

Norquist and refuse to consider tax increases. Democrats will never agree to major spending cuts if they aren't accompanied by tax increases. Recognizing this reality, the Bowles-Simpson commission in 2010 and the Domenici-Rivlin commission in 2011 constructed major deficit reduction plans that included tax increases (euphemistically described as "tax reform").

***If deficit reduction were really the Republicans' top priority, they would be willing to compromise. Describing the Democrats' aspirations for deficit reduction is easy: missing in action.***

U.S. conservatives deplore more government debt, but what they hate more is higher taxes. If, unlike their U.K. conservative counterparts, Republicans keep their priorities in this order, no significant deficit reduction will happen this year or next — or after that — as long as Democrats can block any Republican trifecta. If deficit reduction were really the Republicans' top priority, they would be willing to compromise.

Perhaps you are getting the impression that this is a partisan critique of Republicans. Not so. Democrats are similarly afflicted with deficit attention disorder. It's just that the Republicans' somewhat convoluted position on deficit reduction requires a lot of explaining. Describing the Democrats' aspirations for deficit reduction is easy: missing in action.

#### Author's Note

For first-rate analysis of U.K. fiscal policy, readers can review the *Tax Notes International* archive for articles by Peter Mason. His most recent contributions are "The Denunciation of Depreciation," *Tax Notes Int'l*, Apr. 3, 2023, p. 67; and "Another Slice of Pie: Examining U.K. Fiscal Policy in 2022," *Tax Notes Int'l*, Dec. 19, 2022, p. 1575. ■

#### NEWS ANALYSIS

### A Surprise Change to Guidance on Energy Community Bonus Credits

by Marie Sapirie

The guidance on locating clean energy projects in energy communities (Notice 2023-29, 2023-20 IRB 1), initially released April 4, took an unexpected turn a few days later when the IRS added the words "on or after January 1, 2023," to the special rule for beginning of construction. It's a small change, but not a trivial one for taxpayers seeking production tax credits and the energy community bonus for their clean energy projects. The new limitation excludes projects for which construction started before January 1, 2023, from the special rule for beginning of construction, which means that some early movers miss out on the certainty provided by the special rule. Despite the change's effect on those taxpayers, the IRS did not announce it publicly.

The Inflation Reduction Act (IRA, P.L. 117-169) rewards the choice to locate a qualified facility in an energy community with an extra 10 percent credit. The incentive is intended to steer projects into areas more directly affected by the transition to clean energy sources, as well as brownfields, and taxpayers are responding as the law intended. They also asked for a safe harbor provision that would allow them to use the date that construction on a qualified facility began as the date that it would be deemed located in an energy community. The special rule in Notice 2023-29 originally granted that request and applied it broadly.

***To taxpayers developing clean energy projects, the change is the regulatory equivalent of Lucy pulling the football away from Charlie Brown.***

Before the change, the special rule allowed taxpayers who began a clean energy project in a location that was defined as an energy community as of the starting date of construction to consider the location an energy community for the duration of the credit period under sections 45 and 45Y. For the purposes of sections 48 and 48E, the beginning-of-construction date can be used to