

# United States Senate

WASHINGTON, DC 20510

March 8, 2024

The Honorable Janet Yellen  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Ethan Zindler  
Climate Counselor  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Secretary Yellen and Counselor Zindler,

Tax incentives in the *Inflation Reduction Act* are critical to developing a domestic offshore wind industry and delivering on President Biden’s target of installing 30 gigawatts of offshore wind by 2030. We write to urge the Treasury Department (Treasury) and the Internal Revenue Service (IRS) to provide information on the expected timeline for the release of guidance on bonus tax credits for domestic content and energy communities. We also ask Treasury and the IRS to strengthen the energy communities guidance and swiftly finalize guidance for both tax credits, so that the offshore wind industry and workers can enjoy the full benefits of these incentives, as Congress intended.

The Domestic Content and Energy Community Bonus Credits to the Investment Tax Credit (ITC) and Production Tax Credit (PTC) under the *Inflation Reduction Act* play a key role in how offshore wind is deployed in New England. These credits can make offshore wind more economically competitive.<sup>1</sup> For example, in August 2023, Massachusetts issued its fourth and largest offshore wind solicitation, requesting proposal submissions that would represent up to a quarter of the state’s annual electricity demand.<sup>2</sup> The request for proposals “provides for the potential for savings resulting from federal tax credits, and requires details on how bids would use applicable tax credits.”<sup>3</sup> But the solicitation also noted the need for program guidance that

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<sup>1</sup> IRS Provides Initial Guidance for the Domestic Content Bonus Credit, Internal Revenue Service (May 12, 2023), <https://www.irs.gov/newsroom/irs-provides-initial-guidance-for-the-domestic-content-bonus-credit>; IRS Notice 2023-29, Energy Community Bonus Credit Amounts under the Inflation Reduction Act of 2022, Internal Revenue Service, <https://www.irs.gov/pub/irs-drop/n-23-29.pdf>.

<sup>2</sup> Press Release, Healey-Driscoll Administration Issues Region’s Largest Offshore Wind Solicitation, Massachusetts Department of Energy Resources, (Aug. 30, 2023), <https://www.mass.gov/news/healey-driscoll-administration-issues-regions-largest-offshore-wind-solicitation>.

<sup>3</sup> *Id.*

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bidders could incorporate it into their bids, “to capture as much savings for ratepayers as possible.”<sup>4</sup>

On October 20, 2023, we wrote to President Biden urging the issuance of domestic content and energy community bonus tax credit guidance that supports both offshore wind and union workers to the fullest extent possible—necessities for offshore wind deployment.<sup>5</sup> Without a clear understanding of whether—and to what extent—offshore wind projects would qualify for the domestic content and energy community bonus tax credits, developers may be forced to bid at unnecessarily high prices or may be unable to secure needed project financing due to an inflationary market and congested supply chain. Guidance will create much needed certainty for the offshore wind industry, especially when it comes to procurement.

We encourage Treasury and the IRS to issue stronger final guidance for the energy community bonus tax credit ahead of the joint Massachusetts, Connecticut, and Rhode Island bid submission deadline in March. Under the current proposed guidance for that tax credit, an offshore wind project developer can claim the energy community bonus tax credit for offshore projects only where the onshore substation is located in a designated energy community.<sup>6</sup> This limited definition of qualifying energy property for offshore wind projects should be expanded to include energy property at marshalling ports and operation and maintenance ports, infrastructure that is integral to offshore wind generation and would allow for significant investment in portside energy communities. Treasury and the IRS should issue final guidance clarifying that an offshore wind project qualifies for the energy community bonus tax credit if its onshore substation, marshalling port, or operations and maintenance port is located in an energy community.

Governors of Massachusetts, Connecticut, Maryland, New Jersey, New York, and Rhode Island have already written to you reiterating the importance of quickly finalizing the domestic content and energy community guidance and warning that inaction or delay could threaten offshore wind projects in their states.<sup>7</sup> We share their concerns and urge Treasury and the IRS to promptly provide information on the guidance release timeline and strengthen the final guidance for the energy community bonus tax credit.

Thank you for your attention to this important clean energy matter.

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<sup>4</sup> *Id.*

<sup>5</sup> Letter from Senators Edward J. Markey and Elizabeth Warren to the Honorable Joseph R. Biden, Jr., Oct. 20, 2023; Letter from Senator Whitehouse et al. to the Honorable Joseph R. Biden, Jr. Oct. 20, 2023.

<sup>6</sup> IRS Notice 2023-29, Energy Community Bonus Credit Amounts under the Inflation Reduction Act of 2022, Internal Revenue Service at 14-15, <https://www.irs.gov/pub/irs-drop/n-23-29.pdf>

<sup>7</sup> Letter from Governors Ned Lamont (CT), Wes Moore (MD), Maura Healy (MA), Phil Murphy (NJ), Kathy Hochul (NY), and Dan McKee (RI) to the Honorable Joseph R. Biden, Jr., Sept. 13, 2023, [https://cleanpower.org/wp-content/uploads/2023/09/Governors-Offshore-Wind-Letter\\_ACP.pdf](https://cleanpower.org/wp-content/uploads/2023/09/Governors-Offshore-Wind-Letter_ACP.pdf).

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Sincerely,



Edward J. Markey  
United States Senator



Elizabeth Warren  
United States Senator



Richard Blumenthal  
United States Senator



Chris Murphy  
United States Senator



Sheldon Whitehouse  
United States Senator



Jack Reed  
United States Senator