

FAQ: Dynamic Glass and the Investment Tax Credit (ITC)

Below are brief answers to some common questions relating to the addition of Dynamic Glass to the ITC based on an [Informative Commentary Memo](#) prepared with the assistance of the outside law firm to SageGlass, which is Holland & Knight, LLP. Holland & Knight, LLP has reviewed this commentary and agrees with its content and conclusions. Each answer has important additional details contained in the memo section referenced. All of the information provided herein is subject to the disclaimer below.

“The cleanest and cheapest watt of energy is one that is never used, and the Dynamic Glass Act would help lower emissions and energy costs by making electrochromic windows more affordable.”

Senator Ed Markey, MA, when introducing the bipartisan Dynamic Glass Act which was incorporated into the Inflation Reduction Act.

Q. Is the SageGlass Dynamic Glass System included in the ITC?

- A.** Yes. The Inflation Reduction Act (IRA) amended the ITC to add dynamic glass, specifically electrochromic glass which includes SageGlass.
> *For more information, refer to [Section C](#).*

Q. Is just the SageGlass system eligible or an entire window system with dynamic glass, inclusive of controls, eligible?

- A.** The scope of coverage is the entire window system. Both the Congressional record relating to this bill, and previous IRS determinations in similar situations, support this interpretation.
> *For more information, refer to [Section C](#).*

Q. Would spandrel panels be included in the eligible basis for applying the credit with curtain or window wall systems?

- A.** The subject is addressed in IRS Private Letter Ruling 201043023.
> *For more information, refer to References [“IRS Private Letter Ruling 201043023”](#).*

Q. What is the value of the credit?

- A.** The base credit for a dynamic glass window system is 6%. However, this increases to 30% if the dynamic glass window system qualifies under the less than 1MW requirement, which dynamic glass does.
> *For more information, refer to [Section B](#).*

Q. Typically, SageGlass provides the dynamic glass, a glazier provides the framing and installs the window system and an electrician purchases and installs the dynamic glass controls. Does any of this impact credit eligibility?

- A.** No. Who is involved in selling or installing the complete system has no bearing on credit eligibility.
> *For more information, refer to [Section D](#).*

Q. Who is eligible to claim the credit?

- A.** The final owner of the dynamic glass window system is the eligible party.
> *For more information, refer to [Section D](#).*

Q. What are the Bonus Credit amounts?

- A.** There are two bonus credits of 10% each. The first is a bonus credit of 10% if the entire project in which the dynamic glass is installed meets certain domestic content requirements. This domestic content bonus credit applies at the project level, not the product level. There is an additional bonus credit of 10% for projects which are located in a "Designated Community".
> *For more information, refer to [Section E.2\(i\) and E.2\(ii\)](#).*

NEW: IRS and DOE have [released guidance](#) on which communities are considered Energy Communities potentially eligible for the bonus credit.

NEW: IRS has also [released guidance](#) on the domestic content requirements

Q. What if a potential customer has no tax appetite, does this still apply for them?

- A.** Yes, subject to the other applicable eligibility criteria. The IRA created new Direct Pay and Transferability mechanisms to address these exact situations. Direct pay means certain entities not subject to federal income tax can elect for direct pay equal to the ITC amount. Taxpayers may also elect to transfer all or a portion of the credit to another taxpayer.
> *For more information, refer to [Section G](#).*

NEW: IRS has [released guidance](#) on both Direct Pay and Transferability. This FAQ summarizes key elements of the guidance and lays out the filing requirements.

NEW: Instructions for IRS form 3468 are also available. Electrochromic glass is referenced on the [instructions for line 12b](#).

Q. What is the duration of the ITC for dynamic glass?

- A.** This credit applies for dynamic glass placed in service after January 1, 2023 and in projects the construction of which begins before January 1, 2025. Note that the "Beginning Construction" test can be met if 5% of the cost of a Dynamic Glass System is paid for by Dec. 31, 2024.
> *For more information, refer to [Section H](#).*

The purpose of this FAQ is to make you aware of some possibilities with respect to the investment tax credits so that you can work with your tax advisors to investigate your options. This informational commentary is not meant to be tax advice but merely as a tool to help our customer's to investigate options to receive ITC because they are using sage dynamic glass solutions. Please note that just the fact that you use Sage Dynamic Glass Solutions will not entitle you to receive ITC, you will have to demonstrate that your project satisfies all the required criteria. Please consult with your tax advisors if your project is entitled ITC based on your specific project.

References:

IRS Private Letter Ruling 20104302 - www.irs.gov/pub/irs-wd/1043023.pdf



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