

August 31, 2022

Overview of the Inflation Reduction Act of 2022 ([P.L. No. 117-169](#))

The Inflation Reduction Act includes \$370 billion in climate and clean energy funding, with priority given to lower-income households and disadvantaged communities. It creates opportunities for local governments to pursue clean energy initiatives and reduce emissions through new competitive grants programs, local resiliency investments and clean energy tax credits.

The Act expressly creates two new federal grant programs that provide substantial funding to state, local and tribal governments: the Neighborhood Access and Equity Grant Program and the Greenhouse Gas Air Pollution Planning and Implementation Grants. Significant investments from the Act are also allocated to existing programs. Additionally, the Act broadly allocates funding to federal agencies for a policy purpose/objective without other details or expressly directing it to an existing or new program. More information is forthcoming from the federal agencies on how this funding will be implemented.

Meanwhile, provisions worth noting for state and local stakeholders are highlighted below.

Clean Energy and Climate

- \$60 billion to create new domestic manufacturing jobs, primarily through the extension and modification of credits for electricity and clean energy produced from certain renewable resources. (p. 89/152)
- Tax credits covering up to 30% of the costs to install solar panels and battery storage systems, improve home energy efficiency, or upgrade HVAC equipment. (p. 125)
- Tax credits covering up to 30% of the costs of community solar projects, with additional bonus credits of 20% for projects at affordable housing properties and 10% for projects in low-income communities. (p. 105)
- \$10 billion to extend the Advanced Energy Project Credit for qualifying projects. (p. 152)
- \$9.7 billion in USDA grants for rural electric cooperatives to support the long-term resiliency, reliability and affordability of rural electric systems. (p. 203)
- Creates the Alternate Fuel and Low-Emission Aviation Technology grant program, which will provide \$245 million for sustainable aviation fuel projects and \$47 million for low-emission aviation projects to state and local governments. (p. 213)
- \$4.3 billion for grants to state energy offices to provide a Home Owner Managing Energy Savings (HOMES) tax rebate program and \$4.3 billion for grants to state energy offices to provide the High-Efficiency Electric Home Rebate Program. (p. 216/219)
- \$200 million for states to develop training programs for contractors involved in the installation of home energy and electrification improvements. (p. 224)
- \$330 million in DOE grants for state and local governments to adopt the latest building energy codes. (p. 224)
- \$760 million for DOE grants to state, local and tribal governments and other entities to accelerate siting of interstate electricity transmission lines. (p. 229)
- \$5.8 billion to the Advanced Industrial Facilities Deployment Program for eligible facilities. (p. 232)
- \$600 million in EPA grants and rebates for a new Clean Heavy-Duty Vehicle program to help state, local and tribal governments replace current vehicle with zero-emission vehicles and to build zero-emission vehicle infrastructure. (p. 246)

- \$17 million for outreach and technical assistance to state, local and tribal governments for greenhouse gas reduction from domestic electricity generation. (p. 252)
- Creates the Greenhouse Gas Air Pollution Planning and Implementation Grants for state, local and tribal governments to reduce greenhouse gas emissions with \$250 million for planning grants and \$4.75 billion for implementation grants. (p. 259)

Agriculture

- \$125 million for USDA to provide services and support to underserved farmers. (p. 205)
- \$250 million in USDA grants and loans to improve land access and land loss for underserved farmers. (p. 205)
- \$250 million in USDA grants for non-profits and other institutes to support agricultural research, education, and extension. (p. 205)

Infrastructure and Resiliency

- \$700 million in Forest Legacy Program grants to states for the acquisition of land. (p. 209)
- \$1.5 billion in Urban and Community Forestry Assistance Program grants for state, local and tribal governments. (p. 209)
- \$838 million in HUD loans and grants for projects at eligible properties to improve energy and water efficiency, address air quality, and lower emissions. (p. 210)
- \$2.6 billion in NOAA direct spending, contracts, and grants for coastal communities to prepare for extreme storms and other changing climate conditions. (p. 211)
- \$75 million for the Tribal Energy Loan Guarantee program. (p. 229)
- \$550 million in Bureau of Reclamation grants and financial assistance to disadvantaged communities for the development of water supply projects. (p. 236)
- \$2.25 billion in EPA grants for states, local and tribal governments to reduce air pollution in ports. (p. 247)
- Creates the Greenhouse Gas Reduction Fund to provide \$7 billion in grants for state, local and tribal governments and other entities to enable low-income and disadvantaged communities to benefit from zero-emission technologies. (p. 249)
- \$8 billion for EPA grants to provide financial and technical assistance to low-income and disadvantaged communities to reduce greenhouse gas emissions. (p. 249)
- \$37.5 million for EPA grants and other activities to reduce air pollution at schools. (p. 252)
- Creates the Environmental and Climate Justice Block Grants for local and tribal governments to provide \$2.8 billion for eligible pollution and climate activities. (p. 261)
- Creates the Neighborhood Access and Equity grant program to provide \$1.9 billion to state, local and tribal governments and other entities for transportation projects to mitigate or remediate negative impacts of the human or natural environment. (p. 263)
- \$1.3 billion for transportation projects in disadvantaged communities to be carried out by state transportation departments. (p. 265)
- \$100 million for the EPA to provide guidance, technical assistance, and grants to facilitate efficient and effective environmental review processes for surface transportation projects. (p. 266)

Other major highlights of the Inflation Reduction Act include tax rebates and credits to lower energy costs and for the sale of new and used electric vehicles, as well as investing in domestic production of clean energy technologies and in development of clean energy jobs and workforce. To read more about the IRA and its provisions related to climate, energy, healthcare and taxes, see the attachment to this memo.

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