W H I T E P A P E R

Selling and Transferring the Investment Tax Credit (ITC) from Commercial Solar Projects

A Comprehensive Guide to Section 6418 Tax Credit Transfers

Under the Inflation Reduction Act and the One Big Beautiful Bill Act

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Prepared for Commercial Solar Project Stakeholders

C O N F I D E N T I A L

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Executive Summary

The Inflation Reduction Act of 2022 (IRA) introduced one of the most significant changes to the clean energy tax landscape in decades: the ability for commercial solar project owners to directly sell their Investment Tax Credits (ITCs) to unrelated third parties for cash. Codified under Section 6418 of the Internal Revenue Code, this transferability mechanism has unlocked a multi-billion-dollar market that provides solar developers and project owners with a powerful new monetization pathway.

Prior to Section 6418, monetizing solar ITCs typically required complex tax equity partnerships with a limited pool of institutional investors. The new transferability framework democratizes access to tax credit monetization, enabling a broader universe of project owners to convert their ITCs into immediate cash proceeds, generally at 90 to 95 cents on the dollar.

This white paper provides a detailed examination of the ITC transfer process from the perspective of the commercial solar project owner (the seller/transferor). It covers the legal and regulatory framework, the step-by-step process for executing a transfer, seller obligations and ongoing responsibilities, current market dynamics and pricing, the buyer landscape, risk management through insurance and indemnification, and the legislative changes introduced by the One Big Beautiful Bill Act (OBBBA) enacted on July 4, 2025.

The transferable tax credit market reached approximately $30 billion in transaction volume in 2024, with forecasts of $55 to $60 billion in 2025. Solar photovoltaic projects accounted for the largest share of ITC transfers, generating more than $7 billion in tax credits in the first half of 2025 alone. As the market matures, pricing has tightened, buyer sophistication has increased, and standardized transaction structures have emerged, all of which benefit sellers seeking to maximize their proceeds.

1. Legislative and Regulatory Framework

1.1 Section 6418 of the Internal Revenue Code

Section 6418, enacted as part of the Inflation Reduction Act of 2022, permits eligible taxpayers to elect to transfer all or a specified portion of certain clean energy tax credits to unrelated taxpayers in exchange for cash consideration. The solar Investment Tax Credit under Section 48 (and the technology-neutral clean electricity ITC under Section 48E for projects placed in service after December 31, 2024) is among eleven eligible credits that qualify for transfer.

The fundamental premise is straightforward: a commercial solar project owner that generates an ITC but lacks sufficient federal tax liability to fully utilize it can sell the credit to a corporate buyer that has substantial tax obligations. The buyer pays cash at a negotiated discount to the credit's face value, then claims the credit on their own tax return. The seller receives immediate cash proceeds without incurring taxable income on the transfer.

1.2 IRS Final Regulations (TD 9993)

On April 25, 2024, the Treasury Department and IRS released final regulations under Section 6418, effective July 1, 2024. These regulations provide comprehensive guidance on the mechanics of transfer elections, including:

- Pre-filing registration requirements and the IRS registration portal
- Timing rules for cash payments and transfer elections
- Transfer election statement requirements and Form 3800 filing procedures
- Rules governing excessive credit transfers and associated penalties
- Recapture provisions and proportional liability allocation
- Application of passive activity limitations to transferred credits
- Treatment of partnerships and S corporations as transferors

The final regulations clarified several important points from the proposed regulations, including that a transfer only occurs when all requirements are met (preventing derivative-based trading), that cash payments cannot be made in advance of the credit being earned, and that transferees step into the shoes of the transferor for purposes of claiming the credit.

1.3 The One Big Beautiful Bill Act (OBBBA)

Enacted on July 4, 2025, the OBBBA introduced several modifications to the IRA's clean energy tax credit framework that directly impact ITC transferability:

Transferability preserved: The ability to transfer ITCs under Section 6418 remains intact. Solar project owners can continue to sell their credits to unrelated buyers.

Foreign Entity of Concern (FEOC) restrictions: Transfers to "specified foreign entities" with ties to China, Russia, North Korea, or Iran are prohibited for tax years beginning after July 4, 2025.

Solar ITC phaseout timeline: Projects that begin construction after July 4, 2026, will generally not qualify for the Section 48/48E ITC unless placed in service before January 1, 2028. Projects beginning construction before that date remain eligible under previously applicable rules.

Domestic content requirements: The required domestic-content percentage increases progressively: 40% for projects beginning construction before June 16, 2025; 45% from June 16, 2025 through December 31, 2025; 50% during 2026; and 55% after 2026.

Reduced corporate tax capacity: Provisions within the OBBBA are estimated to reduce corporate tax liabilities by 20 to 30% for many large corporations, which may affect buy-side demand and pricing dynamics.

2. Seller Requirements and Obligations

The transferor (seller) of a solar ITC bears significant responsibilities before, during, and after the transfer. This section details each requirement comprehensively.

2.1 Earning the Eligible Credit

Before any transfer can occur, the solar project must satisfy all requirements necessary to generate the ITC. For the Section 48 Investment Tax Credit, this means:

- The solar energy property must be placed in service during the applicable tax year
- The property must meet the definition of energy property under Section 48(a)(3)
- The taxpayer must be the owner of the energy property at the time it is placed in service
- The cost basis of the eligible property must be properly documented and substantiated
- Any bonus credit amounts (e.g., domestic content bonus, energy community bonus, low-income community bonus) must be separately substantiated with supporting documentation

For hybrid systems combining solar with energy storage, each component is treated as a separate eligible credit property requiring independent registration and substantiation.

2.2 Pre-Filing Registration with the IRS

The IRS launched an electronic pre-filing registration portal in December 2023. Sellers must complete this registration process to receive a registration number for each eligible credit property. The registration requires:

1. Information about the eligible taxpayer (name, EIN, entity type, contact information)
2. Details about the intended eligible credit (credit type, credit amount, applicable bonus adders)
3. Information about the eligible credit project (location, placed-in-service date, cost basis, technology type)
4. Attestation that the taxpayer intends to make a transfer election

Registration may be completed as soon as the seller has all required information, including the placed-in-service date. The IRS will issue a unique registration number for each eligible credit property, which must be included on all subsequent tax filings and transfer documentation.

2.3 Identifying a Buyer and Executing the Transfer Agreement

The seller must identify an unrelated transferee taxpayer (as defined under Sections 267(b) and 707(b)(1) of the IRC). The buyer and seller then negotiate and execute a transfer agreement that typically includes:

- The specified credit portion to be transferred and the per-dollar price
- Payment terms and timing (cash only, paid in U.S. dollars via wire transfer, ACH, check, or other immediately available funds)

- Representations and warranties regarding the credit's validity and the seller's compliance with all underlying requirements
- Indemnification provisions addressing recapture, disallowance, and excessive credit transfer scenarios
- Insurance requirements (if applicable)
- Covenants regarding the seller's ongoing obligations during the recapture period

The cash payment must occur within the window beginning on the first day of the seller's taxable year in which the credit is determined and ending on the due date for completing the transfer election statement. While advance payments are not permitted, third-party loans secured by the transfer agreement are permissible provided they meet arm's-length standards.

2.4 Filing Requirements

The seller must file a timely tax return (original or superseded, on or before the due date including extensions) that includes:

1. The relevant source credit form (Form 3468 for Section 48 ITC credits)
2. A properly completed Form 3800, General Business Credit, with columns (b), (c), (f), (h), (i), and (j) of Part III completed to reflect the transfer
3. A schedule attached to Form 3800 showing the amount of eligible credit transferred for each eligible credit property
4. A transfer election statement signed under penalties of perjury (Schedule A of Form 3800 may serve this purpose)
5. The registration number(s) obtained during pre-filing registration

The transfer election is irrevocable once made. The seller cannot subsequently reverse the transfer or redirect the credit to a different buyer.

2.5 The Five-Year Recapture Period

One of the seller's most significant ongoing obligations is compliance with the five-year ITC recapture provisions. Under Section 50(a), if the solar energy property ceases to be investment credit property within five years of being placed in service, a portion of the ITC must be recaptured. Recapture can be triggered by:

- Sale or disposition of the solar energy property to a non-qualifying party
- Cessation of use as energy property (e.g., the system is decommissioned or converted to non-qualifying use)
- Change in ownership structure that causes the property to fail qualification requirements
- Bankruptcy or abandonment of the project by the seller

Under the final regulations, recapture liability is allocated proportionately between the transferee (buyer) and the eligible taxpayer (seller) to the extent the seller retained any portion of the eligible credit. In practice, however, transfer agreements typically require the seller to indemnify the buyer against any recapture triggered by the seller's actions. This indemnification obligation persists for the full five-year recapture period and represents a material contingent liability on the seller's balance sheet.

2.6 Documentation and Recordkeeping

The seller must maintain comprehensive records substantiating:

- The cost basis of the solar energy property and all components included in the ITC calculation
- Compliance with any bonus credit requirements (domestic content certifications, energy community documentation, low-income community designations)
- The placed-in-service date and continuous qualifying use throughout the recapture period
- The cash consideration received and the transfer agreement terms
- Evidence of the arm's-length nature of the transaction

These records must be retained for as long as their contents may be material to the administration of any internal revenue law, which in practice means at least through the end of the five-year recapture period plus the applicable statute of limitations.

2.7 Excessive Credit Transfer Penalties

If the tax credit claimed by the buyer exceeds the amount that was actually allowable to the seller, the excess constitutes an "excessive credit transfer" under Section 6418(g)(2). The consequences include the excess amount being imposed as additional tax on the buyer plus a 20% penalty. Under the final regulations, any disallowed credit first reduces the portion retained by the seller before reducing the buyer's credit. This creates a strong incentive for sellers to accurately calculate and substantiate their credits, as any errors flow through to their transaction counterparty and may give rise to indemnification claims.

3. The ITC Transfer Market: Current Landscape and Pricing

3.1 Market Overview and Growth

The transferable tax credit market has grown rapidly since its inception. According to market data, approximately $30 billion in tax credit transfers occurred in 2024, comprising $24 billion in current-year transactions and $6 billion in forward commitments. The market was forecast to reach $55 to $60 billion in total clean energy tax credit monetization in 2025, with solar photovoltaic projects representing the largest share of ITC transfer volume.

Solar PV alone accounted for more than $7 billion in tax credits generated in the first half of 2025. The growth trajectory reflects both increasing solar deployment and broader market adoption of the transfer mechanism as an alternative or complement to traditional tax equity structures.

3.2 Pricing Dynamics

ITC transfer pricing is expressed in cents per dollar of credit face value. The market has shown consistent tightening as it matures:

Period	Average ITC Price	Small Deals (<$20M)	Large Deals (>$50M)
2023	$0.920	$0.86	$0.93-0.94
2024	$0.925	$0.90-0.91	$0.935-0.95
Q1 2025	$0.93	$0.91-0.92	$0.94-0.96

Several factors influence pricing for a given transaction:

- Deal size: Larger transactions command premium pricing due to lower per-unit transaction costs and greater buyer interest
- Seller credit quality: Investment-grade sellers receive an average premium of approximately $0.03 per dollar of credit due to stronger indemnification capability
- Timing within the tax year: Seasonal pricing variation of approximately 2.5 cents occurs, with prices typically lowest in Q1 and Q2 and rising through Q3 and Q4 as the tax filing deadline approaches
- Forward vs. spot: Forward commitments for future-year credits generally trade at a 1 to 3 cent discount to current-year spot transactions
- Insurance coverage: Deals backed by comprehensive tax credit insurance may achieve better pricing by reducing buyer risk

3.3 Transaction Costs and Net Proceeds

Sellers should account for several cost layers when projecting net proceeds from an ITC transfer:

Cost Component	Typical Range	Notes
Gross Sale Price	$0.90-0.95	Depends on deal size, credit quality, timing
Tax Credit Insurance	1.75%-3.50%	Higher for smaller deals, newer technologies
Broker/Intermediary Fees	0.5%-3.0%	Lower for repeat sellers, larger transactions
Legal and Advisory	$50K-$200K+	Due diligence, documentation, negotiation
Typical Net Proceeds	$0.85-0.91	After all costs deducted from gross price

As an illustrative example, a commercial solar project generating a $1,000,000 ITC that sells at $0.92 gross, with insurance at 2.0% and intermediary fees of 1.5%, would realize net proceeds of approximately $885,000.

3.4 ITC vs. PTC Pricing Differential

Production Tax Credits (PTCs) generally command higher prices than ITCs in the transfer market. PTC deals averaged $0.95 per dollar of credit in 2024 compared to $0.925 for ITCs. This differential exists because PTCs do not carry recapture risk. ITC buyers face the possibility that the seller's actions during the five-year recapture period could cause a clawback of the credit, which creates additional risk that is reflected in pricing. Solar projects eligible for PTCs (available since the IRA) may wish to evaluate both structures to determine which yields superior economics.

4. The Buyer Landscape

4.1 Who Buys Solar ITCs?

The buyer pool for transferable tax credits is broad and growing. Unlike the traditional tax equity market, which was dominated by a handful of large banks and insurance companies, the transferable credit market attracts a diverse range of corporate taxpayers seeking to reduce their federal tax obligations. Key buyer categories include:

- Fortune 500 corporations across industries including technology, healthcare, consumer goods, financial services, and manufacturing
- Large financial institutions that participate as both tax equity investors and credit purchasers
- Insurance companies with predictable and substantial tax liabilities
- Real estate investment trusts (REITs) and other entities with consistent taxable income
- Private equity and asset management firms acquiring credits on behalf of portfolio companies

The buyer base continues to expand as awareness of the transfer mechanism grows and transaction processes become more standardized. By the end of 2024, approximately 80% of bids on major marketplaces were for 2025 or 2026 credits, indicating strong buyer confidence in the market's durability.

4.2 Marketplace Platforms

Several intermediary platforms have emerged to facilitate ITC transfers, functioning as matchmakers between sellers and buyers. The largest and most established include:

Crux: The leading transferable tax credit marketplace, Crux connects clean energy developers, tax credit buyers, and financial institutions through an end-to-end software platform with market-validated standards and pricing intelligence built on the market's largest transaction dataset.

Reunion Infrastructure: Reunion publishes regular market digests and facilitates transactions, with particular strength in matching large-scale buyers with specific credit criteria to appropriate sellers.

Traditional advisory firms: Major accounting firms, investment banks, and tax advisory practices have built dedicated transferable tax credit practices to assist both sellers and buyers.

These platforms reduce friction, provide market pricing transparency, and help standardize documentation, all of which benefit sellers seeking efficient execution.

4.3 Buyer Due Diligence Expectations

Sellers should anticipate rigorous due diligence from prospective buyers, including review of:

- Project construction documentation, equipment specifications, and placed-in-service evidence
- Cost basis substantiation (invoices, contracts, appraisals)

- Bonus credit eligibility documentation (domestic content certifications, energy community qualifications)
- Entity structure and ownership chain to confirm the seller's qualification as the eligible taxpayer
- Interconnection agreements and utility contracts demonstrating ongoing energy generation
- Environmental and permitting compliance
- Financial statements and credit ratings of the seller (to assess indemnification strength)

Well-prepared sellers who maintain organized documentation packages can accelerate the diligence process and command better pricing.

5. Risk Management: Insurance and Indemnification

5.1 Tax Credit Insurance

Tax credit insurance has become a critical component of the ITC transfer market. Market data indicates that 60 to 70% of ITC deals included third-party insurance in the first half of 2025, with more than 75% of all ITC deals including either a full-wrap or partial insurance policy. Insurance serves several functions:

- Basis risk coverage: Protects against IRS challenges to the project's cost basis, which determines the ITC amount
- Adder risk coverage: Covers the risk that bonus credit amounts (domestic content, energy community, etc.) are disallowed
- Placed-in-service risk: Addresses potential disputes over when the project achieved placed-in-service status
- Recapture risk coverage: Indemnifies the buyer if a recapture event occurs during the five-year period
- Structural risk: Ensures that errors in entity setup, payment flows, or documentation do not jeopardize the transfer

Insurance costs have increased as the market has grown. Carrier-quoted premiums that ranged from $150,000 to $350,000 per policy in 2024 rose to $450,000 or more in the first half of 2025. As a percentage of credit face value, insurance typically costs between 1.75% and 3.50%.

For sellers, insurance serves a dual purpose: it reduces buyer risk (potentially improving pricing) and provides a backstop against indemnification claims. Non-investment-grade sellers, in particular, benefit significantly from insurance, as it substitutes for the balance-sheet strength that investment-grade sellers can offer through direct indemnification.

5.2 Indemnification Structures

Transfer agreements universally include indemnification provisions, though their scope and structure vary. Common indemnification categories include:

- Credit validity indemnification: The seller indemnifies the buyer against losses resulting from the credit being disallowed or reduced below the transferred amount
- Recapture indemnification: The seller indemnifies the buyer against recapture triggered by the seller's actions or inactions during the five-year period
- Representation and warranty breaches: Standard indemnification for inaccurate representations made in the transfer agreement
- Tax indemnification: Coverage for additional taxes, penalties, and interest incurred by the buyer due to credit disallowance

Investment-grade sellers can typically provide direct parent-company indemnification, which buyers strongly prefer. Data shows that investment-grade sellers achieve approximately a $0.03 per dollar premium in pricing. Non-investment-grade sellers generally supplement their indemnification with tax credit insurance to achieve comparable buyer comfort levels.

5.3 Risk Allocation Between Buyer and Seller

The allocation of risk in an ITC transfer is a central negotiation point. Unlike traditional tax equity structures where the investor has partial ownership of the project, a credit buyer has no equity interest or operational control over the solar asset. This means buyers rely entirely on contractual protections and insurance rather than structural protections. As a result, sellers should expect buyers to require:

- Comprehensive representations and warranties regarding the project and credit
- Ongoing covenants regarding maintenance and operation during the recapture period
- Financial reporting obligations throughout the recapture period
- Consent rights for material changes to the project or ownership structure
- Step-in rights or remediation provisions in the event of a potential recapture trigger

6. Step-by-Step Transfer Process for Sellers

The following outlines the end-to-end process for a commercial solar project owner to execute an ITC transfer:

Step 1: Project Completion and ITC Qualification

- Complete construction and achieve placed-in-service status for the solar energy property
- Document the full cost basis and ensure all qualifying expenditures are properly categorized
- Compile evidence supporting any bonus credit adders (domestic content, energy community, low-income community)
- For hybrid solar-plus-storage systems, document each component as a separate eligible credit property

Step 2: IRS Pre-Filing Registration

- Access the IRS electronic pre-filing registration portal at IRS.gov
- Submit required information including taxpayer details, credit type and amount, and project specifics
- Receive and securely store the unique registration number issued by the IRS for each eligible credit property

Step 3: Market Engagement and Buyer Selection

- Engage a marketplace platform, broker, or advisory firm to access the buyer market
- Prepare a comprehensive data room with all project documentation for buyer due diligence
- Evaluate bids based on price, buyer creditworthiness, indemnification requirements, and closing timeline
- Select a buyer and enter into preliminary negotiations

Step 4: Transaction Structuring and Documentation

- Negotiate and execute the tax credit purchase and sale agreement
- Determine insurance requirements and procure tax credit insurance if needed
- Establish the payment timeline (cash payment must occur during the applicable window)
- Ensure the buyer is not a "specified foreign entity" under FEOC restrictions

Step 5: Cash Payment and Settlement

- Receive cash payment from the buyer via approved payment method (wire transfer, ACH, etc.)
- Confirm that payment falls within the permissible window (first day of the seller's tax year through the return filing due date)

Step 6: Tax Return Filing

- File a timely federal tax return including Form 3468 (source credit form), Form 3800, and the transfer election statement
- Include the IRS registration number on all relevant forms
- Confirm that the transfer election statement is signed under penalties of perjury
- Note: The cash proceeds from the transfer are excluded from the seller's gross income

Step 7: Post-Transfer Ongoing Obligations

- Maintain the solar energy property as qualifying investment credit property for the full five-year recapture period
- Comply with all reporting and covenant obligations under the transfer agreement
- Maintain comprehensive records for the recapture period plus the applicable statute of limitations
- Promptly notify the buyer of any events that could trigger recapture or credit disallowance

7. Key Considerations and Strategic Recommendations

7.1 Timing the Market

Seasonal pricing patterns create opportunities for sellers to optimize proceeds. Prices tend to be lowest early in the calendar year (Q1) and rise through Q3 and Q4 as corporate buyers gain clarity on their annual tax liability. However, waiting too long risks a compressed closing timeline and potential premium erosion if market conditions shift. Forward commitments can lock in pricing certainty but typically trade at a 1 to 3 cent discount.

7.2 ITC vs. PTC Election

Since the IRA, solar projects larger than certain capacity thresholds may elect to claim either the ITC or the PTC. Because PTCs generally command higher transfer prices (due to the absence of recapture risk), sellers should model both options and consider total lifecycle economics. The PTC provides annual credits over ten years, which may yield higher aggregate proceeds but over a longer time horizon with annual transfer requirements.

7.3 Maximizing Credit Value Through Adders

The base ITC rate is 30% for projects meeting prevailing wage and apprenticeship requirements. Additional bonus credits can increase the total to 50% or more:

- Domestic content bonus: Up to 10% additional ITC for meeting applicable domestic content thresholds
- Energy community bonus: Up to 10% additional ITC for projects located in qualifying energy communities
- Low-income community bonus: Up to 10% to 20% additional ITC for qualifying low-income community solar projects

Each adder increases the transferable credit amount and directly increases cash proceeds. However, sellers must thoroughly substantiate each adder, as buyers and their advisors will scrutinize bonus credit claims during due diligence. Failure to properly document an adder can result in credit disallowance and trigger excessive credit transfer penalties.

7.4 Begin-Construction Deadlines

The OBBBA has imposed a critical deadline: solar projects must begin construction before July 4, 2026, to qualify for the ITC under current rules. Projects that miss this deadline will generally need to be placed in service before January 1, 2028, to claim the credit. Sellers planning new projects should ensure they can demonstrate that construction has begun (through either the Physical Work Test or the Five Percent Safe Harbor) before this date.

7.5 Complementary Use with Tax Equity

Transferable tax credits and traditional tax equity are not mutually exclusive. Sophisticated project sponsors increasingly use both tools in complementary fashion: tax equity partnerships provide structured financing with depreciation benefits, while transferable credits offer flexibility to monetize incremental or excess credits. This portfolio approach allows sellers to optimize their capital structure and respond to annual variations in project output and tax positions.

8. Conclusion

The Section 6418 transferability mechanism has transformed the commercial solar market by providing project owners with a streamlined, efficient pathway to monetize their Investment Tax Credits. The market has matured rapidly, with established pricing benchmarks, standardized documentation, robust insurance products, and a growing buyer base.

For commercial solar project owners, the opportunity to sell ITCs for 90 to 95 cents on the dollar represents a compelling alternative or complement to traditional tax equity, particularly for sponsors who lack the tax capacity to absorb the credits internally. Success in this market requires thorough preparation: proper project documentation, timely IRS registration, well-structured transfer agreements with appropriate indemnification, and disciplined compliance with ongoing recapture-period obligations.

As the OBBBA's phaseout timeline approaches, the urgency for project developers to begin construction before July 4, 2026, is intensifying. The transfer market is expected to remain active through this transition, with solar-plus-storage projects representing the fastest-growing segment. Sellers who position themselves with strong documentation packages, investment-grade credit quality (or comprehensive insurance coverage), and early engagement with the buyer market will be best positioned to maximize their proceeds.

The ITC transfer market represents a permanent structural shift in how clean energy tax incentives are monetized in the United States. Commercial solar project owners should integrate transferability planning into their project development strategy from the earliest stages to capture its full value.

Disclaimer

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