



TaxNewsFlash

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Final regulations: Guidance on advanced manufacturing production credit under section 45X

The U.S. Treasury Department and IRS today released [final regulations](#) (T.D. 10010) regarding the advanced manufacturing production credit under section 45X established by Pub. L. No. 117-169 (commonly called the “Inflation Reduction Act of 2022” (IRA)) to incentivize the production of eligible components within the United States.

As explained in the related IRS release—[IR-2024-281](#) (October 24, 2024)—section 45X provides a tax credit for the production and sale to unrelated persons after December 31, 2022, of “eligible components,” which include solar and wind energy components, inverters, qualifying battery components, and 50 applicable critical minerals. Only eligible components that are produced and sold in a trade or business of the taxpayer are taken into account for purposes of the section 45X credit.

The final regulations define qualifying production activities, provide rules for the sale of eligible components to unrelated persons as well as special rules that apply to sales between related persons, and provide rules to address contract manufacturing scenarios. The final regulations also provide definitions of eligible components, rules related to calculating the credit, including eligible production costs, and specific recordkeeping and reporting requirements.

The final regulations retain the same basic structure as proposed regulations issued in December 2023, with certain revisions.

The final regulations are effective on the date that is 60 days after the regulations are published in the Federal Register (which is scheduled to be October 28, 2024) and apply to eligible components for which production is completed and sales occur after December 31, 2022, and during tax years ending on or after the date the regulations are published in the Federal Register. Taxpayers may choose to apply the regulations to eligible components for which production is completed and sales occur after December 31, 2022, and during tax years ending before the date the regulations are published in the Federal Register, provided that taxpayers follow the regulations in their entirety and in a consistent manner.

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