



Elective Pay and Transferability Frequently Asked Questions: Transferability

The answers to the questions are based on proposed and temporary elective pay and transferability regulations and other tax guidance on [IRS.gov](https://www.irs.gov). These proposed and temporary regulations and the answers may change when these regulations are finalized following a public comment period.

In general, Treasury and the IRS do not provide personalized tax advice regarding whether a specific organization's project or activity is eligible for a tax credit. For more information about clean energy tax credits, please see [Credits and Deductions Under the Inflation Reduction Act of 2022](#). You may also choose to consult with a tax advisor.

FAQ Topics

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Q1. What taxpayers are eligible to transfer tax credits? (added June 14, 2023)

A. A taxpayer eligible to transfer credits is one that is NOT an applicable entity. See Q1-Q8 on "[Elective Pay Eligibility](#)" for information about applicable entities. Generally, an applicable entity would include a tax-exempt organization, a State or political subdivision, a local government, an Indian tribal government, an Alaska Native Corporation, the Tennessee Valley Authority, a rural electric co-op, a U.S. territory, or an agency or instrumentality of a state, local, tribal, or territorial government.

Q2. What tax credits can I transfer? (added June 14, 2023)

A. Any taxpayer that is NOT an applicable entity as listed in [Q1](#) can elect to transfer (sell) all or a portion of the following "eligible credits."

- Energy Credit (48), (Form 3468, Part VI)
- Clean Electricity Investment Credit (48E), (Form 3468, Part V)
- Renewable Electricity Production Credit (45), (Form 8835, Part II)
- Clean Electricity Production Credit (45Y),
- Zero-emission Nuclear Power Production Credit (45U), (Form 7213, Part II)
- Advanced Manufacturing Production Credit (45X), (Form 7207)
- Clean Hydrogen Production Credit (45V), (Form 7210)
- Clean Fuel Production Credit (45Z)
- Carbon Oxide Sequestration Credit (45Q), (Form 8933)
- Credit for Alternative Fuel Vehicle Refueling/Recharging Property (30C), (Part 8911, Part II)
- Qualified Advanced Energy Project Credit (48C), (Form 3468, Part III)

The amount of eligible credits a taxpayer can transfer can be affected by bonus or other requirements that may apply (including the Prevailing Wage and Apprenticeship Requirements, Domestic Content Bonus, the Energy Communities Bonus, and the Low-Income Communities Bonus).

Q3. Can a taxpayer transfer only a portion of an eligible credit related solely to a bonus credit amount? (added June 14, 2023)

A. While a taxpayer can transfer a portion of an eligible credit, a taxpayer cannot transfer a portion of an eligible credit related solely to a bonus credit amount. For example, the portion of an eligible tax credit related to the Domestic Context Bonus cannot be transferred separately from the rest of the eligible tax credit.

Q4. How can I make an election to transfer eligible credits? (added June 14, 2023)

A. There are several steps for transferring eligible credits (or a portion of a credit). Not all steps need to occur in the order displayed below.

1. **Pursue an eligible project.** Identify and pursue a project that generates one of the eligible credits.
2. **Complete electronic pre-filing registration with the IRS.** This will include providing information about the taxpayer, the intended eligible credits, and the eligible credit project. Upon completing this process, the IRS will provide a registration number for each eligible credit property.
 - Complete pre-filing in sufficient time to have a valid registration number at the time you file your tax return.
 - More information about this pre-filing registration process will be available by late 2023.
3. **Satisfy all requirements necessary to earn the eligible credit for the tax year.** For example, a solar energy project would need to be placed in service prior to earning an eligible credit.
4. **Arrange to transfer an eligible tax credit to an unrelated party in exchange for only cash.**
5. **Provide the transferee (i.e., buyer) with the registration number and all other information necessary to claim the transferred eligible credit.**
6. **Complete a transfer election statement with the transferee (as described in Q6 below).**
7. **File a tax return.** File a tax return for the taxable year in which the eligible tax credit is determined indicating the eligible credit has been transferred to a third party and include the transfer election statement and other information as required by guidance. The tax return must include the registration number for the relevant eligible credit property and must be filed no later than the due date (including extensions) for such tax return.
8. **If applicable, renew pre-filing registrations** and file returns for each subsequent year that a transfer election is made to transfer an eligible credit related to the eligible credit property.

Q5. How can I purchase eligible credits and claim transferred eligible credits? (added June 14, 2023)

A. To claim transferred credits.

1. **Arrange to purchase an eligible credit from an unrelated party in exchange for only cash.**
2. **Obtain from the transferor the registration number of the eligible credit property generating the eligible credit and all other information necessary to claim the eligible credit transferred.**
3. **Complete a transfer election statement with the transferor (as described in Q6 below).**
4. **File a tax return.** File a tax return for the taxable year in which the eligible credit is taken into account by you under the rules of section 6418 and include the transfer election statement and other information as required by guidance. The tax return must include the registration number for the relevant eligible credit property.

Q6. What is a transfer election statement and how do I file one? (added June 14, 2023)

A. The form and substance of a transfer election statement is as described in the guidance and generally includes the following. name, address and taxpayer identification number for both the transferor and transferee, a description of the type and amount of the eligible tax credit transferred, the timing and amount of cash paid for the eligible tax credit transferred and the registration number related to the eligible credit property. The transfer election statement should also include certain statements and/or representations from the transferor and transferee as described in the guidance. The transfer election statement should be attached to the transferor's tax return for the year in which the transferor becomes entitled to the eligible credit. The transfer election statement should be attached to the transferee's tax return for the year in which the transferee takes the eligible credit into account.

Q7. Can I transfer only a portion of eligible tax credits generated from a single eligible credit property for a given tax year? Can I transfer eligible tax credits generated from a single eligible credit property to multiple unrelated parties in the same tax year? (added June 14, 2023)

A. Eligible taxpayers may transfer all or a portion of an eligible credit generated from a single eligible credit property. They may also sell an eligible credit generated from a single eligible credit property to multiple unrelated parties in the same tax year.

Q8. Can I use an elective pay registration number for transferability or vice-versa? (added June 14, 2023)

A. No.

Q9. Do I need multiple registration numbers for a single eligible credit property where eligible credits generated by it are transferred to multiple parties? (added June 14, 2023)

A. No. You will provide the same registration number to all transferees of an eligible tax credit generated by the same eligible credit property.



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Q10. Do I need multiple registration numbers if I transfer eligible credits related to multiple facilities? (added June 14, 2023)

A. Separate registration numbers are required for each facility.

Q11. As both the transferor and transferee of an eligible credit must include the registration number on their return, does the order in which they file their returns matter?

A. The transferee and transferor may file their returns in any order, as long as the transferee return is for the taxable year in which the eligible credit is taken into account under the rules of section 6418.

Q12. Can the transferee incorporate eligible credits in their estimated tax payments?

A. Yes. A transferee taxpayer may take into account a credit that it has purchased, or intends to purchase, when calculating its estimated tax payments, though the transferee taxpayer remains liable for any additions to tax in accordance with sections 6654 and 6655 to the extent the transferee taxpayer has an underpayment of estimated tax.

Q13. In the case of tax credits that have been transferred, who bears the financial responsibility for a subsequent recapture event?

A. For transferred eligible credits under sections 48, 48E or 48C or transferred carbon sequestration tax credits under section 45Q, the transferee bears the financial responsibility for a recapture event and is required to recapture an amount of previously claimed tax credits based on the timing and amount of the recapture event. The transferor is required to notify the transferee if a recapture event occurs. For other eligible credits, recapture is not relevant.

Q14. Can the transferee of an eligible credit claim tax depreciation associated with the project?

A. No. Only a taxpayer that has an ownership interest in the project may claim tax depreciation. Transferability does **not** allow depreciation benefits to be transferred.

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