Low-Income Communities Bonus Credit Program
20% Qualified Low-Income Residential Building Bonus Credit

What clean energy technology is eligible?
The bonus credits can be applied to 'qualified' solar or wind projects or projects that pair storage with solar or wind.

How can I claim this bonus credit?
Projects need to apply for a capacity allocation. Projects that apply are not guaranteed to receive the bonus credit. IRS proposed prioritizing applicants that fulfill either/both the ownership criteria (e.g., qualified tax-exempt entity) and geographic criteria. See page 15 of this FAQ resource to learn more.

Does the housing qualify under one of the following programs?
- Multifamily rental housing under section 236 of the National Housing Act;
- Housing program administered by a Tribally designated housing entity;
- Federal housing programs that provide affordable housing to low and moderate-income persons through restricted rents or rental assistance, or other affordable housing opportunities, which HUD identifies as covered by the Violence Against Women Act. (Additional examples available: 34 U.S. Code 12491(a)(3))

When can I apply?
Treasury proposes an initial application window in 2023 followed by a rolling application process. Projects need to apply for and receive an allocation before the system is installed and placed in service.

How are the financial benefits of the project distributed?
To qualify, the “financial benefits” from the project must be “allocated equitably”. For this bonus credit specifically, financial benefits are demonstrated through "net energy savings," such that "at least 50 percent of the financial value of net energy savings would be required to be equitably passed on to building occupants" in either
- equal shares among the low-income units in the program
- proportional shares based on each dwelling unit’s electricity usage

Net energy savings are defined differently based on whether the building owner owns the solar (and storage) project or whether it is third-party owned. See FAQ resource page 12,13.

What do I need to apply?
Proof of necessary permits, structural analysis for site suitability (e.g., integrity of roof for solar), plans to ensure tenants receive required financial benefits, and more. See FAQ resource and blog post.

Can I stack this with other credits?
Yes, this credit can be stacked with:
- 10% credit for 'energy communities'
- 10% credit for domestic manufacturing

Disclaimer: This guide provides an overview of IRS proposed guidance thus far. It does not constitute professional tax advice nor should it be used as the only source of information when making decisions.

Learn more in this bonus credit FAQ resource and this Investment Tax Credit blog post.

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