registering 120 days before the applicable filing deadline. This would be **July 15th** for calendar year filers.
4. **File on November 15th, 2024!** For calendar year filers seeking to claim credits for 2023 projects, file **Form 990-T, Form 3800, and the applicable source form** for calculating and claiming any applicable credits