

How Republicans Manufactured an American Energy Crisis

Direct pay for clean energy tax credits brought affordable and reliable electricity to the grid. Republicans' rollback of these tax credits is now costing households, businesses, schools, local governments, and tribes billions of dollars as energy costs skyrocket.

The Inflation Reduction Act (IRA) expanded and extended many tax incentives for clean electricity generation, carbon capture or displacement technologies, and energy efficiency. What followed after passage of the IRA was an unprecedented clean energy manufacturing boom across the country.

The IRA's "direct pay" program was created to boost renewable energy for schools, churches, rural co-ops and other programs that don't pay federal income tax. In just two years, more than 1,000 new programs claimed direct pay annually, totaling nearly \$2.5 billion in savings for communities and consumers.

This program pioneered the ability for communities to receive direct funding to put up rooftop solar, install geothermal heat pumps, buy electric vehicles, and install EV charging equipment. The direct pay program helped spur a manufacturing boom and lowered energy costs across the country.

Year	Filer Count	Claimed
2023	1,209	\$948 million
2024	1,436	\$1.44 billion

Source: IRS RAAS

In their 2025 tax law, Republicans did away with clean energy credits, further driving household energy costs into the stratosphere. Donald Trump's policies are driving up U.S. energy bills by \$30 billion a year and could result in up to \$700 billion in lost investment.¹ With their sudden termination of certain energy incentives, Republicans have raised the cost of energy development when families are already struggling to pay high energy bills.

"This is an opportunity, and if it's taken from us, it truly directly affects the children of our school district... We're looking at different ways we can increase cash flow. We want more cash flow than expenditures. This was huge for us because the money goes back into the kids. Without it, it hurts us as a whole, as a district, as a community. I really hope that the credits remain." - Pennsylvania school district chief operating officer²

¹ <https://www.nrdc.org/resources/affordability-crisis-trumps-own-making>

² <https://pennsylvaniaindependent.com/economy/the-one-big-beautiful-bill-act-threatens-solar-projects-at-pennsylvania-schools-churches/>

How direct pay works

Tax-exempt entities (local governments, schools, churches, nonprofits) can file tax returns to claim tax credits and the IRS will pay a cash refund equal to the amount of the credit.

Applicable tax-exempt entities

- State, local, and territorial governments, including agencies and instrumentalities of state, local, or territorial governments, such as water districts, school districts, economic development agencies, and certain public universities and hospitals
- Tribal and Native entities
- Rural energy cooperatives
- Other tax-exempt entities, including organizations such as public charities, private foundations, schools, hospitals, and houses of worship

Common uses of direct pay

Entities can use direct pay to subsidize the cost of clean energy investments through twelve different credits. Some common have included:

- Electricity generation and storage: a 30% credit and available credit bonuses
 - Rooftop and community solar
 - Energy/battery storage
 - Microgrids
 - Geothermal heat pumps (for building efficiency)
 - Nuclear power
- Clean vehicle purchases: up to \$7,500 per light-duty vehicle and \$40,000 per medium- and heavy-duty vehicle
 - This includes fleet vehicles and school buses
- Alternative fuel vehicle refueling property: 30% of the cost of charging and clean fuel property

Impact on Oregon

Dozens of organizations in Oregon have had success with all of these kinds of projects. Clean energy development stretches the state: Washington, Clackamas, Hood River, Crook, Deschutes, Lane, Klamath, Malheur and other counties are home to projects that provide new energy and local construction jobs.

Public schools have been able to buy electric buses, develop charging facilities, build solar canopies, and install rooftop solar. Irrigation districts have built floating solar and battery storage, in-conduit hydropower, as well as canal solar. Water agencies have added biogas facilities and solar with storage. Counties have built charging stations for fleet vehicles and public use. Cities have added hydropower turbines to water systems. These projects reduce or completely zero out energy costs.

Examples of the successes of direct pay

Since the IRA became law, tax-exempt entities brought more than 1,000 new clean energy projects online each year, representing lower energy costs, good-paying jobs, and cleaner communities.

Direct pay brings down the cost of wind, solar, nuclear, geothermal, and battery projects. Public utilities and electric co-operatives could bring new power online and preserve existing clean generation:

The Indiana Municipal Power Agency (IMPA) received approximately \$15.7 million of tax credit benefits plus interest through the Inflation Reduction Act for its work to develop renewable energy resources for its 61 municipal members.

“IMPA’s member community solar park program grew steadily between 2014 - 2025. The implementation of the IRA and the Elective Pay option gives our not-for-profit members the same incentive possibilities enjoyed by investor-owned utilities and other energy developers who invest in renewable energy projects. IMPA’s direct receipt of the ITC now goes directly and in-full to the 350,000 people in our municipal electric communities, enabling IMPA to continue serving our members with low-cost, reliable, and environmentally-responsible power.” - Jack Alvey, IMPA President and CEO³

“These funding opportunities allow co-ops to move forward on projects that may have been financially out of reach for them otherwise...And it gives them the ability to do innovative things.” - Lauren Khair, NRECA’s director of business transformation⁴

Public schools could buy electric buses, build charging stations, and install heat pumps—all to reduce pollutant exposure to children, bring down fleet maintenance costs, and cut down electricity bills.

“For Greene County Community School District, tax credits have been an essential part of making transformational investments like our solar project possible while allowing us to remain responsible stewards of taxpayer dollars. In rural Iowa, opportunities like these allow public schools to invest today in projects that will provide long-term financial benefits, sustainability, and resources back to our students and communities for years to come.” - Greene County CSD, Iowa

³<https://www.publicpower.org/periodical/article/impa-announces-157-million-elective-pay-benefit-under-inflation-reduction-act>

⁴

<https://www.cooperative.com/remagazine/articles/Pages/Co-ops-Turn-Federal-Funding-Into-Better-Quality-of-Life-for-Their-Members.aspx>

In Pennsylvania, Generation180 has assisted 19 K-12 solar projects currently under development, representing roughly \$7 million in tax credit value and 13.6 MW of cumulative solar capacity. The organization helps schools combine grant funding and tax credits to bring deeper savings. *“Every dollar a school district doesn’t spend on electricity is a dollar that can go to teacher salaries, updated classrooms, or computers. Solar isn’t just a clean energy win, it’s a budget win — especially when school budgets are stretched thinner than ever.”* - Generation180⁵

In the Oregon School District in Oregon, Wisconsin, Forest Edge Elementary used IRA tax credits to become the first net zero school in Wisconsin, meaning after one full year of operation, the building has generated as much energy as it has used for all school activities, including heating and cooling. Direct pay is essential for funding the electrical energy for normal activities as Kuntz explains: *“These amazing net zero energy schools are allowing others to see what’s possible, illustrating how all these pieces are interconnected...There’s a strong network of schools sharing information with each other. Collectively there are more dollars going to resources, and less to keeping buildings warm.”* - Kathy Kuntz Director of Dane County Office of Energy and Climate Change.⁶

The Hart County Schools in Munfordville, Kentucky, received almost \$800,000 from direct pay to build geothermal heat pumps, thermal storage, and solar energy. Now, they are partnering with CMTA, the only firm in the U.S. that delivers MEP engineering, performance contracting, and zero energy/zero carbon buildings, to lower their energy use. With the Republican legislation, school districts like Hart will be left without access to important resources in order to create a better schooling environment. *“[Our] energy performance contract with CMTA will save Hart County Schools \$6.7 million over 20 years by significantly cutting energy use by 52%, leading to lower utility bills. These improvements not only reduce energy and utility costs but also make our schools healthier for students and staff.”* - Nathan Smith, Superintendent of Hart County Schools⁷

In Chattanooga, Tennessee, the city filed for direct pay returns for five electric vehicle charging stations located in low-to-moderate income neighborhoods. These tax credits are essential to giving resources to all non-profit entities and are being directly re-invested into communities that need them most. *“The elective pay credits offset the cost of our electric vehicle charging stations, allowing our resources to stretch further”* - Ken Howell, the City of Chattanooga, TN’s director of fleet management⁸

⁵<https://generation180.org/blog/generation180-supports-six-pennsylvania-schools-earning-2-64-million-in-solar-grants/>

⁶

https://www.oregonobserver.com/news/education/forest-edge-is-cutting-edge-fes-is-first-net-zero-energy-school-in-wisconsin/article_bb929a12-5b98-11ec-aac9-7b6c118edb2f.html

⁷<https://bipartisanpolicy.org/article/transferability-and-direct-pay/>,

<https://www.cmta.com/news/hart-county-schools-geothermal>

⁸ <https://www.wri.org/insights/direct-pay-clean-energy-tax-credits-us-benefits>

Geothermal dehumidification systems have already injected new life into two historic Winona Area Public Schools in Minnesota. Now, a federal tax credit tied to those projects will open the door for the possibilities of additional improvements to the educational environment for Winona area students, staff and community members. *“The geothermal systems have made significant and positive improvements to the learning environment at Jefferson and W-K...We were always hopeful that the projects would qualify for the tax credit, but we never counted on it. Now that the funding is secured, it opens up a world of possibilities for strategic, one-time capital investments that will benefit our students and staff for years to come.”* - Brad Berzinski, Superintendent of Winona Area Public Schools in Minnesota⁹

Cities installed solar and battery facilities, increasing resiliency while taking climate action. New electric vehicles for fleets can insulate organizations from high gas prices and make city depots safer for neighbors.

The City of Boise in Idaho completed the installation of solar panels on two fire stations and purchased six electric vehicles for its fleet.¹⁰

Philadelphia used tax credits to save nearly \$2 million while enacting its Municipal Clean Fleet Plan by pursuing direct pay on EV/charger purchases, part of a plan to electrify its 6,300-vehicle fleet by 2030.

In Indiana, Bloomington Transit utilized tax credits to add 16 battery electric buses to its fleet as part of a goal to hit 60% battery electric buses by 2030.

Buncombe County, North Carolina used a direct pay filing for 19 solar projects placed in service in 2023. Spread across schools, county administrative buildings, public safety facilities, a library, and a local community college, these solar panels will reduce operating costs by guaranteeing sustainable, reliable, low-cost energy relative to existing utility bills. *“The biggest thing that I think about is how to create opportunities to build back better as a more resilient community. And having elective pay will make that... a possibility.”* - Leroy Tyus, Buncombe County Sustainability Department (North Carolina)¹¹

Faith-based organizations, non-profits, and other mission-oriented organizations could install energy and efficiency property:

⁹ <https://www.renewableenergymagazine.com/geothermal/minnesota-school-district-receives-5-5m-tax-20260406>

¹⁰

https://www.linkedin.com/posts/keasiafoston_the-city-of-boise-recently-secured-federal-share-7481386739962376192-wVpf/?utm_source=share&utm_medium=member_desktop&utm_rcm=ACoAABTm3Y0BP-_kNZkZWYy-8usS7zGaPH-DnW2A

¹¹ <https://www.wri.org/insights/direct-pay-clean-energy-tax-credits-us-benefits>

In Atlanta, Georgia, St. Patrick's Episcopal Church installed a 90-panel, 42-kilowatt rooftop solar system, using direct pay to make this installation possible.

*"We wanted to install solar panels to be more energy efficient and to help us power our church buildings and our food pantry," - Rosalie Hopkins, Chair of the Buildings and Grounds Committee at St. Patrick's Episcopal Church*¹²

One church in Arizona installed a solar array that will save the organization more than \$700,000 over time. The savings will be redirected as investments in local social justice initiatives. *"Our commitment as Christians is to care for God's creation," Pastor Bill [Utke] shared. "And it saved us money."*¹³

The largest animal welfare organization in Georgia, LifeLine Animal Project, used tax credits to install solar panels that are expected to save \$1.6 million on its electrical bills over the life of the system. These savings help the organization invest more dollars into its adoption center and veterinary clinic.¹⁴

Tribal energy projects represent opportunities to deliver power to underserved regions and a commercial opportunity for tribes.

In Alaska, the Chugach Electric Association (CEA) launched a community solar project. The project's per-panel subscription rate for members was expected to be \$267 a year, but dropped to \$110 in part because of the expectation that it will receive an investment tax credit worth 40% of the project's cost.¹⁵

Tribes in California utilize direct pay to bring reliable power to an underserved area in the state. *"The Blue Lake Rancheria, alongside two other Tribes in rural Northern California, is leveraging Elective (Direct) Pay to bring resilience to one of California's worst-performing distribution lines across Indian Country. This vital funding mechanism will make it possible for these Tribes to deploy critical electrical infrastructure, including microgrids, small-scale hydro, and battery storage."* - Blue Lake Rancheria representative

The Republican tax law undermined direct pay

Between 2023 and 2024, communities increased their uptake of clean energy tax credits by nearly 50%. Because direct pay was a novel tool in the tax code, entities had to learn how to

¹² <https://www.eesi.org/articles/view/direct-pay-nonprofits-can-now-benefit-from-clean-energy-tax-credits>

¹³ <https://re-volv.org/nonprofit-solar-projects/desert-garden/>
<https://ce4aef.org/ce-at-work-post/faith-finances-and-the-future-a-churchs-journey-to-clean-energy/>

¹⁴ <https://re-volv.org/project/lifeline-animal-project/>

¹⁵

<https://www.akenergytransparency.org/news/chugach-electric-launches-community-solar-project-others-soon-to-follow>

develop clean energy projects within the scope of tax credit regulations and how to file tax returns for the first time. Direct pay's learning curve signals that these successful projects were the first of an untold number.

In 2025, the Republican tax law took a sledgehammer to the clean energy tax credits. First, many of the credits most attractive to tax-exempt entities faced near or immediate termination. Second, new red tape on the remaining tax credits added regulatory uncertainty, complexity, and higher compliance costs. Importantly for many interested in direct pay, the credits for new solar installations and electric vehicles have terminated. Abruptly, entities with projects in the works rushed to meet new statutory deadlines while other projects could no longer build tax credits into the financing plan. Just as energy prices are rising, new clean energy projects got more expensive for organizations that deliver critical services for families, school children, emergency services, and rural communities. Congress must put credits for clean, affordable, and reliable energy back on the books.