



# Financial Incentives for Energy Investments at Houses of Worship

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## Introduction

Financial incentives are now available to help Houses of Worship to make energy efficiency and renewable energy improvements. These incentives can come from a variety of sources, including the federal and state government as well as your utility provider.

There are a number of different types of financial incentives available, including grants, rebates, credits, tax deductions and loans. Grants and rebates are typically the most straightforward type of incentive, as they provide money directly to the church to help cover the cost of energy efficiency and renewable energy improvements. A new, exciting incentive, however, has emerged called direct pay that allows Houses of Worship to get 30% back from the IRS after making energy improvements.

[The Energy Star Action Workbook for Congregations](#) offers a step by step guide for organizing your team to make these exciting incentives a reality.

## Knowing where you're Starting: Benchmarking

Benchmarking is like creating a map for your energy journey. It involves using tools like the [EPA's Portfolio Manager](#) to assess and compare your building's energy performance against similar ones. Here are some benefits of benchmarking before making changes:

- **Identifying Baseline Performance:**
  - Benchmarking helps establish a baseline for your building's energy use. This baseline serves as a reference point to measure future improvements. Like a starting point on a map, it gives you a clear idea of where you are.
- **Setting Realistic Goals:**
  - With benchmarking, you can set realistic and achievable energy reduction goals. It's like deciding on landmarks to reach during your journey. You'll know what's attainable and track your progress more effectively.
- **Pinpointing Inefficiencies:**
  - Just as Alice needed to navigate Wonderland's quirks, benchmarking helps you navigate your building's energy quirks. It highlights specific areas where energy is being used inefficiently, allowing you to address these issues strategically.
- **Making Informed Decisions:**
  - Armed with benchmarking data, you can make informed decisions on where to invest in energy-saving measures. It's like choosing the best

route based on your map – you prioritize actions that will have the most significant impact.

- **Demonstrating Progress:**
  - Benchmarking isn't a one-time activity. Regular assessments using tools like Portfolio Manager help track progress over time. It's like marking your route on the map as you go, showing how far you've come and where you can improve.
- **Compete:**
  - [Portfolio Manager](#) provides a wonderful opportunity to find other Houses of Worship of similar size to see how your building compares. Start a friendly competition (cooperation and competition together) to have some fun generating excitement around reducing energy usage.

So, before you embark on your energy efficiency journey, take a page from Alice's adventures. Use tools like the [EPA's Portfolio Manager](#) to benchmark your building's energy use. It's the first step to ensure you're heading in the right direction and making meaningful strides towards a more energy-efficient future.

## Investment Tax Credit for Houses of Worship (also known as Direct Pay)

Section 48 of the Internal Revenue Code (IRC)

The Investment Tax Credit provides Houses of Worship with 30% off their energy investments. Despite the term “credit”, this section of the Inflation Reduction Act is more accurately “direct pay”. The IRS actually “pays” your House of Worship back 30% of its renewable energy investments. The direct pay would become available only if the project has been pre-registered with the IRS. It is then available 6-12 months after your church files its tax return the following year. [The Treasury released instructions in Publication 5884](#). This refund can be used for the following energy assets.

### What's included:

- wind
- solar (see Appendix for more information)
- geothermal
- Energy storage
- combined heat & power (warning: these aren't “heat pumps”).

### What's NOT included:

- (air source) heat pumps
- energy efficiency such as windows or insulation

- new roof
- energy assets eligible above that were purchased before December 31, 2022

### Bonus credit available for the following:

- An additional bonus credit of 10% is available if the technology is domestically produced.
- An additional bonus credit of 10% if located in an “energy community” (i.e. coal country)
  - Energy Community Tax Credit Bonus [is available online](#), including a [map](#) of eligible census tracts.
- A competitive bonus credit of 10% if located in a Low Income Community if you have applied for it. See [here](#) or
- 20% if providing Low Income Economic Benefit (20%)
  - The IRS has [proposed regulations and additional guidance](#) on the Low-Income Communities Tax Credit Bonus are available for review.
- Bonus Depreciation of 5 years is also available.

### Who’s Eligible?

A House of Worship that:

- is a tax-exempt religious organization. It need [NOT have a 501c3 status](#) but must prove tax-exempt status by pre-filing. (see next bullet)
- [Pre-file for direct pay with the IRS here](#). will be available by late 2023.
- doesn’t file a Form 990 but is willing to file form 990-T, a completed form 3800 or any applicable form for the credit being applied for. See question 28 [here](#).

## Energy Efficiency Deduction for Houses of Worship

Section 179D of the Internal Revenue Code (IRC)

This deduction can be used to reduce the cost of the following efficiency measures:

- Interior Lighting (Core Building Lighting Only)
- Mechanical Systems (HVAC and Hot Water Systems including air source heat pumps)
- Building Envelope / Enclosure (Insulation) / efficient windows

Note: This is a *deduction* and not a tax credit therefore it is **not** eligible for direct pay.

To qualify, the energy efficiency reduction must be 25% to 50% under current building standards. (see Building Reference Standard 90.1) The deduction is on a sliding scale with the minimum reduction in cost of \$2.50/sq ft (for a church achieving a deduction of 25% below the current building standards). On the high end of efficiency (50% more efficient than current building standards), the deduction can be as much as \$5.00/sq ft. This deduction is also subject to an annual inflation adjustment. Note: This deduction can only be claimed every 4 years by a church.

In order to qualify, a House of Worship needs to hire a contractor or engineer. This qualified professional will be the one providing documentation and a certification letter to the IRS.

This [IRS Document explains the Energy Efficient Commercial Building Deduction](#).

If the church is *unable* to use the deduction due to its particular tax situation, section 179D(d)(3) specifies that certain tax exempt entities can allocate the value of the deduction to the entity designing the building or the retrofit. The hope would be that the deduction would then allow tax-exempt entities to receive a lower price for building efficiency retrofits.

## Electric Charging Stations

There are a number of financial incentives available to Houses of Worship to install electric charging stations (EV Charging Stations). These incentives can help offset the cost of installation and make it more affordable for Houses of Worship to provide this important service to their members and the community.

### Government incentives

A number of government programs offer financial assistance to Houses of Worship for the installation of Electric Vehicle Charging Stations. These programs can provide grants, rebates, or tax credits to help cover the cost of the equipment and installation. Some examples of these programs include:

**45W Commercial Clean Vehicles Credit** allows tax-exempt organizations that buy a [qualified commercial clean vehicle to qualify for a clean vehicle tax credit of up to \\$7,500 for a light-duty electric vehicle and up to \\$40,000 back for a medium-heavy-duty vehicle.](#)

**30C Alternative Fuel Vehicle Refueling Property Credit**, [pays 6% of the price of electric vehicle charging infrastructure installed in low-income and non-urban areas.](#) The credit can increase to 30% if certain prevailing wage and apprenticeship requirements

are met, not to exceed \$100,000. Since houses of worship are tax-exempt and do not have a tax burden to deduct the credit from, they will receive both of these credits in the form of a rebate. [Guidance for these credits is still in process, with in-depth guidelines likely available later this year.\\*](#)

The Department of Energy's (DOE) Charging Infrastructure Deployment and Development (CIDD) Fund provides grants to support the deployment of EV Charging Stations in underserved communities, including Houses of Worship.

The Environmental Protection Agency's (EPA) Volkswagen Environmental Mitigation Trust (VEMT) provides grants to support the installation of EV Charging Stations in areas that have been affected by air pollution from diesel vehicles.

## Utility incentives

Many utility companies offer incentives to Houses of Worship for the installation of EV Charging Stations. These incentives can provide rebates, discounts, or free installation to help offset the cost of the equipment and installation. Some examples of these programs include:

- Eversource offers a rebate of up to \$2,500 per EV Charging Stations for Houses of Worship.
- National Grid offers a rebate of up to \$1,000 per EV Charging Station for Houses of Worship.
- Pacific Gas and Electric (PG&E) offers a discount of up to 50% on the cost of installing EV Charging Stations for Houses of Worship.

**\*For an excellent Resource of Federal Funding for Energy Work at Houses of Worship see this [page](#) at Interfaith Power & Light.**

## UUA Funding Opportunities

The UUA has funding opportunities to help congregations maximize IRA funds. In [the webinar: How UU Congregations Can Access IRA Funds for Clean Energy Solutions](#), Carey McDonald, UUA Executive Vice President, discusses ways congregations can leverage UUA funding options with IRA funds for an even bigger impact.

## Building Loan, Loan Guarantee, and Grant Programs

The purpose of the Unitarian Universalist Association (UUA) Building Loan, Loan Guarantee, and Grant programs is to facilitate the continued growth, in the broadest sense of the term, of UUA member congregations.

## [Building Loan Program](#)

The Building Loan Program provides affordable financing for three types of projects:

1. building or buying a new spiritual home
2. repairing or renovating existing facilities where substantial construction is not required,
3. expanding current facilities where substantial construction is required, especially to make facilities more accessible.

The interest rate is set at the time of closing and will be the [five-year Treasuries](#) plus *three*-percent.

## [First Home Grant Program](#)

The First Home Grant gives money to congregations seeking to purchase their first piece of land and/or to construct their first spiritual home. The program is not designed for congregations that already own a building.

## [Loan Guarantee Program](#)

The Loan Guarantee Program offers to guarantee a loan made by a local lender in cases where the lender requires this support before agreeing to loan money to a congregation.

## [Small Projects Loan Program](#)

The Small Projects Loan Program promotes congregational growth by financing relatively inexpensive projects that can improve congregational life and well-being. Smaller, shorter term loans can create positive changes in congregations by providing a new tool to tackle issues that may seem beyond their current financial means. The program focuses on three broad categories of projects: mission-oriented, environmentally friendly, and critical/emergency in nature. For more information contact [buildingloans@uua.org](mailto:buildingloans@uua.org) or see the [Congregational Stewardship Blog](#).

## [Faithify.org](#)

Faithify is a direct funding platform for Unitarian Universalist ministry projects. This includes everything from youth work to justice, service, buildings, staff positions, and emerging ministries. Faithify is full of campaigns funding projects through the direct support of others. [Explore projects here](#).

Faithify itself is not a funder and does not distribute funds. Faithify is a platform for projects to generate donations.

### Chalice Lighter programs:

The Chalice Lighter Grant Program uses the spark of small, regular contributions from individual UU's to ignite the growth of our UU faith, both in numbers and in justice, compassion, and spirituality. These contributions are pooled to make \$20,000 grants available to support the growth of UU congregations of all sizes, groups of congregations with innovative ideas for outreach, and even for the development of new congregations.

- [Central East](#)
- [Southern](#)
- [MidAmerica](#)
- [Pacific Western](#)



## Relevant Webinars

### Planning the Energy Future of Your Congregation

Learn about the importance of benchmarking your facilities' energy use to shape your congregation's plan to cut energy costs and care for our sacred Earth. This is the first step to making a plan to take advantage of federal funding, like the Inflation Reduction Act. Presenters include: Jerry Lawson, National Manager of EPA's Energy Star for Small Businesses and Congregations; Sarah Paulos, Interfaith Power & Light's Cool Congregations Program Director and Tom Hackley from People's Church of Kalamazoo, MI. This webinar is part of a series hosted by Side With Love, Interfaith Power & Light and our faith partners.

- Watch the [Recording](#)
- Review the [Resources](#)

### Solar 101 + IRA Funds

Michael Cohen, Solar United Neighbors, gave an overview on Solar for congregations and share a little about the process the First Unitarian Church of Orlando is going through to consider installing solar with IRA funds.

- Watch the [Presentation](#)
- Review the [Slides](#)
- Review [Michael's Handy Links for UU Congregations on Energy Efficiency & Solar](#)

### IRA funds and UUs: Funding Clean Energy & Climate Solutions

Are you wondering if Inflation Reduction Act (IRA) funds can transform your congregation? They can! With 30% direct pay options for churches and nonprofits, IRA funds present a great opportunity for UUs to reduce our carbon footprint while cultivating communities of care and prioritizing climate justice. Even better, the UUA has funding options to help you maximize IRA funds! This Green Sanctuary 2030 Community presentation featured UUA's Executive Vice President, Carey McDonald, explaining the UU-specific funding opportunities you can leverage with IRA funds.

- Watch the [Presentation](#)
- Review the [Slides](#)

### Net Zero by 2030!

We know we need to get to Net Zero and fast, but how? The People's Church of Kalamazoo has made a commitment to cut their emissions to achieve Net Zero by 2030. We joined Tom Hackley from People's Church to learn how their Green Sanctuary Team is working to meet this ambitious and critical goal!

- View the [Presentation](#)
- Review the [slides](#)

## Visionary Approaches to Federal Clean Energy Funding

While congregations are excitedly learning about federal clean energy funding, how can we make sure we're prioritizing justice in our actions? How can we put our faith into action to ensure those most impacted by climate disruption benefit the most? Featuring Just Solutions, Emerald Cities Collaborative, and Rewiring America, this webinar covered how your congregation can put your faith into action to advance visionary approaches to clean energy funding with justice at the center. The first webinar in Side With Love's series toward Clean Energy as a Human Right: Visionary Approaches to Federal Clean Energy Funding, was offered October 25, 2023.

- View the [Presentation](#)
- Review the [Slides](#)

## Creating Hubs of Climate Resilience Recording & Resources

Side With Love joined Denise Abdul-Rahman from Black Sun Light Sustainability, Shina Robinson from Asian Pacific Environmental Network, and Miguel Yanez-Barnuevo from Environmental and Energy Study Institute for an informative discussion on ways you can turn your faith into action to create hubs of climate resilience for our communities. This was the second session of our webinar series on Clean Energy as a Human Right.

- View the [Presentation](#)
- Review the
  - [Opening slides](#)
  - [Slides from Denise Abdul Rahman, Black Sun Light Sustainability](#)
  - [Slides from Miguel Yañez-Barnuevo, Environmental & Energy Study Institute](#)
  - [Slides from Shina Robinson, Asian Pacific Environmental Network](#)

## Appendix on Solar:

Additional Information about Direct Pay for Solar

The following information still refers to the ITC (see above) but specifically focuses on Solar PV:

- [Webinar: Solar Financing for Congregation 6/2023](#)
- [Federal Solar Tax Credits for Businesses | Department of Energy](#)
- [Webinar: Solar for nonprofits - Solar United Neighbors](#)
- [Financing Solar for Religious Organizations:](#)
- [Financing Your Solar PV System: A Guide for Congregations](#) (2009)  
*note: Payback goes from an average of 7-12 years to 5 years due to the ITC.*
- The bipartisan Infrastructure Investment and Jobs Act (IIJA) signed into law in November 2021 also provided some investments to reduce greenhouse gas emissions and increase resilience to climate impacts.