



On May 12, 2023, the U.S. Department of the Treasury and Internal Revenue Service (IRS) [released guidance](#) that provides detailed information about the domestic content bonus under the Inflation Reduction Act for clean energy projects and facilities that meet American manufacturing and sourcing requirements.

Under the Production Tax Credit (PTC), facilities that meet domestic content requirements receive a 10 percent bonus. Under the Investment Tax Credit (ITC), projects that meet the domestic content requirement receive up to a 10-percentage point bonus.

The domestic content bonus applies to facilities built using the required amounts of domestically produced steel, iron, and manufactured products. To receive the bonus, all steel and iron manufacturing processes must take place in the United States. The Steel or Iron Requirement applies to components that are structural in function. A statutorily required minimum percentage of the costs of the manufactured products and components of manufactured products that comprise a facility must come from materials, products and components that were mined, produced, or manufactured in the United States.

The initial adjusted percentage is 40 percent, or 20 percent in the case of a qualified facility that is an offshore wind facility. For all non-offshore wind qualified facilities, the adjusted percentage increases to 55 percent for facilities that begin construction after 2026, where for offshore wind the date begins in 2027.

Summary of Key Points:

- The Steel or Iron Requirement is met if all manufacturing processes with respect to any steel or iron items take place in the United States.
- The Manufactured Products Requirement is met if all Manufactured Products are produced in the United States **or are deemed** to be produced in the United States. Manufactured Products **are deemed to be produced** in the United States if the Adjusted Percentage Rule is satisfied.
- A Manufactured Product is considered to be produced in the United States if: (1) all of the manufacturing processes take place in the United States; and (2) all of the components of the Manufactured Product are of U.S. origin.
 - A Manufactured Product Component is considered to be of U.S. origin if it is manufactured in the United States, regardless of the origin of its subcomponents.
- For purposes of the Adjusted Percentage Rule, the percentage is produced by dividing the cost of all domestic manufactured products and components by the total cost of all manufactured products. This is used to determine the “Domestic Cost Percentage.” If the Domestic Cost Percentage for a project equals or exceeds the adjusted percentage that applies to the Applicable Project, then the project satisfies the Adjusted Percentage Rule. You can find an example [here](#).
- Treasury offered the following classifications for certain project components, including utility-scale photovoltaic systems, land-based wind facilities, offshore wind facilities, and battery energy storage facilities. For example:
 - For Solar PV, racking is classified as steel/iron, while inverters, trackers and modules are manufactured products, with cells being classified as components. This suggests that wafers, ingots, and polysilicon are considered subcomponents.
 - Wind: towers are classified as steel/iron, while turbines are manufactured products, and nacelles and blades are components.
 - You can find a chart with further detail [here](#).