

Direct Pay: Investment Tax Credit (§ 48E)

Who is eligible to use Direct Pay?

- Tax-exempt organizations including all organizations that are exempt from tax by § 501(a), § 501(c), and § 501(d).
- States (including DC), counties, cities, and other political subdivisions such as school districts.
- Indian Tribal governments, political subdivision thereof, or any agency or instrumentality of a Tribal government.
- Alaska Native Corporations, the Tennessee Valley Authority, rural electric cooperatives

What type of property ownership is required?

- The applicable entity or electing taxpayer generally must own the property (see Q12 in [IRS Q&A](#) for eligible ownership structures).
- A partnership (even if all the partners are applicable entities) is not an applicable entity.

How do I apply for Direct Pay?

1. Identify the project and the credit you want to pursue.
 - a. If the project wants to pursue one of the four low and moderate income [bonus credits](#), projects must apply and are not guaranteed a credit.
2. Complete your project and place it into service.
3. Complete pre-filing registration with the IRS.
4. File your tax return by the due date.
5. Receive your direct payment.

What is the pre-filing registration process?

You need to register with the IRS and receive a registration number before you can file a tax return and receive payment. During this process, you will need to provide information about your organization, the credits you want to earn, and your eligible clean energy project(s).

Is Direct Pay still available in 2025?

The passage of H.R.1. in 2025 did not directly impact the Direct Pay provision. Tax-exempt entities will be able to access Direct Pay for as long as projects are eligible for the Investment Tax Credit ([learn more](#)).

What is elective pay?

Tax-exempt entities can use elective pay, also referred to as direct pay, to receive a payment equal to the full value of the Investment Tax Credit (ITC) and its bonus credits.

What is an applicable entity?

Every entity eligible for direct pay is considered an “applicable entity.”

Must I file a tax return?

Yes, both entities that normally fill out a tax return and entities that do not will need to do so to claim the ITC. See [Q28](#), [Q29](#).

Federal Guidance:

- [IRS FAQs](#)
- [Proposed rule 2023-12798](#)

Clean Energy Group Resources:

- [Guide to the direct pay application process](#)
- [What nonprofits need to know about the Investment Tax Credit](#)
- [Lawyers for Good Government fact sheets](#)