ENERGY-RELATED TAX EXPENDITURES

Information and Questions for Policymakers' Oversight of the Inflation Reduction Act

Report to Congressional Committees

May 2025
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GAO Highlights

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Highlights of GAO-25-107704, a report to congressional committees

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Why GAO Did This Study

The IRA energy tax expenditures cover subjects including clean vehicles, electricity generation, and energy efficient buildings. They are ambitious in scale and scope, with potentially significant financial impacts. As such, GAO identified questions to support effective oversight related to performance evaluation and effective administration.

Congress included a provision in the IRA for GAO to review the distribution and use of IRA funds.

This report describes (1) selected features and effective dates of each IRA energy tax expenditure, (2) the implementation status and data availability of each IRA energy tax expenditure as of January 2025, and (3) questions to support policymaker oversight of the IRA energy tax expenditures.

Information sources used by GAO include applicable federal laws, regulations, and guidance to identify and summarize features for each tax expenditure. GAO used its past reports related to tax expenditures and administration, and fraud risk management to develop questions to support oversight at this early stage of administering these tax expenditures.

While this report reflects the tax expenditures’ implementation status as of January 2025, the Unified Agenda of Federal Regulatory and Deregulatory Actions is expected to be published in spring 2025 and to provide more information on the current administration’s regulatory and deregulatory plans going forward. Additionally, since GAO’s review, there have been legislative proposals to limit some of these tax expenditures.

What GAO Found

The Inflation Reduction Act of 2022 (IRA) included 21 energy tax expenditures— 20 credits and one deduction—that support greenhouse gas emission reduction and other goals. According to the Joint Committee on Taxation, the expenditures may result in at least $200 billion less revenue collected between 2022 and 2031.

The tax expenditures—reductions in a taxpayer’s liability or payments to the taxpayer resulting from exemptions and exclusions from taxation—cover a range of activities such as fuel production and residential energy efficiency upgrades. These expenditures vary as to when taxpayers may claim them, among other things. Many include novel features that distinguish them from other tax expenditures. For example, bonus provisions allow taxpayers to claim additional amounts for some tax expenditures if they meet certain requirements, such as using a certain amount of domestic content to construct a facility.

Agencies, including the Internal Revenue Service (IRS), have made progress in implementing these tax expenditures. As of January 2025, the Department of the Treasury and IRS coordinated to draft and publish 18 of 23 (78 percent) proposed rules and 11 of 19 (58 percent) final rules IRS planned to publish. The total proposed rules do not equal the total final rules because Treasury and IRS can combine multiple proposed rules into final rules. IRS tax expenditure data were available internally as of January 2025 for six tax expenditures and IRS estimates data for an additional 11 will become available internally during 2025.

GAO has consistently called for greater scrutiny of tax expenditures. For example, in 2005, GAO recommended that the Office of Management and Budget, in consultation with Treasury, produce a framework for reviewing the performance of tax expenditures. However, as of January 2025, the recommendation had not been implemented, limiting policymakers' ability to regularly review their effectiveness.

GAO previously developed a framework for assessing tax expenditures and a fraud risk framework to help federal program managers strategically manage fraud risks. GAO applied these frameworks and other sources to provide policymakers with questions supporting evidence-based assessments for overseeing the IRA energy tax expenditures. For example:

- **What evidence will agencies use to evaluate the tax expenditures?** IRS generally collects only information needed to administer the tax code, so additional data may be needed for evaluation. In 2015, GAO recommended that Congress direct IRS to collect project-level data from taxpayers claiming two energy credits—which were extended under the IRA—to provide Congress with basic information about what projects have been supported. As of February 2025, Congress had not acted on that recommendation.
- **How effectively are agencies identifying and mitigating fraud risks?** The large amount of money available and the complexity of many of the IRA tax expenditures increase the risk of fraud. For example, in July 2024, IRS identified a scam in which unscrupulous tax return preparers led their clients to improperly claim IRA tax credits. Effective use of control activities may help IRS and other agencies detect and prevent similar fraudulent schemes.

Contents

Abbreviations

- IRA Inflation Reduction Act of 2022
- IRS Internal Revenue Service
- OMB Office of Management and Budget

May 19, 2025

Congressional Committees

The Inflation Reduction Act of 2022 (IRA) extended, modified, or introduced 20 energy-related credits and one deduction, which we refer to as tax expenditures.[1] The tax expenditures do not explicitly identify goals, but according to the Congressional Research Service, these tax expenditures primarily support the reduction of greenhouse gas emissions. They also seek to increase domestic manufacturing and investment in certain communities impacted by the transition to clean energy.[2] According to a Joint Committee on Taxation estimate, these tax expenditures may result in at least $200 billion less in revenue collected between 2022 and 2031.[3] More recent Joint Committee on Taxation estimates suggest that the revenue effect for certain credits may be higher than they originally estimated.[4]

Since 1994, we have recommended greater scrutiny of tax expenditures, such as those contained in the IRA.[5] For example, in 2005, we recommended that the Office of Management and Budget (OMB), in consultation with Treasury, produce a framework for reviewing the performance of tax expenditures.[6] However, as of January 2025, the recommendation has not been implemented, limiting policymakers' ability to regularly review their effectiveness. Periodic reviews could help determine how well specific tax expenditures work to achieve their goals and how their benefits and costs compare to those of direct spending programs with similar goals. Since the IRA tax expenditures represent a substantial federal commitment, oversight questions can help provide useful scrutiny.

Congress included a provision in the IRA for us to review the distribution and use of IRA funds. This report describes (1) selected features and effective dates of each IRA energy tax expenditure, (2) the implementation status and data availability of each IRA energy tax expenditure as of January 2025, and (3) questions to support policymaker oversight of the IRA energy tax expenditures.

To describe selected features and effective dates of each IRA energy tax expenditure, we used information sources including federal laws, regulations, and agency subregulatory guidance to identify and summarize

[1]For purposes of this report, tax expenditures refers to reductions in a taxpayer's tax liability or payments to the taxpayer that are the result of exemptions and exclusions from taxation or from tax deductions or credits.

[2]The Congressional Research Service regularly compiles information on tax expenditures, including what is known about their goals. See Comm. on the Budget, 117th Cong., Tax Expenditures: Compendium of Background Material on Individual Provisions, S. Prt. 117-24 (Comm. Print 2022), prepared by the Congressional Research Service.

[3]This estimate is based on a comparison to the prior budget baseline between 2022 and 2031 for the bill that became the Inflation Reduction Act. See Joint Committee on Taxation, JCX-18-22 (Washington, D.C.: Aug. 9, 2022). The Joint Committee on Taxation's revenue estimates include both changes in revenue and outlays associated with the tax expenditures. Revenue estimates are measured against the law at the time and include behavioral effects that take into account taxpayers' likely behavioral responses to proposed changes in law.

[4]For example, see Joint Committee on Taxation, JCX-7-23 (Washington, D.C.: Apr. 26, 2023). That estimate was based on H.R. 2811, "Limit, Save, Grow Act of 2023," 118th Cong. (2023), a bill that would have repealed certain energy tax expenditures.

[5]GAO, *Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to Be Reexamined*, GAO-05-690 (Washington, D.C.: Sept. 23, 2005); *Tax Policy: Tax Expenditures Deserve More Scrutiny,* GAO/GGD/AIMD-94-122 (Washington, D.C.: June 3, 1994).

[6]GAO-05-690.

features for each tax expenditure. We also interviewed Department of Treasury and Internal Revenue Service (IRS) officials responsible for implementing and administering the IRA energy tax expenditures, conducted a literature search to identify articles and research related to the tax expenditures, and used government sources, including IRS guidance webpages, Joint Committee on Taxation publications, and Congressional Research Service publications. To identify novel IRA energy tax expenditure features, we used publications including from the Joint Committee on Taxation and interviews with Treasury and IRS officials.

To describe each IRA energy tax expenditure's implementation status and data availability, we reviewed IRS's IRA tax expenditure webpages, IRS's Statistics of Income Clean Energy Tax Credit Statistics webpage, and IRS internal planning documents. To describe the status of rulemaking efforts associated with specific tax expenditures, we reviewed IRS documents to identify the notices of proposed rulemaking and final rules that the agency planned to publish. We also reviewed the Federal Register to validate the notices of proposed rulemaking and final rules that the Department of the Treasury and IRS had published. We verified the final rulemaking counts with Treasury and IRS officials.

To describe questions to support policymaker oversight of the IRA energy tax expenditures, we selected topics and questions from our relevant past products. These included our framework for evaluating tax expenditures, A Framework for Managing Fraud Risks in Federal Programs (Fraud Risk Framework), and our reports related to effective policy administration, particularly tax administration.[7] We adapted these questions to ensure their relevance to the specific features of the tax expenditures, stage of administration (e.g., the time until a tax expenditure expires), and the status of data availability.

We conducted this performance audit from July 2024 to May 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The IRA was enacted on August 16, 2022.[8] It contained a variety of tax provisions including a corporate alternative minimum tax, an excise tax on corporate stock repurchases, and energy tax expenditures. These energy tax expenditures were codified in the Internal Revenue Code (Title 26 of the United States Code). In this report we have provided the Internal Revenue Code section numbers for each tax expenditure. For example, the clean vehicle credit (§ 30D) refers to 26 U.S.C. § 30D. The IRA energy tax expenditures cover a variety of subjects, as shown in table 1.

[7]GAO, *Evidence-Based Policymaking: Practices to Help Manage and Assess the Results of Federal Efforts,* GAO-23-105460 (Washington, D.C.: July 12, 2023); *Tax Expenditures: Opportunities Exist to Use Budgeting and Agency Performance Processes to Increase Oversight,* GAO-16-622 (Washington, D.C.: July 7, 2016); *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP (Washington, D.C.: July 28, 2015); *Tax Expenditures: Background and Evaluation Criteria and Questions*, GAO-13-167SP (Washington, D.C.: Nov. 29, 2012); GAO-05-690.

[8]While this report reflects the implementation status of the IRA energy tax expenditures as of January 2025, the Unified Agenda of Federal Regulatory and Deregulatory Actions is expected to be published in Spring 2025 and to provide more information on the current administration's regulatory and deregulatory plans relating to IRS' implementation of these tax expenditures going forward. See Exec. Order 12866, 58 Fed. Reg. 51735 (Oct. 4, 1992). Additionally, since our review, there have been legislative proposals to limit some of these tax expenditures.

Table 1: Inflation Reduction Act Tax Expenditure Categories

Category	Category information
Carbon Sequestration	Tax expenditure for carbon capture, utilization and sequestration.[a]
Clean energy infrastructure	Tax expenditures for manufacturing certain energy components and reequipping or expanding industrial facilities to reduce greenhouse gas emissions.
Clean vehicles	Tax expenditures for purchasing clean vehicles and charging and refueling infrastructure.
Electricity generation	Tax expenditures for building zero greenhouse gas emission facilities and generating electricity from such facilities.
Energy efficient buildings	Tax expenditures for building and retrofitting energy efficient homes and businesses.
Fuel production	Tax expenditures for producing hydrogen and other fuels, including second generation biofuels.[b]

Sources: GAO (analysis and images); carbon sequestration image adapted from Congressional Budget Office. | GAO-25-107704

[a]Carbon capture refers to technology to separate and purify carbon oxide from a source, which could be an industrial facility such as a power generation or manufacturing facility (point-source capture) or the atmosphere. Both kinds of capture result in a concentrated stream of carbon oxide that can be compressed and transported—typically via pipeline—either for conversion into economically valuable products (utilization) or for storage in deep underground geologic formations (sequestration).

[b]Second generation biofuel is defined as liquid fuel produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis or any cultivated algae, cyanobacteria, or lemna.

We expand on these categories below, including which of the 21 tax expenditures fall within each category.

Most IRA Energy Tax Expenditures Include Novel Features and a Range of Expiration Dates

Tax Expenditures' Novel Features Require Additional Effort for IRS to Implement and Taxpayers to Claim

Most IRA energy tax expenditures include novel features when compared to many other tax expenditures. IRS officials highlighted three novel features that they said required additional effort to implement: elective pay (sometimes also known as direct pay), transferability, and new bonus provisions. These features also require additional effort for taxpayers to claim the credits and make the elective pay or transferability election, including preregistration and documentation requirements.

Elective pay. Tax expenditures with this feature allow entities that do not typically owe federal income taxes, such as tribal and state governments, to receive payment for the credit amount. Elective pay applies to 12 IRA tax expenditures. Three tax expenditures, such as the credit for production of clean hydrogen (§ 45V), also allow elective pay for all business taxpayers for up to 5 years for each credit property, such as a qualified clean hydrogen production facility.[9] When taxpayers elect to use elective pay, the credit amount first offsets any federal income tax due. Taxpayers are refunded any remaining credit amount when they file their annual federal income tax returns, which could be the full amount if the taxpayer owes no federal income taxes.

[9]Business taxpayers may make an election for the credit for carbon oxide sequestration (§ 45Q), credit for production of clean hydrogen (§ 45V), and advanced manufacturing production credit (§ 45X).

Taxpayers must preregister with IRS to claim elective payments using IRS's Energy Credits Online portal, which is described in more detail later in this report.

Transferability. Eligible taxpayers may transfer a credit, or its value, to another taxpayer, allowing the transferring taxpayer to receive that amount immediately, rather than waiting until filing their tax return. The IRA tax expenditures include the following two main transfer types:

- The first applies to the clean vehicle and previously owned clean vehicles credits (§§ 30D and 25E). Taxpayers claiming these tax expenditures may elect to transfer their eligible credit amount to the dealer when purchasing the vehicle. That transfer allows the taxpayer to receive the credit's value as a reduction in the vehicle price at the time of purchase. Vehicle dealers must register on IRS's Energy Credits Online portal and record the transaction in order to receive the credit's value from IRS after the transaction.
- The second allows taxpayers eligible for 11 of the IRA tax expenditures to transfer the credits' value to an unrelated party in exchange for cash.[10] This transfer allows taxpayers who do not owe enough federal income tax to claim the full credit value to receive a portion of its value in cash. For example, a taxpayer eligible to claim a $5 million credit but having $0 in taxable income could transfer the $5 million credit to another taxpayer in exchange for a price determined by the market, e.g. $4.5 million in cash. Transfer terms may vary and would be subject to the transfer market value and other factors. Taxpayers wishing to transfer must preregister using the Energy Credits Online portal. Both the transferor and transferee must complete a transfer election statement and attach necessary documentation, including the registration number when filing their tax returns.

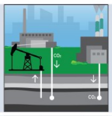
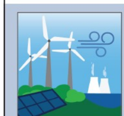
Bonus provisions. For some energy tax expenditures, business taxpayers may claim additional amounts if they meet certain requirements including paying workers prevailing wages and meeting apprenticeship requirements or using certain amounts of domestically produced materials.[11] Bonus provisions apply to 12 IRA energy tax expenditures. For example, the energy credit (§ 48) allows business taxpayers to multiply the base amount by five if the taxpayer paid laborers and mechanics prevailing wages to construct renewable energy property and provided certain apprenticeship opportunities. To claim the additional domestic content amounts, taxpayers must file a domestic content certification statement and an additional form.

Figure 1 shows which of these features apply to each tax expenditure. For more information on how each of these features applies to individual tax expenditures, see appendix I.

[10]Entities eligible for elective pay under 26 U.S.C. § 6417(d)(1)(A), including tax-exempt organizations, state or political subdivisions, and local governments are generally not eligible for transfers under 26 U.S.C. § 6418 (f)(2).

[11]According to the Department of Labor, a prevailing wage is the combination of the basic hourly wage rate and any fringe benef its rate, paid to workers in a specific classification of laborer or mechanic in the area where construction, alteration, or repair is performed, as determined by the Secretary of Labor. See https://www.dol.gov/agencies/whd/IRA. To claim the bonus provision, employers must ensure all laborers and mechanics are paid at least the applicable prevailing wage. Some tax expenditures also require taxpayers to meet apprenticeship requirements.

Figure 1: Inflation Reduction Act Energy Tax Expenditure Features

Category	Tax expenditures included	Elective pay	Transferability	Bonus provisions
 Carbon Sequestration	Credit for carbon oxide sequestration (§ 45Q)	✓[a]	✓	✓
 Clean Energy Infrastructure	Advanced manufacturing production credit (§ 45X)	✓[a]	✓	
	Qualifying advanced energy project credit (§ 48C)	✓	✓	✓
 Clean Vehicles	Previously-owned clean vehicles credit (§ 25E)		✓[b]	
	Alternative fuel vehicle refueling property credit (§ 30C)	✓	✓	✓
	Clean vehicle credit (§ 30D)		✓[b]	
	Credit for qualified commercial clean vehicles (§ 45W)	✓		
 Electricity Generation	Electricity produced from certain renewable resources credit (§ 45)	✓	✓	✓
	Zero-emission nuclear power production credit (§ 45U)	✓	✓	✓
	Clean electricity production credit (§ 45Y)	✓	✓	✓
	Energy credit (§ 48)	✓	✓	✓
	Clean electricity investment credit (§ 48E)	✓	✓	✓
 Energy Efficient Buildings	Energy efficient home improvement credit (§ 25C)			
	Residential clean energy credit (§ 25D)			
	New energy efficient home credit (§ 45L)			✓
	Energy efficient commercial buildings deduction (§ 179D)			✓
 Fuel Production	Second generation biofuel credit (§ 40)			
	Biodiesel and renewable diesel used as fuel, Credit for alcohol fuel, biodiesel, and Alternative fuel mixtures credit (§§ 40A, 6426, 6427)			
	Sustainable aviation fuel credit (§§ 40B, 6426(k), 6427(e))			
	Credit for production of clean hydrogen (§ 45V)	✓[a]	✓	✓
	Clean fuel production credit (§ 45Z)	✓	✓	✓

Sources: GAO (analysis and images); carbon sequestration image adapted from Congressional Budget Office. | GAO-25-107704

Accessible Data for Figure 1: Inflation Reduction Act Energy Tax Expenditure Features

Category	Tax expenditures Included	Elective Pay	Transferability	Bonus Provisions
Carbon Sequestration	Credit for carbon oxide sequestration (§ 45Q)	yes	yes	yes
Clean Energy Infrastructure	Advanced manufacturing production credit (§ 45X)	yes	yes	
Clean Energy Infrastructure	Qualifying advanced energy project credit (§ 48C)	yes	yes	yes
Clean Vehicles	Previously-owned clean vehicles credit (§ 25E)			
Clean Vehicles	Alternative fuel vehicle refueling property credit (§ 30C)	yes	yes	yes
Clean Vehicles	Clean vehicle credit (§ 30D)		yes	
Clean Vehicles	Credit for qualified commercial clean vehicles (§ 45W)	yes		

Category	Tax expenditures Included	Elective Pay	Transferability	Bonus Provisions
Electricity Generation	Electricity produced from certain renewable resources credit (§ 45)	yes	yes	yes
Electricity Generation	Zero-emission nuclear power production credit (§ 45U)	yes	yes	yes
Electricity Generation	Clean electricity production credit (§ 45Y)	yes	yes	yes
Electricity Generation	Energy credit (§ 48)	yes	yes	yes
Electricity Generation	Clean electricity investment credit (§ 48E)	yes	yes	yes
Energy Efficient Buildings	Energy efficient home improvement credit (§ 25C)			
Energy Efficient Buildings	Residential clean energy credit (§ 25D)			
Energy Efficient Buildings	New energy efficient home credit (§ 45L)			yes
Energy Efficient Buildings	Energy efficient commercial buildings deduction (§ 179D)			yes
Fuel Production	Second generation biofuel credit (§ 40)			
Fuel Production	Biodiesel and renewable diesel used as fuel, Credit for alcohol fuel, biodiesel, and Alternative fuel mixtures credit (§§ 40A, 6426, 6427)			
Fuel Production	Sustainable aviation fuel credit (§§ 40B, 6426(k), 6427(e))			
Fuel Production	Credit for production of clean hydrogen (§ 45V)	yes	yes	yes
Fuel Production	Clean fuel production credit (§ 45Z)	yes	yes	yes

Sources: GAO (analysis and images); carbon sequestration image adapted from Congressional Budget Office. I GAO-25-107704

Note: Bonus provisions allow taxpayers to claim additional credit amounts if they meet certain requirements.

[a]Elective pay for these tax expenditures applies to all taxpayers. The election may apply for up to 5 years per credit property. Elective pay generally applies to entities that do not typically owe federal income taxes, such as tribal and state governments.

[b]Transferability for these tax expenditures allows vehicle buyers to elect to transfer the credit's value to dealers when purchasing the vehicle and receive its value as a reduction in the vehicle's price. Other tax expenditures that are eligible for transferability allow taxpayers to transfer the credits' value for cash.

Note: Bonus provisions allow taxpayers to claim additional credit amounts if they meet certain requirements.

IRA Tax Expenditures Include a Range of Expiration Terms

As of January 2025, all 21 tax expenditures had taken effect. However, at the end of 2024, two had fully expired, and two had partially expired.[12] One was only available for taxpayers that had a qualifying facility that had been placed in service and the construction of which began before 2025.[13]

Under the IRA, 11 tax expenditures that previously existed were extended with modifications and one was extended without modification. For purposes of this section, we show the dates on which the IRA provisions creating new expenditures or amending existing expenditures were effective. For additional details about individual tax expenditures, see appendix I.

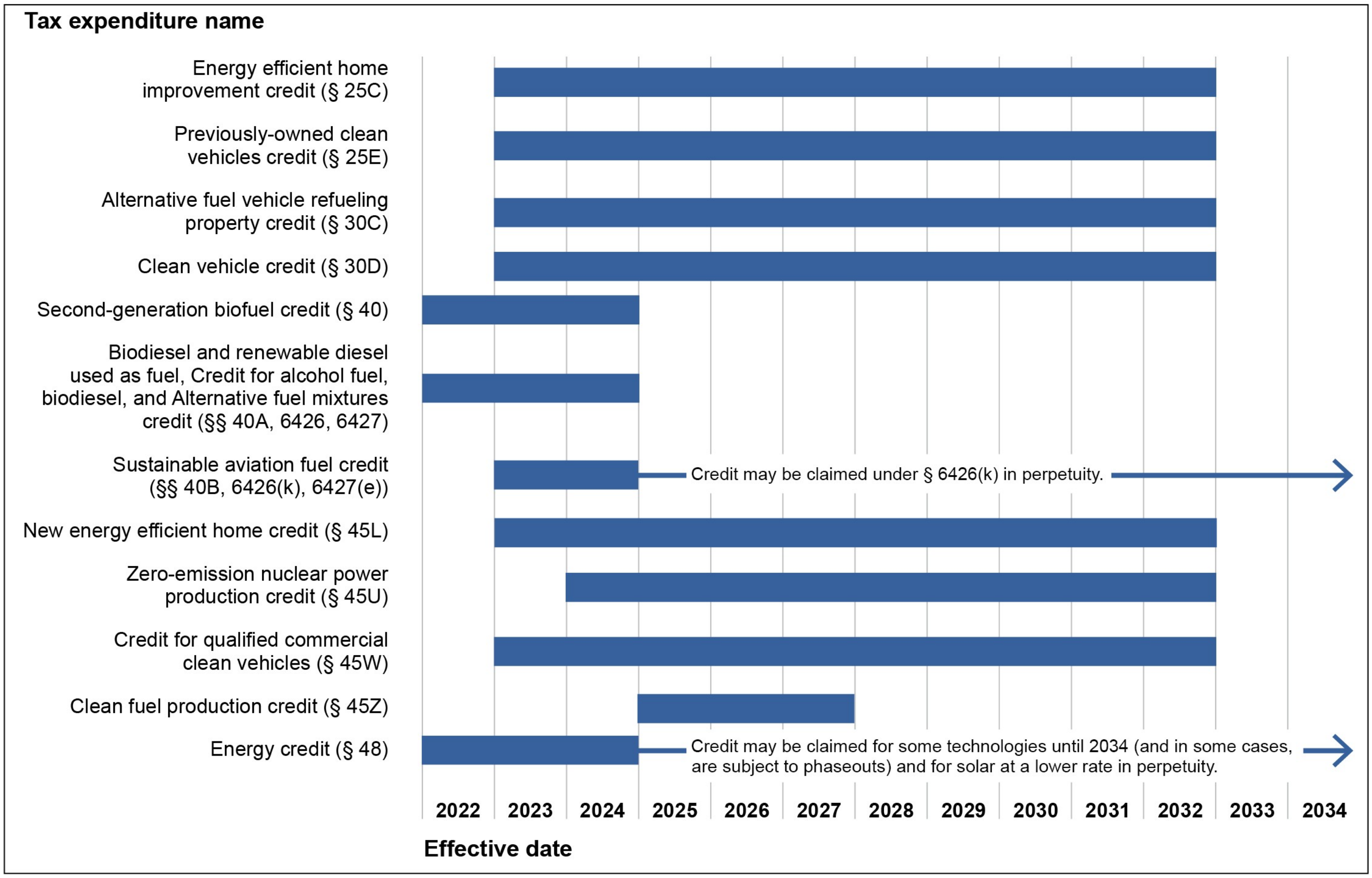
[12]The tax expenditures that expired were the second-generation biofuel credit (§ 40) and the biodiesel, renewable diesel, and the alternative fuels credit (§§ 40A, 6426, 6427). The sustainable aviation fuel credit partially expired (§§ 40B and 6427(e) expired, but § 6426(k) does not have a termination date). The energy credit (§ 48) also partially expired.

[13]The electricity produced from certain renewable resources credit (§ 45) applies to certain facilities that have been placed in service and the construction of which begins before 2025.

No expiration date. The energy efficient commercial building deduction (§ 179D), as amended by the IRA, has no expiration date.

Defined expiration dates. Twelve tax expenditures have defined expiration dates, as shown in figure 2.

Figure 2: Inflation Reduction Act Energy Tax Expenditures That Have Defined Expiration Dates



Source: GAO. | GAO-25-107704

Accessible Data for Figure 2: Inflation Reduction Act Energy Tax Expenditures That Have Defined Expiration Dates

Tax Expenditure Name	Effective Date
Energy efficient home improvement credit (§ 25C)	2023 through 2032
Previously-owned clean vehicles credit (§ 25E)	2023 through 2032
Alternative fuel vehicle refueling property credit (§ 30C)	2023 through 2032
Clean vehicle credit (§ 30D)	2023 through 2032
Second-generation biofuel credit (§ 40)	2022 through 2024
Biodiesel and renewable diesel used as fuel, Credit for alcohol fuel, biodiesel, and Alternative fuel mixtures credit (§§ 40A, 6426, 6427)	2022 through 2024
Sustainable aviation fuel credit (§§ 40B, 6426(k), 6427(e))	2023 through 2024. Credit may be claimed under § 6426(k) in perpetuity
New energy efficient home credit (§ 45L)	2023 through 2032
Zero-emission nuclear power production credit (§ 45U)	2024 through 2032
Credit for qualified commercial clean vehicles credit (§ 45W)	2023 through 2032
Clean fuel production credit (§ 45Z)	2025 through 2027
Energy credit (§ 48)	2022 until 2034. Credit may be claimed for some technologies until 2034 (and in some cases, are subject to phaseouts) and for solar at a lower rate in perpetuity

Source: GAO. I GAO-25-107704

Note: The effective dates reflect the calendar years in which taxpayers were eligible to claim the tax expenditures. For tax expenditures that previously existed but were extended or modified and extended by the Inflation Reduction Act, the effective dates reflect when these extensions and modifications took effect.

Defined expiration dates with phase outs. Two tax expenditures have phase outs that reduce the base amounts taxpayers can claim before final expiration. The residential clean energy credit (§ 25D) will start phasing out in 2033 and will no longer be available for property placed in service after the end of 2034. The advanced manufacturing production credit (§ 45X) will start phasing out in 2030 and will generally no longer be available for eligible components sold after the end of 2032. However, the critical minerals component of that credit is permanent.

Expiration based on events. Two tax expenditures, the clean electricity investment credit (§ 48E) and clean electricity production credit (§ 45Y), will phase out after 2032 or once U.S. carbon emissions are reduced to 25 percent of the 2022 levels, whichever event occurs later. Once the phase out begins, the tax expenditures remain available for an additional 3 years at base rates that decrease each year.

Term of years after an event. Three tax expenditures have defined dates by which qualifying facilities must be placed in service or begin construction. After those dates, taxpayers have a defined term of years to claim the credits. The electricity produced from certain renewable resources credit (§ 45) applies to facilities that have been placed in service and the construction of which begins before 2025. Taxpayers may claim the credit for an additional 10 years after the facility was placed in service. The credit for carbon oxide sequestration (§ 45Q), as amended by the IRA, generally requires facilities to start construction before 2033. Taxpayers generally may claim the credit for an additional 12 years after the facility was placed in service. The credit for production of clean hydrogen (§ 45V) requires taxpayers to begin construction on the qualifying facility before 2033. Taxpayers may claim the credit for up to 10 years beginning with the taxable year in which the facility was placed in service.

Total credit allocation amount. One tax expenditure has a total credit allocation amount: the qualifying advanced energy project credit (§ 48C). Taxpayers must apply for an allocation for this tax expenditure. It does not have a specific expiration date but will no longer be available once the funds are fully allocated.[14]

Agencies Have Taken Steps to Implement the IRA Energy Tax Expenditures; Limited Data Available on Credit Usage

Steps Include Publishing Final Rules and Developing Online Portals

As of January 2025, Treasury and IRS had published more than half of the 19 planned final rules for the IRA energy tax expenditures. These rules interpret the law governing each tax expenditure.[15] The rulemaking process must follow the requirements contained in the Administrative Procedure Act, which generally require the agency to publish notices of proposed rulemaking and solicit public comments before publishing the final rule.[16]

Because of the legal requirements governing the rulemaking process and accompanying research and analysis, agencies may expend considerable time and effort to publish final rules. As shown in figure 3, as of January 2025, Treasury and IRS had published 18 of 23 planned notices of proposed rulemaking (78 percent). Treasury and IRS had published 11 of 19 planned final rules (58 percent). We did not include temporary regulations in this count.[17] For more details about the status of rulemaking efforts for each tax expenditure, see appendix I.

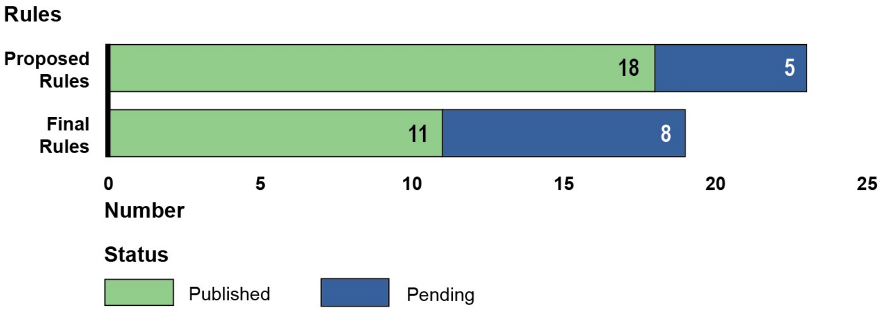
[14]The IRA allocated $10 billion for this credit. On March 29, 2024, IRS announced it had allocated approximately $4 billion under the credit. On January 10, 2025, IRS announced it had allocated approximately $6 billion as part of the second round.

[15]The tax expenditures take effect as specified by law, however, regardless of whether Treasury and IRS have published rules. For more information about IRS's guidance and rulemaking, see: GAO, *Tax Cuts and Jobs Act: Future Rulemaking Should Provide Greater Detail on Paperwork Burden and Economic Effects of International Business Provisions*. GAO-21-277 (Washington, D.C.: Apr. 28, 2021) and GAO, *Regulatory Guidance Processes: Treasury and OMB Need to Reevaluate Long-standing Exemptions of Tax Regulations and Guidance*. GAO-16-720 (Washington, D.C.: Sept. 6, 2016).

[16]5 U.S.C. § 553.

[17]The Administrative Procedure Act provides an exception to the notice and comment procedure where an agency for good cause finds that this procedure is impracticable, unnecessary, or contrary to the public interest. 5 U.S.C. § 553(b). IRS made such a finding on the basis that it was important to immediately put into effect a prefiling registration system when IRS issued a temporary regulation on prefiling registration requirements for elective pay. See 88 Fed. Reg.40086 (June 21, 2023). This temporary regulation was subsequently removed with the issuance of the final rule on elective pay. See 89 Fed. Reg. 17546 (Mar. 11, 2024).

Figure 3: Status of Treasury and IRS Rules for Inflation Reduction Act Tax Expenditures, as of January 2025



Source: GAO analysis of Internal Revenue Service data. | GAO-25-107704

Accessible Data for Figure 3: Status of Treasury and IRS Rules for Inflation Reduction Act Tax Expenditures, as of January 2025

Rules category	Published	Pending
Proposed Rules	18	5
Final Rules	11	8

Source: GAO analysis of Internal Revenue Service data. I GAO-25-107704

Note: Data are based on publicly available information and Treasury and Internal Revenue Service (IRS) documents indicating the number of proposed and final rules they planned to publish as of January 2025. Rules that are listed as pending consist of: 1) rulemakings that IRS reported that it planned to undertake but had not published as of January 2025; or 2) rulemakings for which a Treasury and IRS notice of proposed rulemaking had been published, but a final rule had not, as of January 2025. The total number of proposed rules does not equal the total number of final rules because Treasury and IRS can combine multiple proposed rules into final rules. We did not include temporary regulations in this count.

As of January 2025, IRS had also published nearly all the subregulatory guidance and information for the IRA energy tax expenditures that it planned to complete.[18] Those documents can include frequently asked questions and establish internal procedures for IRS's administration through a revenue procedure. These documents do not have to comply with the notice and comment requirements of the Administrative Procedure Act.

IRS also developed an online portal known as Energy Credits Online to administer the credits' transferability and elective pay features. IRS requires taxpayers to use the portal to create an account to verify their identity, report qualifying transactions, and register to use transferability and elective pay features. Taxpayers may use one account for multiple tax expenditures. For example, IRS requires vehicle dealers to register on the portal to provide point-of-sale credits to buyers for the clean vehicle credit and previously owned clean vehicles credit (§§ 30D, 25E). IRS officials said manufacturers that want their energy efficient home improvement products to qualify for the energy efficient home improvement credit (§ 25C) will also be required to use the portal.[19]

IRS officials said they worked in partnership with the Department of Energy to develop an additional portal for the qualifying advanced energy project credit (§ 48C) and the energy credit for low-income solar and wind facilities bonus provision (§ 48(e)). To claim the credit and bonus provision, taxpayers must use the portal to

[18]While rules and regulations for the enforcement of the Internal Revenue Code must be issued by the Department of the Treasury, subregulatory guidance may be issued by the IRS and is typically published in the Internal Revenue Bulletin, which is the authoritative instrument of the Internal Revenue Commissioner for the announcement of official rulings, decisions, opinions, and procedures , among other items pertaining to internal revenue matters. See 26 U.S.C. § 7805(a); Department of the Treasury, Policy Statement on the Tax Regulatory Process (Mar. 5, 2019); and 26 C.F.R. § 601.601(d)(1).

[19]Those manufacturers must register and enter into an agreement with IRS using the portal, assign a qualified product identification number to each product, label the products with the numbers, and periodically report the assigned numbers to IRS.

apply for an allotment from designated fund amounts.[20] Taxpayers claiming the clean electricity low-income communities bonus provision under the clean energy investment credit (§48E) will also be required to use this portal, according to IRS officials.

Limited Data Available as of January 2025 about the IRA Energy Tax Expenditures

As of January 2025, IRS officials said limited data were available about the use of IRA energy tax expenditures. As of that time, some taxpayers still had time to file 2023 tax returns because of extensions, postponements, and amendments. According to IRS officials, business taxpayers often request extensions to file their returns. Individual taxpayers may also request extensions. According to IRS officials, once the returns are filed, they will need to be processed before data are available.

IRS officials described plans to publish data on the tax expenditures but did not have a schedule for when such data would be publicly available. According to the officials, IRS plans to publish weighted estimates for each tax expenditure, including aggregate data on the number of filers and amounts of credits or elective payments claimed. IRS has released some data on its IRA Statistics of Income website and Treasury has released data about some of the tax expenditures in press releases.[21] As of February 2025, IRS had published 2023 tax year data related to the residential clean energy credit (§ 25D), energy efficient home improvement credit (§ 25C), low-income communities bonus credit program under the clean energy investment credit (§ 48), clean vehicle credit (§ 30D) and previously-owned clean vehicles credit (§ 25E). IRS officials said data for the Electricity produced from certain renewable resources credit (§ 45) were available internally but as of February 2025, data for that credit had not been published.

In general, IRS estimates data will be available internally for IRS's use about 2 years after the relevant tax year. As of January 2025, IRS officials told us such data were available internally for the 2022 or 2023 tax years for six tax expenditures. IRS officials said tax year 2023 data would be available internally for an additional 11 tax expenditures by mid 2025. IRS estimates that data for the remaining four tax expenditures will be available internally in 2026 or 2027. Table 2 provides more details.

Table 2: IRS Estimates of When Inflation Reduction Act Tax Expenditure Data Will Be Internally Available As of January 2025

Category	Tax expenditure and statutory section	Estimated time when filing data should be available for IRS's internal review
2022 tax year data	Electricity produced from certain renewable resources credit (§ 45)	Available now
2022 tax year data	Energy credit (§ 48)	Available now
2023 tax year data	Energy efficient home improvement credit (§ 25C)	Available now
2023 tax year data	Residential clean energy credit (§ 25D)	Available now
2023 tax year data	Previously owned clean vehicles credit (§ 25E)	Available now
2023 tax year data	Clean vehicle credit (§ 30D)	Available now

[20]Qualifying taxpayers could also use elective pay and transferability for these tax expenditures. Taxpayers wishing to use those features would also have to register on the Energy Credits Online portal and meet additional requirements.

[21]IRS, "SOI tax stats - Clean energy tax credit statistics," (Washington, D.C.: Jan. 16, 2025), https://www.irs.gov/statistics/soi-tax-stats-clean-energy-tax-credit-statistics.

Category	Tax expenditure and statutory section	Estimated time when filing data should be available for IRS's internal review
2023 tax year data	Alternative fuel vehicle refueling property credit (§ 30C)	Early-mid 2025
2023 tax year data	Credit for carbon oxide sequestration (§ 45Q)	Early-mid 2025
2023 tax year data	Credit for production of clean hydrogen (§ 45V)	Early-mid 2025
2023 tax year data	Advanced manufacturing production credit (§ 45X)	Early-mid 2025
2023 tax year data	Qualifying advanced energy project credit (§ 48C)	Early-mid 2025
2023 tax year data	Second generation biofuel credit (§ 40)	Mid 2025
2023 tax year data	Biodiesel and renewable diesel used as fuel, Credit for alcohol fuel, biodiesel, and Alternative fuel mixtures credit (§§ 40A, 6426, 6427)	Mid 2025
2023 tax year data	Sustainable aviation fuel credit (§§ 40B, 6426(k), 6427(e))	Mid 2025
2023 tax year data	New energy efficient home credits (§ 45L)	Mid 2025
2023 tax year data	Credit for qualified commercial clean vehicles (§ 45W)	Mid 2025
2023 tax year data	Energy efficient commercial buildings deduction (§ 179D)	Mid 2025
2024 tax year data	Zero-emission nuclear power production credit (§ 45U)	2026
2025 tax year data	Clean electricity production credit (§ 45Y)	2027
2025 tax year data	Clean fuel production credit (§ 45Z)	2027
2025 tax year data	Clean electricity investment credit (§ 48E)	2027

Source: GAO analysis of Internal Revenue Service (IRS) data. I GAO-25-107704

Note: IRS officials said they plan to publish data on the tax expenditures but did not have a schedule for when such data would be publicly available.

Questions and Information That Can Be Used to Provide Oversight of Tax Expenditure Performance and Administration

Scrutinizing tax expenditure performance and administration can help determine how well specific tax expenditures work to achieve their goals. In 2012, we developed a framework for evaluating tax expenditures that included a series of oversight questions.[22] We also have a long-standing body of work on minimizing fraud risk relevant to government initiatives such as tax expenditures. We used this past work to highlight questions that policymakers can ask in their oversight roles of the IRA energy tax expenditures' implementation to this point. We adapted these questions to ensure their relevance to the IRA energy tax expenditures' features, stage of administration (e.g., the time until a tax expenditure expires), and data availability. The selected questions are shown in figure 4.

[22]GAO-13-167SP.

Figure 4: Selected Oversight Questions for Inflation Reduction Act Energy Tax Expenditures

Evaluating Effectiveness

What are the tax expenditure's goals?

- Have the relevant agencies identified which tax expenditures contribute to their agency goals?
- Have the relevant agencies identified goals associated with the various bonus credit provisions?

What performance measures will be used to evaluate progress toward goals?

- What information are agencies reporting on the use and effects of the tax expenditure and how does that information relate to goals and measures?

What evidence is needed to evaluate progress toward goals?

- What data are agencies currently collecting and are those data sufficient for evaluating progress toward goals?
- Do agencies have access to the information necessary to analyze progress towards identified goals? Have agencies established appropriate agreements and mechanisms to share necessary information?

Which agencies should be responsible for evaluating the tax expenditure?

- What roles do agencies, including the Department of the Treasury and the Office of Management and Budget, have in overseeing the evaluation of the tax expenditure?

When should the responsible agencies evaluate the tax expenditure?

- What is the status of government efforts to evaluate the tax expenditure?
- Will the agencies' evaluations occur while the tax expenditure is still in effect?

Assessing Administration

How effectively are agencies helping taxpayers understand and meet eligibility and compliance requirements?

- What have agencies done to minimize the burden associated with planning, recordkeeping, reporting, and other compliance costs for taxpayers?
- How effectively is the Internal Revenue Service (IRS) communicating eligibility and reporting responsibilities to taxpayers?
- What are the costs to responsible agencies in administering the tax expenditure?

How effectively are agencies identifying and mitigating fraud risks?

- What policies and processes does IRS use to identify tax expenditure fraud risk?
- What preventative control activities has IRS developed to mitigate tax expenditure fraud risk?
- What actions has IRS taken in response to identified tax expenditure fraud?

How effectively is the tax expenditure being coordinated with other federal activities?

- What challenges, if any, have responsible agencies experienced in coordinating the implementation or administration of the tax expenditure?
- How, if at all, have any coordination challenges affected taxpayers?

Source: GAO. | GAO-25-107704

Accessible Data for Figure 4: Selected Oversight Questions for Inflation Reduction Act Energy Tax Expenditures

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- What challenges, if any, have responsible agencies experienced in coordinating the implementation or administration of the tax expenditure?
- How, if at all, have any coordination challenges affected taxpayers?

Source: GAO. I GAO-25-107704

Note: Questions were adapted from past GAO work on tax expenditure evaluation and fraud risk management.

As implementation continues and more data become available, other questions can be elevated. For example, questions related to whether an alternative policy tool could more effectively achieve the same goals may become more relevant once the tax expenditures' effects are better understood.

The questions presented in this report are not exclusively directed toward Treasury and IRS, because the IRA energy tax expenditures use the tax code to advance broader policy goals that generally fall outside IRS's mission. While Treasury and IRS play a central role in administration, multiple other agencies—including the Departments of Energy, Labor, and Interior, and the Environmental Protection Agency—have roles as well. For example, the Department of Labor determines the prevailing wage that taxpayers must pay contractors and employees to receive the prevailing wage bonus. Accordingly, many of these oversight questions are relevant to the broader set of agencies responsible for advancing and monitoring progress toward achieving the policy goals.

Evaluating Effectiveness

This section contains five oversight questions and example sub-questions to help assess the effectiveness of the tax expenditures in achieving their intended purpose.

What are the tax expenditure's goals?

- *Have the relevant agencies identified which tax expenditures contribute to their agency goals?*
- *Have the relevant agencies identified goals associated with the various bonus provisions?*

A useful first step for evaluating the IRA energy tax expenditures is to identify their goals. Tax expenditures, like other federal spending programs, are often designed to achieve certain policy goals.[23] Goals may be targeted toward specific programs or may cross multiple departments and agencies.[24] Identified goals guide agency activities and allow decision-makers, staff, and stakeholders to assess performance by comparing planned and actual results.

The IRA does not explicitly identify goals for the energy tax expenditures. In 2022, the Congressional Research Service highlighted broad goals for some of the expenditures, such as promoting investment in renewable-energy property or advancing carbon capture and storage deployment.[25] Bonus provisions that apply to 12 tax expenditures create additional incentives. The domestic content provision, for example, aims to support domestic production.[26] The energy community bonus aims to support investment in the deployment of clean electricity in communities that could be disproportionately affected by a transition away from fossil fuels in the

[23]See, for example, GAO-16-622. In this prior work, we recommended that OMB, in collaboration with Treasury, work with agencies to identify which tax expenditures contribute to their agency goals. We designated this as a priority recommendation for OMB and it remained open as of February 2025.

[24]GAO-23-105460.

[25]See S. Comm. on the Budget, 117th Cong., Tax Expenditures: Compendium of Background Material on Individual Provisions, S. Prt. 117-24 at 144, 220 (Comm. Print 2022), prepared by the Congressional Research Service.

[26]*Id.* at 248.

electric power sector.[27] Credits that include such bonus provisions may have multiple, potentially competing goals.

What performance measures will be used to evaluate progress toward goals?

- *What information are agencies reporting on the use and effects of the tax expenditure and how does that information relate to goals and measures?*

Once goals have been clearly identified, a next step is to continuously evaluate progress toward achieving them. Performance measurement is the ongoing monitoring and reporting of program accomplishments, focusing on measurable standards and progress toward achieving them.[28] If a tax expenditure has multiple goals, then multiple performance measures may be necessary, or the measures should recognize these different priorities.

Given the diversity of tax expenditures and potential goals explicitly identified or implied, agencies could establish multiple different performance measures. For example, agencies could track greenhouse gas emission reductions or job creation associated with each tax expenditure. Specific measures will depend on the goals of each expenditure. In past work, we recommended that Congress consider identifying questions about the performance of a tax expenditure that it wanted agencies to address in order to help guide data collection and performance measurement.[29]

What evidence is needed to evaluate progress toward goals?

- *What data are agencies currently collecting and are those data sufficient for evaluating progress toward goals?*
- *Do agencies have access to the information necessary to analyze progress toward identified goals? Have agencies established appropriate agreements and mechanisms to share necessary information?*

After goals are identified and performance measures are established, agencies gather evidence to evaluate progress. To determine what evidence is needed, agencies can assess whether existing data are sufficient to evaluate progress toward the tax expenditure's goals. Because IRS generally collects only the information needed to administer the tax code, existing IRS data may be insufficient for evaluating progress toward the identified goals. Further, tax returns and tax return information are confidential and may not be disclosed unless specifically authorized.[30] IRS may require additional legal authority to share necessary data with other agencies to support performance measurement and related evaluations.

Consequently, additional evidence may be needed to evaluate the effects of the IRA tax expenditures, and agencies may need authority to share such evidence. Our past work has highlighted the need for more comprehensive data collection in various tax expenditure programs, including for the energy investment tax credit and production tax credit, both of which were extended in the IRA.[31] In 2015, we recommended that

[27] *Id*.

[28] GAO-13-167SP.

[29] GAO, *Opportunity Zones: Improved Oversight Needed to Evaluate Tax Expenditure Performance*, GAO-21-30 (Washington, D.C.: Oct. 8, 2020). In this report, we recommended that Congress consider identifying questions about the performance of the Opportunity Zones tax expenditure to guide Treasury's data collection and reporting on performance, including outcomes. As of February 2025, this recommendation remained open.

[30] 26 U.S.C. § 6103.

[31] GAO, *Electricity Generation Projects: Additional Data Could Improve Understanding of the Effectiveness of Tax Expenditures*, GAO-15-302 (Washington D.C.: Apr. 28, 2015).

Congress consider directing IRS to collect and report project-level data from taxpayers claiming the production tax credit and investment tax credit to provide Congress with basic information about what projects have been supported.[32] Such information would be necessary for evaluating progress toward achieving the IRA energy tax expenditures' identified goals, such as determining whether they were effective at encouraging development of new renewable energy projects.

Which agencies should be responsible for evaluating the tax expenditure?

- *What roles do agencies, including Treasury and OMB, have in overseeing the evaluation of the tax expenditure?*

As we have previously reported, one key impediment to tax expenditure evaluation is the continuing lack of clarity about the roles of different federal agencies in conducting reviews of tax expenditures.[33] According to IRS's mission statement, the agency is responsible for helping taxpayers understand and meet their tax responsibilities and enforcing the tax code. It is not responsible for managing federal energy, transportation, or other policy areas to which these tax expenditures may contribute.

The IRA tax expenditures could contribute to goals in many federal policy areas, such as energy, environment, transportation, housing, and economic growth. The IRA directs OMB to oversee the implementation of the act and to track labor, equity, and environmental standards and performance.[34] It also directs the Departmental Offices of the Treasury to provide oversight and implementation support to IRS.[35] However, the IRA does not specify the terms for evaluating the effectiveness of the tax expenditures or assign specific responsibilities to every agency involved in implementation. Because this lack of clarity could lead to inaction, we previously recommended that OMB, in consultation with Treasury, develop a framework for conducting performance reviews of tax expenditures and, in developing that framework, determine which agencies will have leadership responsibilities to review tax expenditures.[36] This recommendation remained open as of January 2025.

When should the responsible agencies evaluate the tax expenditure?

- *What is the status of government efforts to evaluate the tax expenditure?*
- *Will the agencies' evaluations occur while the tax expenditure is still in effect?*

An important next step, after identifying the responsible agencies, is determining when evaluations of the tax expenditures should take place. Agencies could choose the timing of evaluations based on expert determination or an informal understanding of when it makes sense to do so. They could also decide based on established criteria, such as when new data are available. Agencies could also complete evaluations before a tax expenditure expires to inform decisions about whether to extend the expenditure.

[32] GAO-15-302. Congress has not taken action on these recommendations as of February 2025.

[33] GAO-16-622.

[34] Pub. L. No. 117-169, tit. VII, § 70005, 136 Stat. 1818, 2087 (2022).

[35] Pub. L. No. 117-169, tit. I, subtit. A, pt. 3, § 10301(5), 136 Stat. 1818, 1833 (2022).

[36] GAO-05-690. In this report, we recommended that OMB, in consultation with Treasury, develop and implement a framework for conducting performance reviews of tax expenditures. In developing the framework, the Director should (1) determine which agencies will have leadership responsibilities to review tax expenditures, how reviews will be coordinated among agencies with related responsibilities, and how to address the lack of credible performance information on tax expenditures; (2) set a schedule for conducting tax expenditure evaluations; (3) re-establish appropriate methods to test the overall evaluation framework and make improvements as experience is gained; and (4) identify any additional resources that may be needed for tax expenditure reviews.

In developing an evaluation timeline, agencies could consider the IRA tax expenditures' effective dates, expiration dates, and revenue effects. For example, agencies could evaluate the tax expenditures with the largest budgetary effects earlier. Additionally, agencies could consider the phase-out provisions of some tax expenditures so they can evaluate the expenditures' effects prior to their expiration.

The frequency and timing of evaluations can depend on when data become available. For example, Treasury was able to use available IRS data to present the number of taxpayers that claimed the energy efficient home improvement (§ 25C) and residential clean energy (§ 25D) tax credits for tax year 2023.[37] Yet taxpayer filing data could lag the relevant filing season by 2 years or more, as explained earlier. Treasury officials said they plan to publish data related to policy goals, such as greenhouse gas emissions reduction, once those data are available.

Assessing Administration

This section contains three oversight questions that focus on administrative issues such as supporting taxpayers, fraud risk, and coordination between agencies.

How effectively are agencies helping taxpayers understand and meet eligibility and compliance requirements?

- *What have agencies done to minimize the burden associated with planning, recordkeeping, reporting, and other compliance costs for taxpayers?*
- *How effectively is the Internal Revenue Service (IRS) communicating eligibility and reporting responsibilities to taxpayers?*
- *What are the costs to responsible agencies in administering the tax expenditure?*

Responsible agencies can help taxpayers understand tax expenditure eligibility and reporting requirements through efforts such as providing clear guidance and high-quality customer service. For example, the Energy Savings Hub on the Department of Energy's website provides information and instructions for several of the IRA tax expenditures, such as the energy efficient home improvement tax credit (§ 25C). IRS has also published information about each IRA tax expenditure on its website. For some tax expenditures and features, IRS has published more detailed guidance, such as frequently asked questions on the prevailing wage and apprenticeship bonus provision. Even with clear guidance and support, taxpayers may still incur compliance costs for planning, recordkeeping, and reporting. Some of those activities may be required by law, but agency administration can affect compliance costs based on requirements to claim the tax expenditures, including record-keeping, tax forms required for filing, and the number of IRS notices and audits.

Additionally, some agencies may incur costs from administering the tax expenditures and supporting taxpayer compliance. These administrative costs include assisting taxpayers in claiming the tax expenditures for which they are eligible, processing new forms and supporting documentation for the tax expenditures, and ensuring taxpayers do not inadvertently claim tax expenditures to which they are not entitled. For example, according to

[37]Treasury, "The Inflation Reduction Act: Saving American Households Money While Reducing Climate Change and Air Pollution," (Washington, D.C.: Aug. 7, 2024), https://home.treasury.gov/news/featured-stories/the-inflation-reduction-act-saving-american-households-money-while-reducing-climate-change-and-air-pollution.

IRS officials, they spent considerable resources developing the Energy Credits Online portal, which is intended to help IRS to effectively administer these tax expenditures and reduce taxpayer compliance burden.

How effectively are agencies identifying and mitigating fraud risks?

- *What policies and processes does IRS use to identify tax expenditure fraud risk?*
- *What preventative control activities has IRS developed to mitigate tax expenditure fraud risk?*
- *What actions has IRS taken in response to identified tax expenditure fraud*?

IRS is responsible for combating tax fraud by identifying and mitigating fraud risks. Tax fraud is an intentional wrongdoing, on the part of a taxpayer, with the specific purpose of evading a tax that the taxpayer owes. Examples of tax fraud include underreporting (which occurs when a taxpayer intentionally underreports income or claims unwarranted deductions or tax credits), intentionally over-reporting expenses, or engaging in abusive tax shelters. These activities may lead IRS to impose civil penalties or, in more serious cases, pursue criminal penalties.

The objective of fraud risk management is to ensure program integrity by mitigating the likelihood and impact of fraud. Critical control activities for managing fraud risk fall into three general categories—prevention, detection, and response. Preventative activities generally offer the most cost-efficient use of resources since they enable managers to avoid a costly and inefficient "pay-and-chase" model.

The large amount of money available and the complexity of many of the IRA tax expenditures increase the risk of fraud. For example, in July 2024, IRS identified a scam in which unscrupulous tax return preparers misrepresented the rules and led their clients to improperly claim IRA tax credits.[38] Specifically, the IRA transferability provisions allow some taxpayers to transfer credits to offset the transferee's tax liability. In this case, IRS identified tax returns filed by taxpayers using preparers who claimed clean energy credits that the taxpayers were ultimately unable to benefit from. Effective use of control activities may help IRS and other agencies detect and prevent similar fraudulent schemes.

How effectively is the tax expenditure being coordinated with other federal agencies?

- *What challenges, if any, have agencies experienced in coordinating the implementation or administration of the tax expenditure?*
- *How, if at all, have any coordination challenges affected taxpayers*?

For some tax expenditures, administrative roles are spread across multiple agencies, requiring those agencies to work collaboratively. Examples of interagency coordination for the IRA tax expenditures include agencies sharing technical analysis, reviewing draft notices and guidance, and participating in regular interagency meetings. Agencies can face challenges when trying to work collaboratively, but they can enhance and sustain collaborative efforts by, for example, defining common outcomes, bridging organizational cultures, and

[38]IRS, "IRS warns of new scam targeting Clean energy tax credit," (Washington, D.C. : July 3, 2024), https://www.irs.gov/newsroom/irs-warns-of-new-scam-targeting-clean-energy-tax-credit.

clarifying roles and responsibilities.[39] In past work, we have noted that interagency coordination can help maximize tax expenditure performance and results.[40]

Several IRA tax expenditures require collaboration between agencies including Treasury; the Environmental Protection Agency; and the Departments of Energy, Labor, and the Interior. For example, IRS and the Department of Energy jointly manage the allocation processes for both the qualifying advanced energy project credit (§ 48C) and the low-income solar and wind facilities bonus provision (§ 48(e)). Specifically, Energy receives taxpayer applications and provides recommendations on them to IRS. Then, IRS makes allocations to successive projects according to the Energy rankings until the available allocation is exhausted.[41]

Agency Comments

We provided a draft of this report to Treasury, IRS, and Energy for review and comment. These agencies provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, Secretary of the Treasury, Commissioner of Internal Revenue, Secretary of Energy, and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have any questions about this report, please contact me at lucasjudyj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

//SIGNED//

Jessica Lucas-Judy
Director, Tax Issues
Strategic Issues

[39]GAO, *Government Performance Management: Leading Practices to Enhance Interagency Collaboration and Address Crosscutting Challenges*, GAO-23-105520 (Washington D.C.: May 24, 2023).

[40]GAO, *Refined Coal Production Tax Credit: Coordinated Agency Review Could Help Ensure the Credit Achieves Its Intended Purpose*, GAO-22-104637 (Washington, D.C.: Dec. 15, 2021). In this report, we recommended that, if Congress extended the refined coal production tax credit, Treasury, IRS, the Department of Energy, and the Environmental Protection Agency should coordinate to review its performance. As of fiscal year 2025, the refined coal production tax credit had not been reinstated.

[41]For the qualifying advanced energy project credit, see IRS Notice 2024-36; for the low-income communities solar and wind facilities bonus credit, see IRS Notice 2023-17.

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Appendix I: Tax Expenditure Snapshots

Introduction

This appendix provides one-page snapshots with select details about the 21 energy tax expenditures contained in the Inflation Reduction Act (IRA) as of January 2025. These snapshots are intended to provide a general overview of various aspects of each tax expenditure. The Internal Revenue Code and its implementing regulations should be consulted for the specific legal requirements governing the expenditure. To help ensure proper interpretation of the information in the snapshots, below is additional clarifying information for selected fields:

Rulemaking Number of Notices of Proposed Rulemaking and Final Rules, verified by the Internal Revenue Service (IRS) that 1) IRS published in the Federal Register; and/or 2) officials reported that IRS planned to publish, as of January 2025.[1] Rules that are listed as pending consist of 1) rulemakings that IRS reported that it planned to undertake but had not published as of January 2025; or 2) rulemakings for which a Notice of Proposed Rulemaking had been published, but Final Rule had not, as of January 2025.

For some tax expenditures, a single final rule may be the product of multiple proposed rules.[2] Therefore, the proposed and final rule numbers for a tax expenditure may not always match. Additionally, a single rulemaking action may be applicable to multiple tax expenditures. For example, IRS's elective pay rulemaking applies to 12 tax expenditures. We listed those proposed and final rules for each applicable tax expenditure.[3] As a result, each tax expenditure may encompass multiple rulemakings.

Bonus Provisions Frequently occurring bonus provisions include the following:

> **Prevailing wage and apprenticeship:** the base credit amount may be increased if the taxpayer (1) pays all laborers and mechanics employed in construction, alteration, or repair of a qualified facility, project, or property at rates no less than applicable prevailing wage rates; and (2) meets certain apprenticeship requirements. The new energy efficient home credit (§ 45L) and zero-emission nuclear power production credit (§ 45U) have a prevailing wage bonus provision but do not have an apprenticeship provision.
>
> **Energy Communities:** the base credit amount may be increased for certain facilities placed in service within a brownfield site; certain areas that meet employment or revenue thresholds related to the extraction, processing, transport, or storage of coal, oil, natural gas and that meet defined unemployment

[1]While this report reflects the implementation status of the IRA energy tax expenditures as of January 2025, the Unified Agenda of Federal Regulatory and Deregulatory Actions is expected to be published in Spring 2025 and to provide more information on the current administration's regulatory and deregulatory plans relating to IRS' implementation of these tax expenditures going forward. See Exec. Order 12866, 58 Fed. Reg. 51735 (Oct. 4, 1992). Additionally, since our review, there have been legislative proposals to limit some of these tax expenditures.

[2]For example, IRS issued both a notice of proposed rulemaking and supplemental notice of proposed rulemaking before issuing the final rule for the 45V credit. See 88 Fed. Reg. 89220 (Dec. 26, 2023), 89 Fed. Reg. 2551 (Apr. 11, 2024) and 90 Fed. Reg. 2224 (Jan. 10, 2025).

[3]However, we did not include as part of the proposed and final rule numbers in this appendix subsequent rulemakings related to elective pay that amended parts of the Code of Federal Regulations outside of 26 C.F.R. §§ 1.6417-1 to 1.6417-6. See 89 Fed. Reg. 17613 (March 11, 2024), 89 Fed. Reg. 91552 (Nov. 20, 2024), and 89 Fed. Reg. 91617 (Nov. 20, 2024) (amending 26 C.F.R. § 1.761-2).

rates; or certain areas where a coal mine closed after 1999; or where a coal-fired electric generating unit was retired after 2009.

Domestic Content: the base credit amount may be increased where certain components of the facility were mined, produced, or manufactured in the United States.

Qualified small facilities: the base credit amount may be increased for electricity generating facilities with a maximum net output of less than 1 megawatt.

Appendix II: GAO Contact and Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact named above, Brian James, Assistant Director; Jonathan Ferguson, Analyst-in-Charge; Jieun Chang; Jackson Eckel; Robert Gebhart; Gina Hoover; Joe Maher; Dan Mahoney; Jessica Nierenberg; Jennifer Stratton; Alicia White; and Clarette Yen made significant contributions to this report.

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