

NY-GEO LUNCH & LEARN

Transferable geothermal tax credits

What buyers expect before they write the check



One credit transfer, three seats

A transferable credit is priced on two things: the amount and the confidence.

Sellers put nearly all of their preparation into the first. The second is where the discount comes from, and it usually arrives as a surprise during diligence.

Since Section 6418 opened the door to credit transfers, buyers and their advisors have built a diligence process that looks less like a tax review and more like an underwriting file: engineering substantiation, prevailing wage and apprenticeship records, domestic content documentation, tax opinions, and insurance.

This hour walks through one transfer from the three disciplines at the center of it, so a project owner can see what a prepared seller looks like.

1	Opening: the amount and the confidence David Diaz, Walker Blue (moderator)	5 min
2	The buyer's view Faith Larson, Mickelson & Company	10 min
3	The engineering and documentation file John Kapral, Walker Blue	10 min
4	Tax credit insurance Corey Lewis, Brown & Brown	10 min
5	Cross -panel discussion and Q&A All panelists	20 min
6	Close David Diaz	5 min

Who is on the panel

MODERATOR

David Diaz

Chief Strategy Officer

Oversees strategy across Walker Blue's Investment Tax Credit, prevailing wage and apprenticeship, domestic content, and Section 179D services.

Previously Managing Partner of Walker Reid Strategies for more than a decade.

Frequent speaker on energy tax incentives, including at AICPA conferences.



SPEAKER

Faith Larson

Vice President of Renewables and Legal Counsel

Leads the renewable energy tax credit program at Mickelson & Company.

Attorney licensed in South Dakota; previously VP of Corporate Development, Real Estate, and Procurement at C.H. Robinson and CFO of GrainBridge.



SPEAKER

John Kapral,
JD, CPA, LLM

Senior Director, Renewable Energy Tax Incentives & Credits

Supports clients on federal clean energy incentives: ITC eligibility, compliance, and credit monetization.

More than 20 years in specialty tax credits and incentives, with deep expertise in renewable energy.



SPEAKER

Corey Lewis

Global Head of Tax Insurance

Based in New York. Previously Co-Leader of the North American Tax Insurance Practice at a large global broker.

Recognized by Risk & Insurance magazine as a Power Broker and Rising Star (2026).



SEGMENT 1 OF 3

The buyer's view

What credit purchasers and their counsel need to see before they commit capital, and what moves the price.

SPEAKER

Faith Larson

Vice President of Renewables and Legal
Counsel

Mickelson & Company



Conditions precedent and diligence

What must be delivered before you receive cash?

✓ Tax Opinion & Eligibility

Third-party tax opinion, production verification report, or eligibility memorandum: confirm scope and comfort.

✓ PWA & Construction Analysis

Prevailing wage and apprenticeship (PWA) substantiation, or beginning of construction analysis.

✓ Tax Credit Adders

Documentation supporting any tax credit adders (domestic content, energy community, low-income community).

✓ IRS Registration

Official IRS registration numbers required for transfer eligibility.

✓ Financial Statements

Complete and audited financial statements of both the seller and/or guarantor entities.

✓ Lien Confirmation

Formal confirmation that all transferred tax credits are free and clear of liens or security interests.

✓ Organizational Documents

Up-to-date organizational and formation documents of the selling entity.



Funding Requirement

All conditions and diligence deliverables must be fully satisfied and approved prior to cash distribution.

Indemnity structure and limits



No-fault standard

Is the indemnity "no-fault"?

This means the seller indemnifies for disallowance, recapture, or reduction regardless of who is actually at fault.



Scope of coverage

What is included?

Determine if coverage extends to critical elements like interest, penalties, professional defense costs, and tax gross-ups.



Exclusions

What carve-outs apply?

Common exclusions typically address buyer conduct, buyer's own tax capacity limitations, and procedural failures by the buyer.



Indemnity cap

Where is the limit set?

Is it 100% of the purchase price, 110%, or another limit? Ensure it covers penalties and interest under adverse scenarios.

Credit support

Guaranty vs. tax credit insurance

How do the indemnity, guaranty, and insurance layers interact, and in what priority?

Indemnity

Guaranty

Insurance

Layers of credit support: in what priority do they respond?



Guaranty considerations

- Who is the guarantor, and what is their creditworthiness?



Insurance considerations

- What risks does the policy actually cover (e.g., eligibility, placed-in-service, wage/apprenticeship compliance)?
- What are the exclusions, deductibles, and claims triggers?

Factors that impact pricing (1 of 3)

Pricing in the Section 6418 transfer market is not uniform; it reflects a risk-adjusted discount to par. The following factors drive where a particular deal prices relative to the market.



Credit type and technical risk

- **Lower risk, higher price:** Utility-scale solar ITCs, credits backed by strong third-party documentation, and mature technologies with well-established IRS guidance command the highest pricing
- **Higher risk, lower price:** Novel technologies, multiple asset portfolios, unsettled or evolving guidance



Timing of payment

- Long delays between payment and the buyer's tax filing, and multi-year PTC strip sales all widen the discount
- The longer the buyer's capital is at risk, the higher the yield the buyer will require

Factors that impact pricing (2 of 3)



Credit certainty (final vs. estimated)

- Construction-complete ITCs already placed in service sell at higher prices than projects still under construction
- PTCs based on projected future production are discounted relative to known, historical output
- True-ups, delayed PIS timelines, and contingent credit amounts create pricing pressure
- **The principle:** more estimation should mean more discount



Sponsor creditworthiness

- Investment-grade sponsors and established developer platforms attract the strongest pricing
- A strong parent guaranty meaningfully improves pricing by giving the buyer recourse to a creditworthy entity
- Thinly capitalized, single-asset LLCs are discounted as the indemnity is only as valuable as the obligor's ability to pay

Factors that impact pricing (3 of 3)



Recapture exposure (ITC deals)

- Early-stage projects (during the construction stage) drive wider discounts
- Stable sponsors with strong forbearance agreements price tighter
- The five-year ITC recapture risk must be explicitly priced into every ITC transfer
- Unencumbered credits price higher



Change-in-law risk

- Pending IRS or Treasury guidance, technical corrections uncertainty, phaseout cliff risk, and political uncertainty all affect pricing
- If guidance is unsettled, the market prices that uncertainty into the spread

Process related terms

Negotiation and closing mechanics



Exclusivity period

How long do you have sole negotiating rights?



Legal fee caps

Legal fee caps by seller (and conditions for payment)



Closing deadlines

Target closing date and drop-dead date: what are the consequences if closing does not occur by the deadline?

Market summary

TRANSFERABLE TAX CREDIT MARKET

\$65B to \$70B

expected in 2026

~\$42B in 2025

\$30B in 2024

Source: Mickelson & Company

	2025	2026
Market size	Transferable tax credit market: ~\$42B (vs. \$30B in 2024)	Transferable tax credit market: expected \$65B-\$70B
	Tax equity market: \$32B-\$35B	Tax equity market: expected \$40B+
Pricing	ITC avg. \$0.921 (IG sellers: \$0.93 Non-IG sellers: \$0.91)	ITC avg. \$0.92 through Q2
	PTC avg. \$0.9415 (\$25M-\$100M)	PTC avg. \$0.935 through Q2 (\$25M-\$100M)

Recently placed renewable energy credits

RECENTLY PLACED

\$2.04B

in renewable energy credits placed or in negotiation across Section 48 ITC, Section 45 PTC, and Section 45Z transactions

Source: Mickelson & Company

Credit type	Tax credits	Pricing
48 ITC	\$251,959,400	\$0.87-\$0.93
45 PTC - Wind	\$15,523,386	\$0.88-\$0.94
45Z PTC	\$1,393,145,570	\$0.88-\$0.935
45Z/48 ITC - In negotiation	\$381,029,181	\$0.86-\$0.93
Total	\$2,041,657,537	

SEGMENT 2 OF 3

The engineering and documentation file

The file a buyer's counsel asks for, in the order they ask for it.
Why substantiation carries more weight with buyers than it used to.

Presenter

**John Kapral, JD, CPA,
LLM**

Senior Director
Renewable Energy Tax Incentives & Credits

Walker Blue



The file a buyer's counsel asks for, in the order they ask for it

Eligibility is determined during design and construction, not at filing.

A transferee prices what the file supports.

Why the file carries more weight than it used to

Under the Section 6418 regulations, recapture follows the credit to the buyer, and an excessive credit transfer adds a 20 percent penalty to the buyer's tax. The reasonable cause exception turns on the buyer's own diligence. That is why diligence now reads like an underwriting file.

1

Statute Which Code section the credit sits under, established at the top of the file rather than inferred from the underlying documents.

2

Timing Beginning of construction, dated and evidenced, with continuity from there through placed in service.

3

Rate support Prevailing wage and apprenticeship records across every contractor tier, or the capacity determination where an exception applies. Domestic content substantiation for the bonus.

4

Basis Eligible cost, tied line by line to the schedule of values and the pay applications.

5

Transfer mechanics Registration numbers, the transfer election statement, the required minimum documentation, and transferee eligibility.

Statute and timing: the two facts that set every other rule

1 Which statute the credit sits under

- **Geothermal heat pump property** (ground or ground water as a thermal source or sink) is Section 48 energy property for construction beginning before January 1, 2035.
- **Geothermal electricity**, including enhanced geothermal systems, is Section 48E: a different schedule, an emissions test, and the prohibited foreign entity rules.
- **The Section 48 schedule:** 6 percent base rate; 30 percent with prevailing wage and apprenticeship for construction beginning through 2032; 26 percent for 2033 starts; 22 percent for 2034 starts. Section 48 ITC is also considered a "specified credit" which can offset AMT.
- **Under current guidance**, the material assistance cost ratio in Notice 2026-15 applies to Section 48E facilities, not to Section 48 heat pump property. A file that mixes technologies states which rule applies to which asset.

2 Beginning of construction

- **The construction-start date** sets the rate tier and which requirements apply to the project. It is established by the Physical Work Test or the 5 Percent Safe Harbor, with continuous construction or continuous efforts from there.
- **What the file holds:** dated contracts and invoices for physical work of a significant nature, or the paid-or-incurred cost record under the safe harbor; the continuity record through placed in service; and the placed-in-service determination.
- **What buyers test:** whether the start date is evidenced rather than asserted, and whether the continuity record from that date has gaps.

Sources: 26 U.S.C. §48(a)(2), (a)(3)(A)(vii), (a)(9); Notice 2026-15. Figures reflect law and guidance as of September 2026 and are re-verified on each engagement. General educational information, not tax advice.

Rate support: prevailing wage, apprenticeship, and domestic content

3 Prevailing wage and apprenticeship

- **The multiplier:** the labor requirements turn a 6 percent credit into a 30 percent credit. Where they apply, the records behind them are examined line by line.
- **Prevailing wage records:** the applicable wage determinations by locality and classification; certified payroll for laborers and mechanics at every contractor and subcontractor tier; any correction payments with proof of cure.
- **Apprenticeship records:** the labor-hour percentage (15 percent for construction beginning after 2023), the apprentice-to-journeyworker ratio, the participation requirement, or the documented good faith effort.
- **After placed in service:** the prevailing wage obligation continues for five years on alteration and repair, which is the recapture period a buyer is underwriting.
- **Exceptions:** projects under one megawatt of electrical or thermal output, and construction beginning before January 29, 2023. The capacity determination goes in the file.

Domestic content and how it affects value

- **The bonus:** 10 percentage points where the labor requirements are met, 2 percentage points otherwise, under Section 48(a)(12).
- **The test:** structural steel and iron produced in the United States, and manufactured products meeting the applicable adjusted percentage of cost, with the elective safe harbor tables available under Notices 2023-38, 2024-41, and 2025-08.
- **What the file holds:** manufacturer and supplier certifications, component cost allocations, and the safe harbor election where used.
- **Effect on value:** the Section 6418 regulations require bonus amounts to be substantiated to the buyer separately. An adder without that support is generally excluded from the purchased amount or priced as a discount, before the base credit is examined.

Sources: 26 U.S.C. §48(a)(9), (a)(10), (a)(12); §45(b)(8); T.D. 9998; Notices 2022-61, 2023-38, 2024-41, 2025-08; Treas. Reg. §1.6418-2(b)(5)(iv). General educational information, not tax advice.

Basis and the transfer mechanics

4 Eligible basis

- **An engineering cost study** that identifies the eligible energy property, allocates shared costs, and ties each amount to the schedule of values and the pay applications.
- **The boundary questions:** heat pump equipment, ground loop, distribution, controls, and installation, and which portions qualify on the system as designed. On a campus-scale system this is often the largest single variable in the credit amount.
- **For retrofits**, the analysis that supports treating the property as newly placed in service, including the 80/20 test where it applies.
- **Why it matters to the buyer:** the Section 6418 regulations require the seller to hand the buyer evidence of the qualifying costs. The study is that evidence.

5 Transfer mechanics

- **Pre-filing registration** on IRS Energy Credits Online, one registration number per eligible credit property, before the return is filed.
- **The transfer election statement**, signed under penalties of perjury by both parties, attached to both returns, and irrevocable once made.
- **The required minimum documentation** to the buyer: evidence the property exists, substantiation of any bonus amounts, and the qualifying cost evidence.
- **Transferee eligibility:** an unrelated party, paid in cash; for Section 48E credits, not a specified foreign entity under the 2025 law.
- **After closing:** recapture follows the credit to the buyer for five years after placed in service, and the seller must notify the buyer of any recapture event.

Sources: Treas. Reg. §§1.6418-2, 1.6418-4, 1.6418-5 (T.D. 9993); 26 U.S.C. §6418(g); P.L. 119-21. General educational information, not tax advice.

Segment 3 of 3

Tax credit insurance

Where insurance fits in the transaction and in the broader risk management picture.

And what an underwriter asks for that a buyer does not.

Presenter

Corey Lewis

Global Head of Tax Insurance

Brown & Brown



Tax insurance: key applications



M&A transactions

- Bridges disagreements over identified tax risks and potential exposure
- Reduces or eliminates the need for large escrows and indemnities
- Facilitates faster deal execution and cleaner seller exits



Corporate balance sheet risk

- Transfers identified tax risks to the insurance market
- Protects against potential tax authority challenges
- Reduces earnings volatility and balance sheet uncertainty



Tax credits

- Protects the availability of valuable tax credits
- Commonly used for renewable energy credits (ITCs & PTCs), R&D, and historic rehabilitation credits
- Supports financing and transactions for geothermal, solar, wind, battery, and other qualifying projects

Bottom line: Tax insurance provides certainty around known tax risks, enabling transactions, protecting balance sheets, and supporting investment in tax credit projects.

Purpose of tax credit insurance



Protects transaction participants

- Covers identified risks related to tax credit eligibility and compliance
- Reduces reliance on large indemnities and guarantees
- Transfers risk from buyers and sellers to highly rated insurers



Supports developers

- Enables smaller developers to compete without large balance sheets
- Reduces contingent liabilities for larger developers
- Improves access to financing and transaction execution



Enhances buyer confidence

- Provides protection if credits are challenged or disallowed
- Increases confidence for buyers new to tax credit investments
- Facilitates internal approval and investment decisions



Drives market growth

- Improves the bankability of tax credit transfer transactions
- Expands participation beyond traditional tax equity investors
- Helps developers efficiently monetize transferable tax credits

Key takeaway: Tax credit insurance enhances credit quality, reduces transaction risk, and broadens participation in the tax credit transfer market.

Risks typically insured

Tax credit insurance can be tailored to cover a wide range of transaction-specific risks, including:



Investment structure risk

Partnership flip, inverted lease, and other transaction structures not being respected



Transfer risk

Ineffective or invalid tax credit transfers



Tax credit qualification risk

Failure to satisfy: Prevailing Wage & Apprenticeship (PWA) requirements; bonus credit (adder) eligibility; Foreign Entity of Concern (FEOC) requirements; qualified cost basis (ITC projects); 80/20 Rule, where applicable



Recapture risk

Loss or recapture of Investment Tax Credits (ITCs)

Key takeaway: Tax credit insurance protects against structural, qualification, transfer, and recapture risks that could reduce or eliminate expected tax benefits.

Drafting and negotiating checklist

When negotiating tax credit insurance and related transfer agreements, consider:

1 Policy timing

Condition to signing, closing, or funding?

2 Insured parties

Named insureds and additional insureds

3 Coverage scope

Covered risks, exclusions, limits, and retained risks

4 Due diligence

Has the seller provided complete project, cost, and supplier info?

5 Premium allocation

Who pays for the policy?

6 Claims process

Trigger requirements, claim procedures, and notice obligations

7 Coordination

Multiple policies, insurance towers, and lender rights

8 Post-closing

Indemnities and ongoing compliance requirements

Key takeaway: Clearly define coverage, responsibilities, claims procedures, and post-closing obligations to maximize the value of the insurance policy.

Three questions for all three seats

1

Where does a geothermal transfer differ from a solar transfer that the market has not adjusted to yet?

2

If a seller has ninety days before going to market, what should they do first?

3

What does a good file look like from each of your seats, and do those three answers agree?



Audience questions follow. Bring the deal you are working on; the panel will take questions on specific structures and files.



THANK YOU

What a prepared seller looks like

A transferable credit is priced on the amount and on the confidence. The file decides the second one.



Walker Blue

Credit file review, eligibility analysis, prevailing wage and apprenticeship compliance, domestic content certification, engineering cost studies

walker-blue.com



Mickelson & Company

Tax credit transaction advisory: buyer and seller representation

mickco.com



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Tax credit insurance and tax insurance brokerage

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