



Taxation of the new energy storage industry

How has the energy storage industry progressed in 2024 & 2025?

The energy storage industry has continued to progress over the course of 2024 and into 2025, buoyed in significant part by the federal income tax benefits in the form of tax credits enacted under the Inflation Reduction Act of 2022 (IRA).

Will the inflation Reduction Act affect energy storage projects?

Image: President Biden via Twitter. The Inflation Reduction Act's incentives for energy storage projects in the US came into effect on 1 January 2023. Standout among those measures is the availability of an investment tax credit (ITC) for investment in renewable energy projects being extended to include standalone energy storage facilities.

Are IRA tax benefits a viable option for energy storage facilities?

While the vitality of the IRA tax benefits in their current form is currently subject to uncertainty given the results of the 2024 federal general election, the existing market practice for financing energy storage facilities since the IRA's passage continues to evolve in reaction to the act's new requirements and opportunities.

Are battery storage systems eligible for a tax credit?

For the first time, standalone storage systems will be eligible for a 30 percent investment tax credit (ITC) -- and up to 70 percent with additional incentives. "It's a really big deal," said Peter Cavan, Director of Market Development for battery storage developer Convergent Energy and Power.

Does the IRA cover energy storage projects?

According to Cavan the tax credit will now cover interconnection, microgrid controllers and a broader scope of components often used in clean energy systems. To maximize tax credits under the IRA, energy storage projects must meet two labor requirements.

Do energy storage projects qualify for a new ITC?

Energy storage projects placed in service after Dec. 31, 2022, that satisfy a new domestic content requirement will be entitled to a 10% additional ITC (2% for base credit).

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