NASEO
National Association of State Energy Officials

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November 26, 2024

Internal Revenue Service
CC:PA:01:PR (Notice 2024-27)
Room 5203, P.O. Box 7604
Ben Franklin Station
Washington, D.C., 20044

RE: Request for Comments on Situations in Which a Section 6417(a) Election Could Be Made for Credits Purchased in Transfers Under Section 6418(a), IRS Notice 2024-27

Dear Mr. Alexander:

The National Association of State Energy Officials (NASEO) appreciates the opportunity to respond to the U.S. Department of the Treasury (Treasury Department) *Request for Comments on Situations in Which a Section 6417(a) Election Could Be Made for Credits Purchased in Transfers Under Section 6418(a)*. NASEO is the only national non-profit association representing the State Energy Offices from each of the 56 States, Territories, and District of Columbia. NASEO supports the ability of interested state and local governments and their political subdivisions (state and local governments) to purchase and monetize tax credits from public and private third parties through elective pay. This process, known as chaining, can reduce the cost of capital; allow for risk-sharing between additional parties; and streamline cash flows from projects which can open the market to smaller project sizes. Chaining tax credits can drive investments in a range of sectors, such as nuclear, carbon capture and utilization, manufacturing, energy efficiency, geothermal, solar, and hydrogen.

The Treasury Department should authorize state and local governments and their political subdivisions to utilize chaining because these organizations have well-developed administrative oversight skills and the ability to both help finance projects and aggregate tax credits from smaller projects. NASEO also believes that the presence of state and local government entities in the market will lead to smaller entities having access to this market through known and trusted partners. Additionally, the Treasury Department should also consider enabling chaining between related governmental entities. For example, a state authority could offer financing for other state and local government entities in exchange for monetizing tax credits those entities could receive through elective pay. This approach would also enable monetizing tax credits from private entities in exchange for financing or up-front capital.

Finally, the Treasury Department should ensure flexibility in how state and local governments can chain tax credits and should provide clarity on allowable chaining processes. Because the market is complex, the Treasury Department should also consider clarifying the minimum amount of tax credit that can be transferred and outlining proper protections to minimize the risk of recapture in this market. Establishing procedures such as those above would increase confidence in chaining and reduce administrative costs.

NASEO appreciates the opportunity to submit these comments.

Best regards,

David S. Terry
President
National Association of State Energy Officials

CC: State and Territory Energy Offices