October 3, 2024

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Room 5203
Internal Revenue Service
P.O. Box 7604
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Washington, DC 20044

Submitted via *Federal eRulemaking Portal* at https://www.regulations.gov
RIN: 1545-BR26

Subject: Comments on Proposed Rulemaking: Guidance on Clean Electricity: Low-Income Communities Bonus Credit Amount Program

To Whom It May Concern:

I am writing on behalf of Taxpayers for Common Sense, a nonpartisan organization dedicated to ensuring that taxpayer dollars are spent responsibly and efficiently. We appreciate the opportunity to comment on the proposed rulemaking published in the Federal Register on September 3, 2024, regarding the "Guidance on Clean Electricity: Low-Income Communities Bonus Credit Amount Program."

The proposed rule by the Internal Revenue Service (IRS) and the Department of the Treasury establishes regulations for the Low-Income Communities Bonus Credit Amount Program, introduced under the Inflation Reduction Act of 2022 (P.L. 117-169, IRA). By increasing tax credits for clean electricity generation facilities located in low-income communities, on Indian land, or that serve low-income residential or economic benefit projects, the program seeks to incentivize renewable energy investments in underserved areas.

The rule outlines specific eligibility criteria for facilities to qualify for bonus credits, including a capacity limitation of less than 5 megawatts and location-based requirements, such as being situated in low-income communities or on Indian land. Initially, these credits were focused on solar and wind projects in low-income communities. The proposed expansion would provide tax breaks of up to 20% of a project's total cost if prevailing wage and apprenticeship requirements are met. Notably, the rule excludes combustion and gasification technologies, such as carbon capture on fossil fuel infrastructure.

The proposed rule expands energy subsidies to new technologies by broadening the scope of eligible electricity generation facilities, as outlined in the IRA. In addition to renewable technologies like wind and solar, the rule includes technologies such as geothermal, marine and hydrokinetic energy, nuclear fission, nuclear fusion, and waste energy recovery, provided they meet the zero-greenhouse gas emissions requirement. By offering significant tax incentives to these technologies, the rule seeks to spur development and investment in clean energy production.

Historically, tax credits have been the primary mechanism for promoting clean energy adoption. However, low-income households often face barriers to accessing these credits such as upfront costs or lack of homeownership, preventing them from benefiting from residential clean energy tax incentives. Studies show that clean energy tax credits have disproportionately benefited higher-income households, with the top income quintile receiving about 60% of all credits, while the bottom three quintiles received only about 10%.[1] The Low-Income Communities Bonus Credit Amount Program, aimed specifically at low-income households and taxpayers in other, underserved areas, seeks to address this gap.

Without proper safeguards, transparency, and accountability, taxpayer dollars allocated for the Low-Income Communities Bonus Credit Amount Program could be wasted on projects that fail to deliver the promised economic or environmental benefits while creating unintended costs and liabilities for communities. The allocation process should consider factors beyond having zero greenhouse gas emissions and ensure that the selected projects do not impose environmental and public health risks, which may inadvertently harm the very communities the bonus credit intends to serve.

The expansion of subsidies to nuclear power raises several concerns beyond carbon emissions, including costs, uranium mining, water usage, waste disposal, and safety risks. While nuclear reactors typically have lower marginal operating costs, they require enormous upfront capital investments, making the levelized cost per kilowatt-hour higher compared to renewable energy sources like wind and solar. Moreover, while nuclear power plants are considered to have zero carbon emissions, uranium mining that is necessary for nuclear fuel is not. Uranium mining has significant environmental and public health impacts, including pollution of drinking water and contamination of soil. Uranium mining often takes place on Indian land, harming one of the very communities that this bonus credit program is designed to support. Additionally, nuclear reactors pose risks to communities due to potential containment issues and their proximity to populated areas. Nuclear reactors also require significant amounts of water for cooling, which can strain local water resources, particularly in areas prone to drought or with limited water availability.
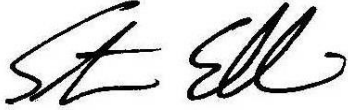
Increased hydropower development may also have significant impacts on local communities and the environment, as dams alter the ecological and physical characteristics of rivers, affecting water temperatures, chemistry, and fish populations. Communities that rely on these systems may be adversely impacted. Furthermore, if dams fall into disrepair or are left unmaintained, they can pose substantial public safety hazards.

To ensure the success of this program and meet the goals of the IRA, it is critical that the final rules focus on accountability, transparency, and equitable access. We urge policymakers to carefully evaluate the potential unintended consequences of expanded subsidies and ensure that taxpayer dollars are used efficiently to deliver tangible, long-term benefits to the communities most in need.

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[1] Borenstein, Severin, and Lucas W. Davis, "The Distributional Effects of US Clean Energy Tax Credits," *Tax Policy and the Economy,* 2016. https://www.journals.uchicago.edu/doi/full/10.1086/685597

Thank you for considering our comments. We look forward to continued engagement on this important issue.

Sincerely,

Steve Ellis
President, Taxpayers for Common Sense