

# Federal Fuel Cell Investment Tax Credit



In February 2018, Congress reinstated the Section 48 and Section 25D Investment Tax Credit (ITC) for fuel cells for businesses and residential installations. The reinstatement was part of the Bipartisan Budget Act of 2018.

**HOW IT WORKS:** Owners of stationary and material handling fuel cell systems can claim the ITC as a percentage of total system equipment and installation costs. The ITC is calculated by taking the lesser of: \$3,000/kW installed capacity OR 30% of project cost. The reinstatement established a tiered phase-out of the credit, based on when construction commences (includes a retroactive reinstatement for 2017):

- 1/1/2017 through 12/31/2019: 30% of costs
- 1/1/2020 through 12/31/2020: 26% of costs
- 1/1/2021 through 12/31/2021: 22% of costs
- Projects that commence construction before December 31, 2021 are eligible for a 22% credit if commissioned by January 1, 2024

## SYSTEM QUALIFICATIONS

- Must be a new system, rated at 500 W or greater
- Fuel cell system must have an electricity-only generation efficiency greater than 30% ([ASME PTC50](#))
- Must be used at sites within the United States. This includes Puerto Rico and U.S. territories
- Must be operational in the year in which the ITC is claimed

**HOW TO CLAIM IT:** For business deduction, complete [IRS form 3468](#) and attach to your corporate tax return. For residential installations, see [IRS Form 5695](#).

**FINANCING:** Rather than purchasing fuel cells outright, many businesses opt to utilize the technology through Power Purchase Agreements (PPAs). The utilization of PPAs allow businesses to buy energy from independent producers who are the owners of the equipment. The owner provides power to customers under long-term contracts and is generally responsible for operation and maintenance of the systems. The process of PPAs has evolved over a period of decades to now include commercial, non-profit and residential buyers.

**DISCLAIMER:** This document is not meant to provide legal or tax advice. Please consult with a qualified tax attorney for questions concerning tax credits and filing requirements.

