May 13, 2025

The Honorable Gavin Newsom
Governor, State of California
Capitol Office, 1021 O Street, Suite 9000
Sacramento, CA 95814

The Honorable Mike McGuire
Senate President Pro Tempore
Capitol Office, 1021 O Street, Suite 8518
Sacramento, CA 95814

The Honorable Robert Rivas
Speaker, California State Assembly
Capitol Office, 1021 O Street, Suite 8330
Sacramento, CA 95814

RE: Alignment of California Tax Code to Federal Treatment of Clean Energy Tax Credits

Dear Governor Newsom, Senate President Pro Tempore McGuire and Assembly Speaker Rivas:

On behalf of the undersigned organizations committed to California's clean energy future, we strongly urge you to align the California tax code to provisions of the Inflation Reduction Act (IRA) – included in SB 302 (Padilla) – to take full advantage of incentives for clean energy investment and the development of renewable energy in California. To reach our SB 100 goals, California will need to more than triple the zero-emission resources it brings online over the next two decades, which requires swift and efficient deployment of clean energy infrastructure. **Making this change to our tax law will help ensure that California maximizes every available tool to accelerate this transition and help make utility bills more affordable**.

The 2022 IRA introduced key incentives to spur clean energy investment, including the ability to sell clean energy tax credits directly for cash, expanding access to capital beyond a small universe of financial institutions (IRC §6418). In addition, the IRA included a provision allowing certain taxpayers to receive direct payments from the Treasury (IRC §6417). By enabling a broader range of investors to participate, these provisions reduce financing barriers and lower the overall cost of clean energy projects. However, California is one of only five states that has yet to align its tax code with federal law, putting the state at risk of higher project costs and slower clean energy deployment. Failure to act would result in these costs being passed through to ratepayers.

According to an independent analysis conducted by E3, conformity would decrease residential rates for the state's investor-owned utilities by up to 3% by 2040. For a typical household consuming 850 kWh/month, this reflects savings of ~$762 over the next 15 years (or ~$48/year). That represents measurable, ongoing savings that will have a meaningful impact on ratepayers at a time when every dollar counts.

The IRA was designed to advance the clean energy policies that California has long championed. This is not a new tax credit, but rather an opportunity to align our state tax code with the largest federal investment in climate and clean energy in U.S. history—an opportunity we are not currently maximizing. California has a strong track record of conforming its tax code to federal legislation, including the American Rescue Plan Act (2021), the CARES Act (2020), and the American Recovery and Reinvestment Act (2009). Given the looming federal uncertainty around clean energy investments, it is critical to make this change now. **As the Legislature and Administration work to develop a budget blueprint that addresses California's cost of living challenges, we urge swift action to leverage these federal incentives and improve energy affordability for all Californians.**

Should you have any questions, please contact Cara Martinson at cara@publichouseconsulting.net.

Sincerely,

Stephanie Doyle, State Affairs Director, California
Solar Energy Industries Association (SEIA)

Mark Toney, Executive Director
The Utility Reform Network (TURN)

Merrian Borgeson, Policy Director, California, Climate & Energy
Natural Resources Defense Council (NRDC)

Jon Kendrick, Policy Advocate
California Chamber of Commerce

Katelyn Roedner Sutter, California State Director
Environmental Defense Fund (EDF)

Jan Smutny-Jones, CEO & General Counsel
Independent Energy Producers Association (IEPA)

Alex Jackson, Executive Director
American Clean Power – California (ACP-CA)

Shannon Eddy, Executive Director
Large-scale Solar Association (LSA)

Nancy Rader, Executive Director
California Wind Energy Association (CalWEA)

V John White, Executive Director
Clean Power Campaign, Center for Energy Efficiency & Renewable Technologies (CEERT)

Scott Murtishaw, Executive Director
California Energy Storage Alliance (CESA)

Edson Perez, Senior Principal
Advanced Energy United (AEU)

Joe Desmond, Executive Director
California Efficiency + Demand Management Council (CEDMC)

Jeremy Horan, Vice President, Government Affairs
American Council on Renewable Energy (ACORE)

Stephanie Chen, Vice President of Legislative Affairs
Marin Clean Energy (MCE)

Cc: The Honorable Jesse Gabriel, Assembly Budget Committee Chair
The Honorable Steve Bennett, Assembly Budget Subcommittee Chair, Sub-4
The Honorable Sharon Quirk-Silva, Assembly Budget Subcommittee Chair, Sub-5
The Honorable Mike Gipson, Assembly Revenue and Taxation Committee Chair
The Honorable Cottie Petrie-Norris, Assembly Utilities and Energy Committee Chair
The Honorable Scott Weiner, Senate Budget Committee Chair
The Honorable Ben Allen, Senate Budget Subcommittee Chair, Sub-2
The Honorable Christopher Cabaldon, Senate Budget Subcommittee Chair, Sub-4
The Honorable Josh Becker, Senate Energy, Utilities and Communications Chair
The Honorable Jerry McNerney, Senate Revenue and Taxation Committee Chair
The Honorable Steve Padilla