The National Cooperative Business Association • CLUSA International

NATIONAL COOPERATIVE BUSINESS ASSOCIATION CLUSA INTERNATIONAL

THE INFLATION REDUCTION ACT: A GUIDE FOR CO-OPS

On August 16, the President signed into law the Inflation Reduction Act (IRA) of 2022 (P.L. 117-169). The IRA was passed through the budget reconciliation process in Congress and aims to reduce the federal deficit by $102 billion over a nine-year period while making significant investments in energy, climate, and environmental programs. Overall, the legislation aims to reduce greenhouse gas emissions to 40 percent below 2005 levels by 2030. In addition to direct investments in climate mitigation programs, the IRA also funds tax incentives to bolster these efforts. The below analysis provides details on provisions across cooperative sectors within the legislation.

INFLATION REDUCTION ACT'S (IRA) CO-OP PROVISIONS:

Electric Loans for Renewable Energy
Section 22001

Funding amount: $1,000,000,000
Eligible Entities: Electric service providers, cooperatives, municipals, investor-owned and Tribal utilities. Potential
Potential Co-op sector(s): Rural Electric Cooperatives

Provides $1 billion in RUS loans for renewable energy infrastructure and requires USDA Rural Development to forgive up to 50 percent of the loan amount if the loan terms and conditions are complied with. All projects must be for the build-out of energy conservation systems fueled by solar, hydro, wind, geothermal, and biomass for storage of such energy types. Priority will be given to new construction of renewable energy infrastructure.

Rural Energy for America Program
Section 22002

Funding amount: $2,025,450,000 to remain available through 2031. $303 million set aside for underutilized technologies and technical assistance.
Renewable Energy System Grants: $2,500 minimum. $500,000 maximum.
Energy Efficiency Grants: $1,500 minimum. $250,000 maximum.
Eligible Entities: Rural small businesses, including co-ops and Agricultural producers. Businesses must be in rural areas with populations of 50,000 residents or less. Agricultural producers may be in rural or non-rural areas.
Potential Co-op Sector(s): Agricultural and any Rural Co-op Businesses

Appropriates additional funding through the Rural Business Cooperative Service (RBCS) for grants and loan financing to agricultural producers and rural small businesses interested in installing renewable energy systems or making energy efficiency improvements. Additionally, allows funds to be used for: 1) technical assistance to producers/rural small business owners applying for a grant or loan through the Rural Energy for America Program and 2) provide grants or guaranteed loans to producers/rural small business owners interested in implementing an underutilized renewable energy. Eligible uses for renewable energy systems include:

- Biomass (for example: biodiesel and ethanol, anaerobic digesters, and solid fuels)
- Geothermal for electric generation or direct use
- Hydropower below 30 megawatts
- Hydrogen
- Small and large wind generation
- Small and large solar generation
- Ocean (tidal, current, thermal) generation

Funds may also be used for the purchase, installation, and construction of energy efficiency improvements, such as:

- High efficiency heating, ventilation, and air conditioning systems (HVAC)
- Insulation
- Lighting
- Cooling or refrigeration units
- Doors and windows
- Electric, solar or gravity pumps for sprinkler pivots
- Switching from diesel to electric irrigation motor
- Replacement of energy-inefficient equipment

Agricultural producers may also use guaranteed loan funds to install energy efficient equipment and systems for agricultural production or processing.

Biofuel Infrastructure and Agricultural Product Market Expansion
Section 22003
Funding Amount: $500,000,000
Eligible Entities: Any agricultural commodity-based business producing biofuels
Potential Co-op Sector(s): Agricultural

Provides $500 million in RBCS grants to increase the sale and use of agricultural commodity-based fuels through infrastructure improvements for blending, storing, supplying, or distributing biofuels. Eligible uses include installing, retrofitting, or otherwise upgrading fuel dispensers or pumps and related equipment, storage tank system components, and other infrastructure required at a location related to dispensing certain biofuel blends.

Additional uses include building and retrofitting home heating oil distribution centers or equivalent entities and distribution systems for ethanol and biodiesel blends. Federal cost share of up to 75%.

USDA Assistance for Rural Electric Cooperatives
Section 22004
Funding amount: $9,700,000,000
Eligible Entities: Rural electric cooperatives, current and former Rural Utilities Service (RUS) electric borrowers, or a cooperative that is serving a predominantly rural area (or a wholly or jointly owned subsidiary of such electric cooperative).
Potential Co-op Sector(s): Rural Electric Cooperatives

Provides $9.7 billion in RUS loans, grants, loan modifications and other financial assistance to support the purchase of renewable energy, renewable energy systems, zero-emissions, and carbon capture systems, storage, nuclear, generation and transmission system efficiency improvements, and other projects that reduce greenhouse gases and aid disadvantaged rural communities. Federal cost share of up to 75%, with a maximum for any one entity of $970 million in financial assistance.

Farm Loan Immediate Relief for Borrowers with At-Risk Agricultural Operations
Section 22006
Funding Amount: $3,1000,000,000
Eligible Entities: Distressed farmers and borrowers at financial risk who received FSA direct and guaranteed loans.
Potential Co-op Sector(s): Agricultural

Provides $3.1 billion for USDA to provide relief for distressed borrowers with certain Farm Service Agency (FSA) direct and guaranteed loans and to expedite assistance for financially at-risk agricultural operations.

USDA Assistance and Support for Underserved Farmers, Ranchers, and Foresters
Section 22007
Funding Amount: $2,859,000,000
Eligible Entities: Cooperatives, underserved farmers, ranchers, or forest landowners, including veterans, limited resource producers, beginning farmers and ranchers, and farmers, ranchers, and forest landowners living in high poverty areas.
Potential Co-op Sector(s): Agricultural

Provides $2.2 billion for financial assistance, to farmers, ranchers, or forest landowners determined to have experienced discrimination within USDA programs. Provides $125 million for outreach, mediation, financial training, capacity building training, cooperative development and agricultural credit training and support, and other technical assistance on issues concerning food, agriculture, agricultural credit, agricultural extension, rural development, or nutrition to underserved farmers, ranchers, or forest landowners, including veterans, limited resource producers, beginning farmers and ranchers, and farmers, ranchers, and forest landowners living in high poverty areas. Provides $250 million for grants and loans to improve land access for underserved farmers, ranchers, and producers. Provides $10 million for one or more equity commissions that will address racial equity issues within USDA and its programs. Provides $250 million to 1890s Institutions for agricultural research, education, and extension, as well as scholarships and programs that provide internships and pathways to agricultural sector or Federal employment.

Additional Agricultural Conservation Investments
Section 21001
Funding Amount: $18,050,000,000

- $8.45 billion for the Environmental Quality Incentives Program (EQIP)
- $3.25 billion for the Conservation Stewardship Program (CSP)
- $1.4 billion for Conservation Easement Program (CEP)
- $6 billion for Regional Conservation Partnership Program (RCPP)

Eligible Entities: Agricultural producers, farmers, ranchers, and nonindustrial private forestland owners
Potential Co-op Sector(s): Agricultural

Appropriates an additional $8.45 billion for Fiscal Years 2023-2026 for various USDA Conservation programs under the authority of the Commodity Credit Corporation. Funding can be used to improve soil carbon, reduce nitrogen losses, or reduce, capture, avoid, or sequester carbon dioxide, methane, or nitrous oxide emissions, associated with agricultural production for several NRCS programs.

Conservation Technical Assistance
Section 21002
Funding Amount: $1,400,000,000
Eligible Entities: Agricultural producers, Farmers, Rancher, and Forestland owners
Potential Co-op Sector(s): Agricultural

Provides $1 billion to the Natural Resource Conservation Service (NRCS) to provide technical assistance to farmers, ranchers and forestland owners on conservation practices. Provides $300 million to NRCS to quantify carbon dioxide sequestration through USDA's Greenhouse Gas Inventory and Assessment Program.

State and Private Forestry Conservation Programs
Section 23003
Funding Amount: $2,200,000,000
Eligible Entities: State or federal agencies, governmental entities, Indian Tribes, or nonprofit organizations.
Potential Co-op Sector(s): Agricultural

Provides $700 million in competitive grants to States through the Forest Legacy Program for the acquisition of land and interests in land. Provides $1.5 million in multiyear, programmatic, competitive grants to a State or federal agencies, a governmental entity an Indian Tribe, or a nonprofit organization through the Urban and Community Forestry Assistance program for tree planting and related activities.

Improving Energy Efficiency, Water Efficiency or Climate Resilience of Affordable Housing
Section 30002
Funding Amount: $1,000,000,000
Eligible Entities: Nonprofit consumer cooperatives, and private nonprofit organizations
Potential Co-op Sector(s): Housing, Purchasing

Establishes the Green and Resilient Retrofit Program (GRRP) within the Department of Housing and Urban Development (HUD) as part of its Climate Action Plan. Administered through the Office of Housing, the GRRP will combine direct loan subsidies and competitive grants, paired with technical assistance, to support energy efficiency and climate resilient

improvements in assisted multifamily properties.

Energy Infrastructure Reinvestment Financing
Section 50144
Funding Amount: $5,000,000,000 with a total loan cap of $250,000,000,000
Eligible Entities: Rural Electric Cooperatives, Electric service providers, municipals, investor-owned and Tribal utilities.
Potential Co-op Sector(s): Rural Electric Cooperatives

Establishes the Energy Infrastructure Reinvestment (EIR) Guaranteed Loan Program within the Department of Energy for projects that retool, repower, repurpose, or replace nonoperating energy infrastructure that has ceased operations, or enable operating energy infrastructure to avoid, reduce, utilize, or sequester air pollutants or human-made greenhouse gas emissions. Eligible projects to replace
nonoperating energy infrastructure and that involve electricity generation through the use of fossil fuels are required to have controls or technologies to avoid, reduce, utilize, or sequester air pollutants and human-made greenhouse gas emissions.

Home Energy Performance Based Whole House Rebates
Section 50121
Funding Amount: $4,300,000,000
Eligible Entities: Single family homes, multifamily homes aggregators
Potential Co-op Sector(s): Housing, Purchasing

Provides states with the funding to create home energy performance-based, whole house rebates (HOMES Rebate Program), through the Department of Energy. Rebates for energy efficiency retrofits range from $2,000-$4,000 for individual households and up to $400,000 for multifamily buildings. $2,000 rebate will be for retrofits to reduce energy use by 20 percent or more, and $4,000 rebates are for retrofits saving 35% or more. Maximum rebates double for retrofits of low- and moderate-income homes. The HOMES Rebate program would cover upgrades, from solar panels to new windows, and any other upgrades that help homes become more energy efficient.

State-Based Home Energy Efficiency Contractor Training Grants
Section 50123
Funding Amount: $200,000,000
Eligible Entities: Nonprofit organizations, states
Potential Co-op Sector(s): Purchasing

Provides financial assistance through the Department of Energy to states to develop and implement programs for training and educating contractors involved in the installation of home energy efficiency and electrification improvements. States may use the funds to reduce the cost of training contractors to provide testing and certification of contractors trained and educated under a state program. A state may also partner with nonprofit organizations to develop and implement a state program.

Environmental and Climate Justice Block Grants
Section 60201
Funding Amount: $3,000,000,000
Eligible Entities: States, tribes, municipalities, and a community-based nonprofit organization
Potential Co-op Sector(s): Rural Electric Cooperatives, Purchasing, Housing, Co-op Development Centers

Provides $2.8 billion in competitive 3-year grants and $200 million for technical assistance to address clean air and climate pollution in disadvantaged communities through the Environmental Protection Agency. Eligible uses include:

- Community-led air and other pollution monitoring, prevention, and remediation, and investments in low- and zero-emission and resilient technologies that help reduce greenhouse gas emissions and other air pollutants
- Mitigating climate and health risks from urban heat islands, extreme heat, wood heater emissions, and wildfire events
- Fund climate resiliency and adaptation
- Reducing indoor toxins and indoor air pollution
- Facilitating engagement of disadvantaged communities in State and Federal advisory groups, workshops, rulemakings, and other public processes

Grants can be used flexibly to fund several climate and air quality priorities, such as replacing old wood heaters in homes, which would result in cost savings for rural and tribal communities

Greenhouse Gas Reduction Fund:
Section 60103
Funding Amount: $27,000,000,000
Eligible Entities: States, Municipalities, Tribal Governments, and Nonprofit organizations that (A) are designed to provide capital, including by leveraging private capital, and other forms of financial assistance for the rapid deployment of low- and zero-emission products, technologies, and services; (B) does not take deposits other than deposits from repayments and other revenue received from financial assistance provided using grant funds under this section; (C) is funded by public or charitable contributions; and (D) invests in or finances projects alone or in conjunction with other investors.
Potential Co-op Sector(s): Rural Electric Cooperatives, Purchasing, Housing, Financial, Co-op Development Centers

Establishes the $27 billion Greenhouse Gas Reduction Fund through the EPA. This includes:

1. $7 billion for competitive grants to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, including distributed technologies on residential rooftops.

2. Nearly $12 billion for competitive grants to eligible entities to provide financial and technical assistance to projects that reduce or avoid greenhouse gas emissions.

3. $8 billion for competitive grants to eligible entities to provide financial and technical assistance to projects that reduce or avoid greenhouse gas emissions in low-income and disadvantaged communities.

TAX CREDITS:

Production Tax Credit for Electricity from Renewables
Section 13101
Eligible Entities: Facilities generating electricity from wind, biomass, geothermal, solar, small irrigation, landfill and trash, hydropower, and marine and hydrokinetic renewable energy
Potential Co-op Sector(s): Rural Electric Cooperatives

Extends the Production Tax Credit (PTC)for wind, biomass, geothermal, solar, landfill gas, trash, qualified hydropower, and marine and hydrokinetic resources through 2024. It extends and modifies the non-business energy property tax credit for property placed in service before December 31,

2032. Increases the PTC 10 to 30 percent and the cap would be increased from $1,200 to $2,000. Sets the base PTC amount at 0.3 cents per kWh. Facilities that meet certain prevailing wage and apprenticeship requirements during the construction phase andfirst 10 years of operation are eligible for a credit of 2.5 cents per kWh. Provides a bonus credit for projects that meet certain requirements to certify that certain steel, iron, and manufactured products used in the facility were produced in the U.S.

Direct Pay Eligibility: Yes, for tax-exempt organizations; states; political subdivisions; the Tennessee Valley Authority; Tribal governments; Alaska Native Corporations; and rural electric co-ops.

Investment Tax Credit for Energy Property
Section 13102
Eligible Entities: Fuel cell, solar, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties.
Potential Co-op Sector(s): Purchasing and Rural Electric

Expands the Energy Investment Tax Credit (ITC) to additional facilities including stand-alone storage, qualified biogas property, electrochromic glass and microgrid controllers. Extends the beginning-of-construction deadline to before January 1, 2025. The base icredit rate is 6 percent for solar, fuel cells, waste energy recovery, combined heat and power, and small wind properties. This credit may be expanded to up to 30 percent if wage and workforce requirements are met. An additional bonus credit of up to 10 percent (i.e., expanding the credit to up to 40 percent) is available for projects that use certified steel, iron and manufactured products that are produced in the U.S.

Direct Pay Eligibility: Yes, for tax-exempt organizations; states; political subdivisions; the Tennessee Valley Authority; Indian Tribal governments; Alaska Native Corporations; and rural electricity co-ops.

Increase in Energy Credit for Solar and Wind Facilities Placed in Service in Connection with Low-Income Communities
Section 13103
Eligible Entities: Solar and wind facilities with a maximum net output of less than 5 MW, including associated energy storage technology.
Potential Co-op Sector(s): Rural Electric Cooperatives

Provides a bonus tax credit of 10 percentage points for small-scale solar and wind facilities in low-income and tribal communities. Provides a bonus tax credit of 20- percentage points to facilities in certain federally subsidized housing programs or that provides at least 50 percent of any financial benefits of the electricity produced to low-income households. To receive this credit, the Treasury must allocate an "environmental justice solar and wind capacity limitation" to qualified solar and wind facilities with a maximum of 1.8 gigawatts of capacity for calendar years 2023 and 2024. Qualifying solar and wind facilities would include those with capacity of 5 megawatts or less, and qualifying property would include energy storage property installed in connection with the solar property and interconnection property. Facilities receiving an allocation would be required to have the facility placed in service within four years.

Direct Pay Eligibility: Yes, for tax-exempt organizations; states; political subdivisions; the Tennessee Valley Authority; Indian Tribal governments; Alaska Native Corporations; and rural electric co-ops.

Credit for Carbon Oxide Sequestration (45Q Tax Credit)
Section 13104
Eligible Entities: U.S. facilities within minimum volumes: 1,000 metric tons of CO_2 per year for DAC facilities; 18,750 metric tons for electricity generating facilities (with carbon capture capacity of 75% of baseline CO_2 production); 12,500 metric tons for other facilities
Potential Co-op Sector(s): Rural Electric Cooperatives

Extends the 45Q tax credit for carbon capture and carbon sequestration projects to those that begin construction before January 1, 2033. Lowers the carbon capture threshold for facilities including Direct Air Capture (DAC) and Electricity Generation. Provides bonus credits for entities that meet prevailing wage and registered apprenticeship requirements.

Direct Pay Eligibility: Yes, for tax-exempt organizations, states, political subdivisions, the Tennessee Valley Authority, Indian Tribal governments, Alaska Native Corporations, and rural electricity co-ops (applicable entities).

Zero-Emission Nuclear Power Production Credit (45U Tax Credit)
Section 13105
Eligible Entities: Existing nuclear power plants at the time of enactment that are not eligible for the 45J (Advanced Nuclear Production) credit.
Potential Co-op Sector(s): Rural Electric Cooperatives

Establishes a base credit of $0.3 per kWh for qualified nuclear power facilities that are not eligible for the 45J tax credit. $1.5 per kWh for the electricity produced by plants that meet certain labor and wage requirements. This is available for facilities in service after 2023 and would last through 2032.

Direct Pay Eligibility: Yes, for tax-exempt organizations; states; political subdivisions; the Tennessee Valley Authority; Indian Tribal governments; Alaska Native Corporations; and rural electric co-ops.

Clean Electricity Production Tax Credit
Section 13701
Eligible Entities: Facilities generating electricity with zero greenhouse gas emissions and in service after 2024.
Potential Co-op Sector(s): Rural Electric Cooperatives, Agricultural

Creates a new clean electricity production tax credit (EPTC). This new EPTC would be for the sale of domestically produced electricity with zero greenhouse gas emissions. In the case of an eligible cooperative organization, any portion of the credit determined for the taxable year may, at the election of the organization, be apportioned among patrons of the organization on the basis of the amount of business done by the patrons during the taxable year. 'Eligible cooperative' means a cooperative organization which is owned more than 50 percent by agricultural producers or by entities owned by agricultural producers. For this purpose, an entity owned by an agricultural producer is one that is more than 50 percent owned by agricultural producers.

Direct Pay Eligibility: Yes, for tax-exempt organizations; states; political subdivisions; the Tennessee Valley Authority; Indian Tribal governments; Alaska Native Corporations; and rural electric co-ops. Applies separately with regard to each facility.

Advanced Energy Project Credit (48C Tax Credit)
Section 13501
Eligible Entities: A project that (1) re-equips, expands, or establishes an industrial or manufacturing facility for the production or recycling of a range of clean energy equipment and vehicles; (2) re-equips an industrial or manufacturing facility with equipment designed to reduce greenhouse gas emissions by at least 20 percent; or (3) re-equips, expands, or establishes an industrial facility for the processing, refining, or recycling of critical materials.
Potential Co-op Sector(s): Rural Electric Cooperatives

Provides a tax credit for investments in advanced energy projects. The allocated investment credit provides $10 billion in allocations, at least $4 billion of which must be allocated to energy communities. Bonus credit of up to 30 percent for projects that meet prevailing wage and apprenticeship requirements.

Direct Pay Eligibility: Yes, for tax-exempt organizations; states; political subdivisions; the Tennessee Valley Authority; Indian Tribal governments; Alaska Native Corporations; and rural electric co-ops.

Advanced Manufacturing Production Credit
Section 13502
Eligible Entities: Domestic manufacturers
Potential Co-op Sector(s): Manufacturing

Provides a new production tax credit for the domestic manufacturing of components for solar and wind energy, inverters, battery components, and critical minerals. The amount of the credit varies depending on the eligible components, which include specifically listed items used in wind, solar, and battery projects, such as blades, wind turbine towers, PV cells, solar grade polysilicon, solar modules, torque tubes, structural fasteners, electrode active materials, battery cells, battery modules, and certain critical minerals.

Direct Pay Eligibility: Yes, for tax-exempt organizations, states, political subdivisions, the Tennessee Valley Authority, Indian Tribal governments, Alaska Native Corporations, and rural electric co-ops (applicable entities).

Extension of Tax Credits for Biodiesel and Renewable Diesel and Alternative Fuels
Section 13201

Eligible Entities: Biodiesel, Renewable Diesel, and Alternative Fuels producers.
Potential Co-op Sector(s): HVAC Purchasing, Housing, Electric, Agricultural

Extends the existing tax credits for biodiesel and renewable diesel through December 31, 2024 and requires Treasury to issue guidance for a retroactive credit for fuel sold or used after December 31, 2021.

Direct Pay Eligibility: N/A

Extension of Second-Generation Biofuel Incentives
Section 13202

Eligible Entities: Registered Second Generation Biofuel producers
Potential Co-op Sector(s): HVAC Purchasing, Housing, Electric, Agricultural

Extends the $1.01-per-gallon income tax credit for second-generation biofuel production through December 31, 2024.

Direct Pay Eligibility: N/A

Sustainable Aviation Fuel Credit
Section 13203

Eligible Entities: Registered Aviation fuel producers
Potential Co-op Sector(s): Fueling Co-ops

Creates a new tax credit for sale or use of sustainable aviation fuel between January 1, 2023, through December 31, 2024. The credit applies to sustainable aviation fuels certified as reducing lifecycle greenhouse gas emissions by 50 percent compared to petroleum-based aviation fuel. The base credit is $1.25 per gallon of fuel, and a bonus credit of $0.01 applies for each percentage reduction of the lifecycle greenhouse gas emissions below 50 percent.

Direct Pay Eligibility: N/A

Residential Clean Energy Credit
Section 13302

Eligible Entities: Housing Cooperatives, Homeowners
Potential Co-op Sector(s): Housing Cooperatives

Extends the residential clean energy tax credit through 2034 for the purchase of solar electric, solar water heating, fuel cells, geothermal heat pumps, small wind energy, and qualified biomass fuel infrastructure. Expands eligible equipment to include residential battery storage technology with capacity of at least 3 kWh. Provides 30% credit rate through 2032, 26% in 2033 and 22% in 2034.

Direct Pay Eligibility: N/A

Clean Hydrogen Tax Credit
Section 13204

Eligible Entities: Clean hydrogen producers
Potential Co-op Sector(s): Electric Cooperatives

Creates a new production tax credit to qualified facilities for clean hydrogen produced at a qualifying facility during the first 10 years of operation. The base credit rate is up to $0.60 per kilogram of qualified clean hydrogen, depending on the lifecycle greenhouse gas emissions rate. Provides a bonus credit of up to $3 per kilogram of qualified clean hydrogen, if the facility taxpayer meets prevailing wage and qualified apprenticeship requirements or the facility meets certain construction timeline requirements .

Direct Pay Eligibility: Yes, for tax-exempt organizations, states, political subdivisions, the Tennessee Valley Authority, Tribal governments, Alaska Native Corporations, and rural electric co-ops (applicable entities).

Clean Vehicle Tax Credit (30D Tax Credit)
Section 13401

Eligible Entities: Clean vehicle owners
Potential Co-op Sector(s): Purchasing, Worker

Modifies and extends the Electric Vehicle (EV) tax credit by requiring that a certain percentage of the critical minerals used in an EV battery be extracted or processed in the United States (or a country with which the United States has a free trade agreement), or be recycled in North America. Vehicles meeting these requirements qualify for a $3,750 tax credit. To qualify for a bonus $3,750 credit, vehicles must meet a threshold percentage of EV battery components mannufactured or assembled in North America. Additionally, this section imposes an income-based eligibility limit of $300,000 for joint returns; $225,000 for a head of household; and $150,000 for other tax filers. This section also prohibits eligibility for vans, sport utility vehicles, and pick-up trucks with manufacturer's suggested retail prices in excess of $80,000 and other vehicles in excess of $55,000.

Direct Pay Eligibility: N/A

Alternative Fuel Vehicle Refueling Property Credit
Section 13404
Eligible Entities: Alternative fuel vehicle refueling property in low-income or rural areas
Potential Co-op Sector(s): Rural Electric Cooperatives

Extends the tax credit for alternative fuel vehicle refueling and charging stations for clean burning fuels in low-income and rural areas to December 31, 2032. Alternative fuels include electricity, ethanol, natural gas, hydrogen, biodiesel, and others. Expands eligible infrastructure to include bidirectional charging equipment and charging equipment for 2- and 3-wheel electric vehicles. Provides a base credit of 6%, capped at $100,000 for businesses, and 30% capped at

$1,000 for individuals.

Direct Pay Eligibility: Yes, for tax-exempt organizations; states; political subdivisions; the Tennessee Valley Authority; Indian Tribal governments; Alaska Native Corporations; and rural electric co-ops.

Clean Fuel Production Credit
Section 13704
Eligible Entities: Registered producers in the United States. Fuels with less than 50 kilograms of carbon dioxide equivalent mmBTU) qualify as clean fuels eligible for credits.
Potential Co-op Sector(s): Rural Electric Cooperatives

Establishes a new tax credit for domestic clean transportation fuel production The base credit is $0.20/ gallon for non-aviation fuel and $0.35/gallon for aviation fuel, multiplied by the carbon dioxide "emissions factor" of the fuel. The credit is 5 times the base amount ($1/gallon for non-aviation fuel, $1.75 gallon for aviation fuel, multiplied by the emissions factor) for facilities meeting prevailing wage and registered apprenticeship requirements.

Direct Pay Eligibility: Yes, for tax-exempt organizations; states; political subdivisions; the Tennessee Valley Authority; Indian Tribal governments; Alaska Native Corporations; and rural electric co-ops.

Elective Payment for Energy Property and Electricity Produced from Certain Renewable Resources
Section 13801
Eligible Entities: Rural Electric Cooperatives, and other tax-exempt utilities or service providers.
Potential Co-op Sector(s): Rural Electric Cooperatives

Allows rural electric cooperatives and other tax-exempt entities to receive tax credit amounts as payments ("direct pay"). Direct pay gives electric cooperatives tax parity with industry counterparts when they deploy new energy technologies, including carbon capture, nuclear, energy storage, and traditional renewables. To realize the full credit amount under this system, an eligible entity must then also meet prevailing wage, apprenticeship, and domestic content requirements to receive an additional "bonus credit." The bill provides additional bonuses for investment in low-income and other marginalized communities.

NCBA CLUSA
The National Cooperative Business Association • CLUSA International
1775 Eye Street, NW | 8th Floor | Washington, DC 20006
202.638.6222 | info@ncba.coop | ncbaclusa.coop

2023 FARM BILL PRIORITIES

RECOMMENDATIONS TO DRIVE A ROBUST, PROSPEROUS RURAL ECONOMY THROUGH COOPERATIVES

WHY PRIORITIZE CO-OPS?

For more than a century, cooperatives have played a crucial role in the rural economy. Co-ops make it possible for people to own and control their businesses and ensure people have access to critical markets and services.

People turn to cooperatives for three primary reasons: to address market failures where neither the private sector nor the government provide a needed service; to help small players gain parity with large, investor-owned competitors; and to give consumers a deliberate choice of enterprise to better meet their common needs and aspirations.

Cooperatives are businesses that are owned and controlled by members. Compared to other business models, cooperatives across sectors:

- Reinvest back into the local economy at higher rates
- Create and maintain more local jobs
- Source more goods locally
- Empower member-owners to be more civically engaged
- Have greater business survival rates
- Feature higher worker productivity and lower workforce turnover

NCBA CLUSA urges Congress to prioritize cooperative businesses in the 2023 Farm Bill to equip rural people and communities with the tools to drive a robust, prosperous rural economy.

The National Cooperative Business Association CLUSA International (NCBA CLUSA) is the primary voice in the United States for people who use cooperatives to build a better world. As a trusted, proven way to do business and build communities, cooperatives play a vital role in creating economic opportunities that empower people in the United States and around the world to improve their lives and the lives of future generations. On behalf of our members, NCBA CLUSA speaks with a united voice before elected officials, advocating for federal policies that enable people to use cooperative enterprise.

NCBA CLUSA

1775 I Street, NW
8th Floor
Washington, DC 20006

advocacy@ncba.coop
202-638-6222
ncbaclusa.coop

TITLE VI
RURAL DEVELOPMENT

MODERNIZE THE RURAL COOPERATIVE DEVELOPMENT GRANT PROGRAM

The Rural Cooperative Development Grant (RCDG) program is the only federal program that exclusively invests in the startup, innovation and growth of cooperative businesses.

PRINCIPLES

We believe the following principles should guide the reauthorization and administration of the RCDG program:

- Cooperative development includes outreach, education, training and delivery of technical assistance
- The focus of program participants is to support the startup, expansion or ongoing sustainability of cooperatives in all rural areas of the country and in all sectors of the rural economy
- Program grantees should give priority to cooperatively and mutually owned businesses; support to other rural businesses is permitted but is not a primary focus of the program.
- USDA should have the resources and authority to support a 50-state strategy, ensuring that all rural communities have meaningful access to cooperative development technical assistance.
- Collaboration among program grantees to support cooperative development more effectively are encouraged.

POLICY

1) To reduce regulatory burden and to increase the effectiveness of program delivery, the Secretary should use all existing authorities to implement multi-year grants for applicants with a demonstrated track record of success in delivering the RCDG program, as authorized through the 2008 Farm Bill (P.L. 110-234). This may require:
   - An initial influx of funding (mandatory Farm Bill funding or appropriations) to finance multi-year obligations of federal funds, and/or
   - Authority to award multi-year grants on a basis "subject to further appropriations."
2) To ensure equitable interpretation of current program match requirements, all applicants that fully meet match requirements should receive maximum points in application scoring. The current approach of "scoring on a curve" disadvantages under-resourced organizations.

REPORT LANGUAGE

We seek committee report language to:

- Establish consistency for both when RCDG Notice of Funding Availability are published and when applications are due.
- Reduce the regulatory burden by eliminating redundancies in the application process.
- Ease reporting requirements for tenured partners. USDA should make better use of performance data (co-ops established, groups served, jobs saved or created, etc.) that is already submitted to state offices as part of the grant administration process and increase coordination between the Rural Business-Cooperative Service and Economic Research Service to better advance data on the economic impact of cooperatives in rural America.

LEVEL THE PLAYING FIELD FOR COOPERATIVES IN BUSINESS AND AGRICULTURE PROGRAMS

- Ensure that USDA programs recognize the unique and time-tested model of cooperatives by maintaining and expanding co-ops' eligibility to participate in USDA programs

STRENGTHEN THE INTERAGENCY WORKING GROUP ON COOPERATIVE DEVELOPMENT

- The Interagency Working Group on Cooperative Development (IWGCD), authorized through the 2014 Farm Bill, is charged with fostering cooperative development through interagency coordination with national and local co-op organizations. With new data available and passage of new legislation to promote cooperative business, the Working Group should be required to submit an annual report to Congress on the progress of this work.

STREAMLINE USDA BROADBAND PROGRAMS AND ENSURE COOPERATIVES HAVE EQUITABLE ACCESS TO THE RECONNECT PROGRAM

- Every American deserves access to reliable, affordable broadband. Because Rural Electric Cooperatives serve 42 million households—including 92% of persistent poverty counties—they are well positioned to bridge the digital divide.

TITLE II
CONSERVATION

SUPPORT INCREASED ACCESS TO VOLUNTARY CONSERVATION PROGRAMS FOR COOPERATIVES

Ensure that conservation programs recognize and include a preference for cooperatives to fully participate as a way for producers, particularly small and underserved farmers, to compete within industry by aggregating resources at scale.

TITLE III
TRADE

REAUTHORIZE CRITICAL INTERNATIONAL FOOD AID PROGRAMS FOR COOPERATIVE DEVELOPMENT

- Reauthorize the Food for Progress Act to strengthen markets of emerging international agricultural sectors and promote trade opportunities for domestic agricultural producers.
- Reauthorize the McGovern-Dole International Food for Education and Child Nutrition Program and preserve its emphasis on cooperatives as a tool to strengthen food security and eradicate hunger.
- Reauthorize the John Ogonowski and Doug Bereuter Farmer-to-Farmer Program within the Food for Peace Act and ensure that cooperatives remain an integral part of education programs.

TITLE IV
NUTRITION

ENSURE COOPERATIVE GROCERY STORES CAN FULLY PARTICIPATE IN ALL SNAP PROGRAMS AND ADMINISTER ALL SNAP BENEFITS

- The SNAP audit should properly recognize the cooperative ownership model to prevent the incorrect disqualification of grocery and food co-ops and inability to accept benefits.
- The Supplemental Nutrition Assistance Program (SNAP) provides over 41 million low-income individuals with monthly grocery benefits. As SNAP retailers, grocery and food co-ops can support

members of their community and provide individuals with access to food that is often produced locally.

TITLE V
CREDIT

SUPPORT THE FARM CREDIT SYSTEM

- Strengthen crop insurance, expanding the Farm Service Administration guaranteed loan program to better serve young and historically underserved farmers and ranchers, and investing in rural infrastructure including broadband, energy, water and community facilities.

TITLE IX
ENERGY

ENSURE POLICY THAT ALLOWS PEOPLE TO CONTINUE TO USE RURAL ELECTRIC COOPERATIVES TO ACCESS AFFORDABLE, RELIABLE ELECTRICITY

- Provide affordable energy investments to rural families through the Rural Energy Savings Program; extend the repayment window of the Rural Energy Savings Program and codify the expansion of the energy efficiency measures to manufactured housing to reduce the energy burden on rural households and our most vulnerable residents.

TITLE X
HORTICULTURE

REAUTHORIZE THE VALUE-ADDED PRODUCER GRANT PROGRAM

- Maintain scoring preference for cooperatives so more farmers and ranchers can benefit from investments to increase and expand market opportunities.

OVERARCHING USDA

- Create new opportunities for capacity building in rural communities so small towns can equitably access federal funding and resources.
- Modernize USDA technology to enable offices to implement agency programs most efficiently, particularly technical assistance programs, in service of cooperatives and rural communities.
- Invest in USDA staffing to reduce existing staff shortages and prevent future shortages due to an aging workforce.

NCBA CLUSA

1775 I Street, NW
8th Floor
Washington, DC 20006

advocacy@ncba.coop
202-638-6222
ncbaclusa.coop

COOPERATING FOR A BETTER TOMORROW

Creating economic opportunity for Americans and people around the world

A POLICYMAKERS' GUIDE: RECOMMENDATIONS TO ENABLE AND SUPPORT COOPERATIVES

WHAT ARE COOPERATIVES?

Cooperatives are user-owned, democratically controlled businesses such as farmer-owned co-ops, credit unions and rural electric cooperatives.

Unlike other forms of businesses that are owned by investors, all of co-op's net income, in excess of expenses and reserves, are distributed to the members based on how much the member uses the business. Cooperatives are formed for many reasons such as to address market failure, community need, or to create competition. Regardless of the reason, the very structure of a cooperative requires it to be responsive to its member-owners and in turn to the local community.

OUR ASK

Our elected and public officials have an opportunity to help people capture economic opportunities and promote entrepreneurship through the cooperative business model—a model in which people own, control and benefit from the businesses they use. NCBA CLUSA looks forward to working with the 118th Congress and the Administration to promote cooperative development.

- Join the bipartisan Congressional Cooperative Business Caucus
- Increase funding for USDA's Rural Cooperative Development Grant program
- Improve access to capital and technical assistance for cooperative businesses
- Ensure that cooperatives are eligible and preferred to participate in existing federal programs
- Engage with the Interagency Working Group on Cooperative Development, chaired by the U.S. Department of Agriculture, to ensure all federal agencies are familiar with cooperative businesses

The National Cooperative Business Association CLUSA International (NCBA CLUSA) is the primary voice in the United States for people who use cooperatives to build a better world. As a trusted, proven way to do business and build communities, cooperatives play a vital role in creating economic opportunities that empower people in the United States and around the world to improve their lives and the lives of future generations. On behalf of our members, NCBA CLUSA speaks with a united voice before elected officials, advocating for federal policies that enable people to use cooperative enterprise.

NCBA CLUSA

1775 I Street, NW
8th Floor
Washington, DC 20006

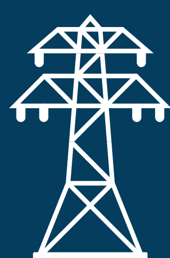
advocacy@ncba.coop
202-638-6222
ncbaclusa.coop

MEASURING CO-OP IMPACT

1 IN 3 AMERICANS
IS A MEMBER OF A CO-OP

2 MILLION FARMERS
BELONG TO AGRICULTURE CO-OPS

CO-OPS GENERATE
$75 BILLION
IN ANNUAL WAGES AND
$650 BILLION
IN REVENUE



42 MILLION AMERICANS
RELY ON ELECTRICITY FROM ELECTRIC CO-OPS

133+ MILLION AMERICANS
BELONG TO A CREDIT UNION

WORKER CO-OP TRANSITIONS COULD PRESERVE
2.9 MILLION
AT-RISK LOCAL BUSINESSES NATIONWIDE

THE ABCs OF COOPERATIVE IMPACT

Cooperatives have an impact on local economies:

A ccess: Increase access to affordable quality products, services, suppliers and markets, lowering costs and serving historically underserved markets and communities.

B usiness sustainability: Increase firm survival and profitability through higher and less volatile revenues, lower costs and a focus on long-term outcomes, including scaling the cooperative to compete with multinational corporations.

C ommunity commitment: Demonstrate commitment to being a good neighbor through education, financial support, facility use and business practices that reflect the values of the community.

D emocratic governance and empowerment: Provide a structure where member-owners can actively participate and shape the decisions of the organization.

E quity, diversity and inclusion: Membership reflects the community's demographics, and all individuals have a voice and leadership opportunities.

F inancial security and advancement for workers: Provide higher wages, better benefits and increased opportunity for wealth building, career advancement, training and leadership development with lower turnover and higher job satisfaction.

G rowth: Serve as local and regional anchors, promoting economic growth through stable jobs, high industry standards, consistent services and economic multiplier effects through increased community investment, local jobs and local procurement.

RECOMMENDATIONS AT A GLANCE

Supporting Small Businesses

MAIN STREET EMPLOYEE OWNERSHIP ACT

As a generation of baby boomer small business owners nears retirement, half of the nation's small businesses are at risk of buyout or closure. These businesses could convert to worker or consumer-owned cooperatives—a model that promotes local ownership and preserves the small businesses at the heart of local economies. The Small Business Administration should fully implement the spirit of the 2018 Main Street Employee Ownership Act by removing and proposing alternatives to its personal guarantee requirement to ensure co-ops can access this critical financing.

OUR ASK: Congress should conduct oversight on SBA's progress implementing the MSEOA and, if necessary, pass legislation with a specific alternative to its personal guarantee requirement.

Farm Bill

LEVERAGE THE 2023 FARM BILL TO SUPPORT RURAL CO-OPS

The only federal program dedicated to advancing domestic cooperative businesses, the Rural Cooperative Development Grant program helps create and sustain vibrant rural communities. With the 2018 Farm Bill set to expire on September 30, there is an opportunity to ensure RCDG continues to create jobs, preserve businesses and promote local economic growth.

OUR ASK: Fund RCDG at no less than $40 million, where no less than $15 million is available for grants to cooperative development centers. Include substantive changes to RCDG, as outlined in NCBA CLUSA's Farm Bill Priorities.

Fair Tax Treatment

HELP SMALL BUSINESSES AND FARMERS COMPETE

Current federal cooperative tax policy reflects the fact that co-ops are designed to capture value for their members—the people who use, own and control these businesses. This policy puts more dollars in the pockets of working families and helps small businesses and farmers compete.

OUR ASK: Ensure that cooperative businesses are treated fairly and not put at a disadvantage relative to other business forms in tax legislation.

Creating a Resilient Nation

IMPLEMENT LANDMARK LEGISLATION

Congress has recently passed historic legislation to support economic growth. The American Rescue Plan, Bipartisan Infrastructure Law, CHIPS and Science Act and Inflation Reduction Act bolster our public health system, address our nation's aging infrastructure and provide new opportunities to create more resilient communities and economies.

OUR ASK: As Congress reviews these programs, it should direct new resources toward co-ops, a time-tested approach that ensures ownership, control and benefits stay in local communities.

Building a Better World

INTERNATIONAL COOPERATIVE DEVELOPMENT

Cooperatives are key stakeholders of the Global Food Security Act. NCBA CLUSA works globally to build resilient communities, create economic opportunities and strengthen cooperatives. Through USAID-administered programs like Feed the Future, Farmer-to-Farmer and the Cooperative Development Program, along with USDA's Food for Peace and Food for Progress, co-ops are empowering people to build shared prosperity and well-being, while improving our national security.

OUR ASK: Reauthorize global food assistance programs in the Farm Bill and provide no less than $50 million for the Cooperative Development Program.

CO-OPS ACROSS AMERICA

Cooperatives should be an essential part of the solution to growing challenges in sectors such as:

CLEAN, MORE AFFORDABLE ENERGY
Consumer-owned cooperatives are a preferred strategy to provide clean energy and help mitigate vulnerabilities resulting from climate change.

RURAL BROADBAND AND CONNECTIVITY
Over 250 co-ops (and counting) are deploying reliable, high-speed internet to bridge the digital divide for rural consumers who investor-owned internet providers fail to serve.

FINANCIAL PRODUCTS
Credit unions serve consumers of all backgrounds and provide credit and banking services to traditionally under-banked communities. In 2022, credit unions provided over $13.5 billion in direct financial benefits to members across the nation.

STABLE AND AFFORDABLE HOUSING
Housing cooperatives present a lower-lending risk, reduce monthly costs for residents and raise housing satisfaction among owner-tenants.

FOOD SECURITY
Food cooperatives provide access to nutritious, affordable food options that address the needs of the more than 23 million Americans who currently reside in food deserts and provide producers with access to new markets. Farmer-owned cooperatives in the agricultural sector achieve economies of scale to preserve local, independent businesses.

GIG ECONOMY WORKERS
Platform cooperatives empower people who work in the gig economy to own, control and benefit from the businesses they help create.

HOMECARE FOR SENIORS
Nationally, home caregiver turnover rates are over 64%. Home care cooperatives average half the national turnover rate and provide an 84% greater wage increase, improving the quality of work for caregivers and quality of care for seniors.

CHILDCARE
A solution that has proven successful in the more than 560 existing childcare cooperatives.

To address these challenges, policy solutions should include cooperative businesses through:

- greater access to capital for cooperatives businesses to startup, expand or innovate
- technical assistance
- interagency coordination at the federal and state levels
- increased investment in research and development

NCBA CLUSA

1775 I Street, NW
8th Floor
Washington, DC 20006

advocacy@ncba.coop
202-638-6222
ncbaclusa.coop