TRI-MERIT
SPECIALTY TAX PROFESSIONALS

Tax Planning Strategies for Insurance Carriers

Presented at:

Larson Insurance Forum

Tax Credit Exchange | R&D Tax Credit | Cost Segregation

Michael Warady, CFP · Dave Shereda

PRESENTED WITH

Larson
CERTIFIED PUBLIC ACCOUNTANTS

847.637.5677

INFO@TRI-MERIT.COM

THREE WAYS TO LOWER YOUR TAX BILL

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

Today's roadmap

01 · BUY CREDITS

Tax Credit Exchange

Purchase federal energy credits at a discount and apply them to your own federal income tax.

Benefit: Permanent savings on every dollar of credit

Owner at a carrier: Tax & Treasury

02 · EARN CREDITS

R&D Tax Credit

Claim a dollar-for-dollar credit for qualified technology work — software, models and systems.

Benefit: Permanent credit, plus open prior years

Owner at a carrier: CIO, IT, Data & Actuarial

03 · ACCELERATE DEDUCTIONS

Cost Segregation

Reclassify building costs into shorter tax lives to pull depreciation forward.

Benefit: Timing benefit — cash now, with 100% bonus

Owner at a carrier: Real Estate & Facilities

WHAT'S THE DIFFERENCE?

Same goal, different mechanics

	Tax Credit Exchange	R&D Tax Credit	Cost Segregation
How it works	Buy another taxpayer's credit for cash	Earn a credit on your own qualified research	Move building costs into shorter lives
Type of benefit	Permanent — reduces tax owed	Permanent — reduces tax owed	Timing — accelerates deductions
Illustrative case	$3M of credits bought at $0.80	$3.0M of qualified research spend	$20M home office, 25% reclassified
Year-one result	~$600K net savings	~$188K net federal credit	~$1.0M of federal tax deferred
What it takes	Diligence and a purchase agreement	Project, people and cost study	Engineering-based study

Illustrative only; 21% federal rate. Examples are detailed on the slides that follow.

TRI·MERIT

01

TAX CREDIT EXCHANGE

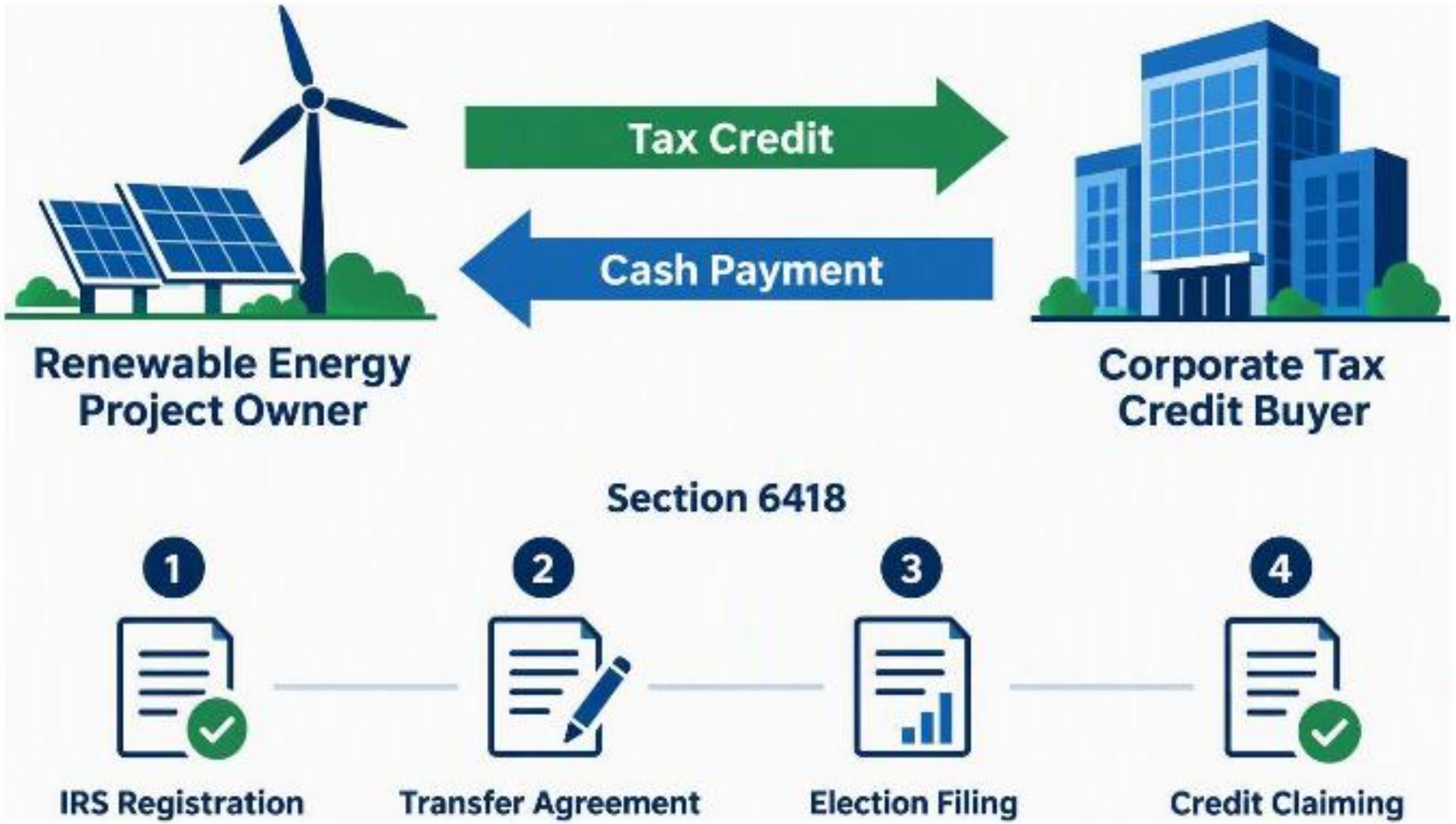
Buy federal energy credits at a discount and use them against your own tax bill

Dave Shereda · Managing Director – Energy Services



TRI·MERIT
SPECIALTY TAX PROFESSIONALS

HOW CREDIT TRANSFER WORKS



The economics:

The project owner receives cash, while the buyer acquires a dollar-for-dollar federal tax credit at a negotiated discount to face value.

ELIGIBLE BUYERS

Limited but not exclusive buyer types:

- C-Corporation
- Closely Held Corp (non-portfolio income)
- Flow Through and Individuals – Passive Only



Who is best suited for transferability:

- Businesses & Corporations (small to large even publicly traded)
- Banks & Insurance Companies (Regular liability + Cash)
- Investment firms (part of their financial strategies)
- High-Net-Worth Individuals
- Real Estate Investment Trusts (REITs) offset income from property holdings

WHY INSURERS BUY CREDITS

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

Carriers fit the ideal buyer profile

Predictable tax liability

Steady taxable income makes it easy to size a purchase with confidence.

C-corporation status

Passive activity limits that restrict individual buyers generally don't apply to C corps.

Investment discipline

Evaluate credits like any yield decision: price, risk, timing and return.

Lower estimated payments

Credits purchased — or intended to be purchased — can be factored into quarterly estimates.

No operating role

Pay cash for the credit. No project ownership, partnership or management.

Risk you can insure

Tax credit insurance and seller indemnities can shift recapture and disallowance risk.

ELIGIBLE CREDITS

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

Production-Based Credits

§45 – Renewable Electricity Production Tax Credit

§45Y – Clean Electricity Production Tax Credit

§45Q – Carbon Oxide Sequestration Credit

§45U – Zero-Emission Nuclear Power Production Credit

§45V – Clean Hydrogen Production Credit

§45X – Advanced Manufacturing Production Credit

§45Z – Clean Fuel Production Credit

Investment-Based Credits

§48 – Energy Investment Tax Credit (ITC)

§48E – Clean Electricity Investment Tax Credit

§48C – Qualifying Advanced Energy Project Credit

Infrastructure / Other Energy Credits

§30C – Alternative Fuel Vehicle Refueling Property Credit

THE TRANSFER PROCESS

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

Generate Credit - Seller develops and places an eligible project in service, generating a transferable tax credit

Seller Preparation - Complete pre-filing registration and assemble diligence materials to support the credit

Market the Credit - Seller engages advisors and buyers, receives indications of interest, negotiates pricing, finds a match

Buyer Diligence - Buyer, often with advisor, evaluates credit eligibility, amount, documentation, and risk profile

Execute Contract - Parties negotiate purchase agreement, indemnities, closing, fund xfer, and insurance solutions

Fund the Transaction - Buyer pays cash to Seller in exchange for the transferred credit

Claim Credit - Parties make the required transfer election and file tax returns

RISK REVIEW

Credit Qualification Risk

- The underlying project may fail to satisfy requirements necessary to qualify for the credit
- Compliance – Prohibited Foreign Entity restrictions, product/property eligibility, qualification requirements
- Credit Amount – Eligible basis, bonus credit amounts, production/volume, beginning of construction and placed-in-service requirements

Recapture Risk

- Certain investment credits may be subject to recapture following a recapture event – creating potential tax exposure for the buyer

Seller Credit / Indemnification Risk

- Transfer agreements typically allocate certain risks through representations, indemnities, and other remedies. The value of those protections depends on the seller's ability to satisfy obligations

Transfer & Filing Compliance Risk

- Failure to satisfy pre-filing registration, required transfer documentation, elections, timing, and tax return reporting can jeopardize the transfer or the buyers ability to claim the credit

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

MITIGATING TAX CREDIT TRANSFER RISK



Due Diligence
Identify & Quantify



Contractual Protection
Allocate Risk



Tax Credit Insurance
Transfer Specified Risk



Buyer Confidence

WATT TO REMEMBER

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

Top Issues for Conversations

- Credits must be sold to unrelated party
- Credit purchases must be made in 'CASH'
- Can only Transfer a credit on a timely filed return
- Credits can only be transferred once
- Credit are 3800 General Business Credits
- Back 3 years and Forward 22
- Buyers - C-Corps Income Tax, Passthroughs Passive income only
- Credits can divided for multiple buyers or multiple can be consolidated for a single buyer
- ITC's have a 5-year Recapture period, PTC's do not have recapture
- Credits can be Insured
- Pre-Filing Registration required for transfer
- All price$ are negotiable

WATT'S IT WORTH?

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

The math on a $5 million credit purchase

$5.0M

Credit applied against federal income tax

$0.85 purchase price

$0.85 Per $1 of credit

$750K

Net federal tax savings
Cash paid $4,250,000 an 17.65% return on cash

How pricing works

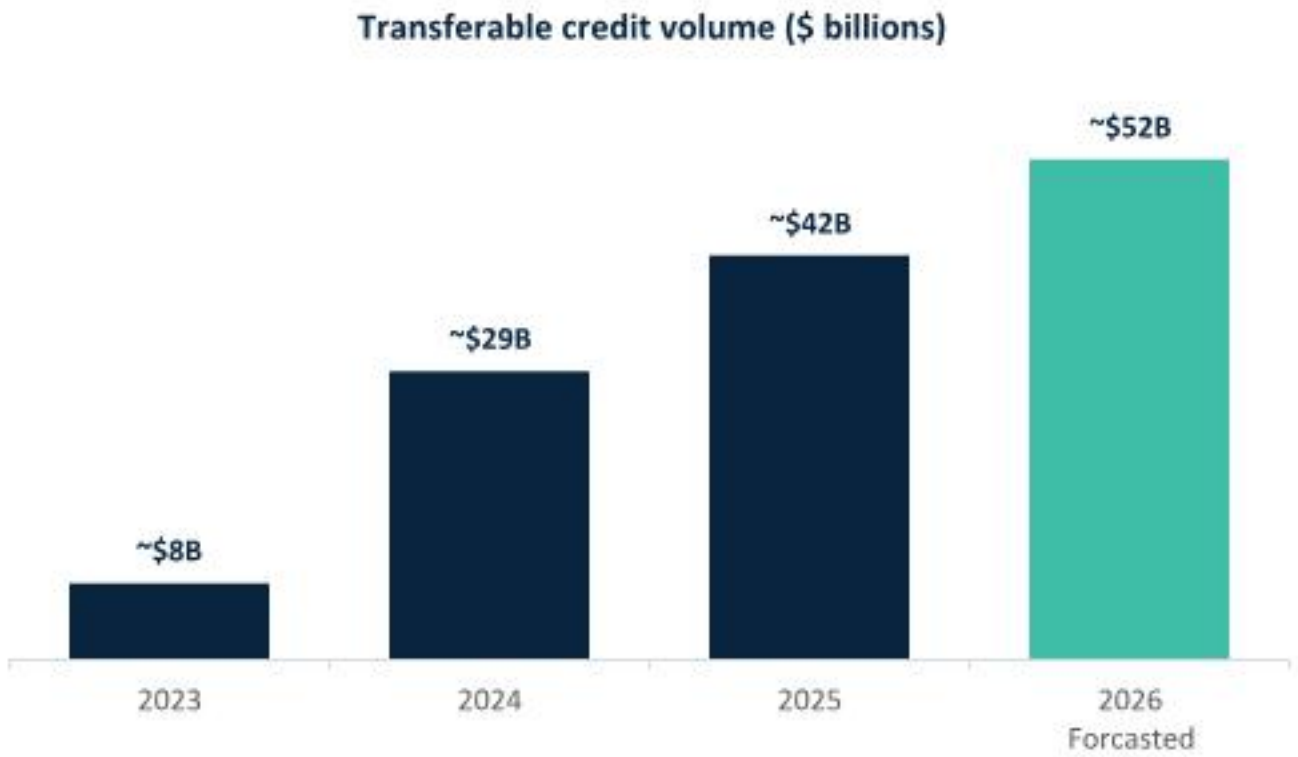
- Credits typically sell in the low $0.80s to low $0.90s per $1 of credit
- Price varies with credit type, deal size, timing and insurance

How much you can use

- Generally up to ~75% of federal income tax above $25K
- Unused credits: back 3 years, forward 22

MARKET SNAPSHOT

A deep, maturing market for transferable credits



Source: Crux market intelligence (2025–2026). 2023 shown at midpoint of $7–9B estimate

Record pace in 2026 (TY2025)

$21B transferred in the first half; Q2 was the largest quarter on record.

Mix is broadening

Manufacturing, storage, nuclear and carbon capture credits are growing as wind and solar shrink.

Policy clarity

OBBBA kept transferability; most non-wind/solar credits run into the 2030s.

MARKET PREVIEW

Sample of 2026 credits on the market

Credit Value	Type	Price	Savings	Description	Insurance
7,700,000	48 – Biochar	$0.91	$693,000	Single biochar facility in AK	Yes
3,500,000	48 – Solar portfolio	$0.85	$525,000	10 Solar assets	Indemnification
3,100,000	48E – Resi Solar	$0.85	$465,000	~200 Residential Solar	Indemnification
2,200,000	48E – Solar Portfolio	$0.85	$330,000	Seller is REIT strong balance sheet	Indemnification
2,000,000	48E – Solar Portfolio	$0.87	$260,000	4 Solar assets multifamily	Indemnification
1,800,000	48 – Solar	$0.85	$270,000	Single asset	Indemnification
1,500,000	48E / 30C	$0.85	$225,000	Solar w/ EV charger	Indemnification
1,150,000	45Z – Alt Fuel	$0.85	$172,500	Three pipelines	Indemnification
1,000,000	48E – Biogas	$0.85	$150,000	Repowered Wind system in MN	Indemnification
900,000	45Z – Alt Fuel	$0.85	$135,000	RNG single pipeline	Indemnification

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

INSURANCE-SPECIFIC CONSIDERATIONS

Questions for your tax and statutory accounting teams

Credit capacity

Size purchases to the §38(c) limit — generally ~75% of federal income tax above $25K.

Corporate AMT

Carriers subject to CAMT should model how purchased credits interact with that liability.

Statutory accounting

NAIC revised SSAP No. 94R (eff. 1/1/2025) for purchased federal credits — align with your auditor.

Estimated taxes

Factor credits you have bought or plan to buy into quarterly estimates to improve cash flow.

Tax-year matching

You claim the credit in your tax year ending with or after the seller's — timing matters for Q4 buys.

Foreign-entity rules

OBBBA bars transfers to PFEs "prohibited foreign entities" — confirm ownership before closing.

Credit Example – CHP in Massachusetts

ITC - Combined Heat and Power (CHP) property. Tax Year 2023

$3,400,000

Credit value, client elected to sell 100% of credit

$2,890,000

Purchase price $0.85 per $1 of credit paid to seller

$510,000

Net federal tax savings
17.65% return on cash

Project Specifics

- Stand alone 3.9MW power generation, waste heat recovery with carbon dioxide capture and DI water reclamation.
- PWA exempt based on beginning of construction
- 30% base credit not eligible for bonuses

Deal Details

- Seller indemnification needed support – Insurance added
- Seller added insurance without adjusting price
- Late filing season deal close led to lower price



Credit Example – 45X in Texas

PTC – Solar Module Manufacturer. Tax Year 2025

$40,000,000

Credit value, client elected to sell 100% of credit

$36,400,000

Proposed Purchase price $0.91 per $1 of credit

$3,600,000

Potential tax savings
9.9% return on cash

Project Specifics

- 45X solar module manufacturer
- No bonuses of PWA - PTC
- Insurance at 125% of credit value

Deal Details

- Insurance on PTC at 125% offered
- Asking price $0.94 per $1 of credit
- Multiple listing locations



TRANSFER SUMMARY

- Transferability Has Created a New Market
- The Opportunity Extends Beyond Traditional Tax Credit Investors
- Devil is in the Details
- Risk Can Be Managed, Not Eliminated



Opportunity
Understanding the Economics

Diligence
Validate the Credit

Risk Mitigation
Allocate and Insure Risk

Execution
Transact with Confidence

Tax credit transfer creates opportunity, but it isn't risk-free.
Strong diligence, contractual protections, and insurance can give buyers greater confidence in the credits they purchase.

TRI·MERIT

02

R&D TAX CREDIT

Your IT, data and actuarial teams may already be doing qualified research

Michael Warady, CFP · Chief Revenue Officer



DOES YOUR WORK QUALIFY?

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

The four-part test, in insurance terms

1

Permitted purpose

New or improved function, performance, reliability or quality of a product, process or software.

Rebuilding the rating engine to price new products in real time

2

Technological in nature

Relies on computer science, engineering, or mathematics and statistics.

Machine-learning models that triage claims by severity

3

Elimination of uncertainty

The capability, method or design was uncertain at the outset.

Can legacy policy data move to the cloud without loss or downtime?

4

Process of experimentation

Alternatives evaluated through modeling, prototyping, testing and iteration.

Testing competing fraud-detection algorithms on historical claims

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

WHERE WE FIND R&D AT CARRIERS

Common qualifying projects

Claims automation

FNOL intake, straight-through processing and claims triage models.

Underwriting & pricing

Predictive models, rating engines and third-party data integration.

Core system modernization

Policy admin, billing and claims platform migrations and integrations.

Digital experience

Policyholder, agent and broker portals; mobile apps; quoting tools.

AI & fraud analytics

Anomaly detection, NLP on claim notes and document intelligence.

Data & actuarial platforms

Cloud data pipelines plus reserving and experience-study tools.

THE INTERNAL-USE SOFTWARE RULE

Who uses the software determines the bar you must clear

Third-party-facing software

Standard four-part test

- Policyholder and claims portals
- Agent and broker quoting and submission tools
- Software that lets third parties initiate functions or review data on your systems

Back-office (internal-use) software

Four-part test + high threshold of innovation

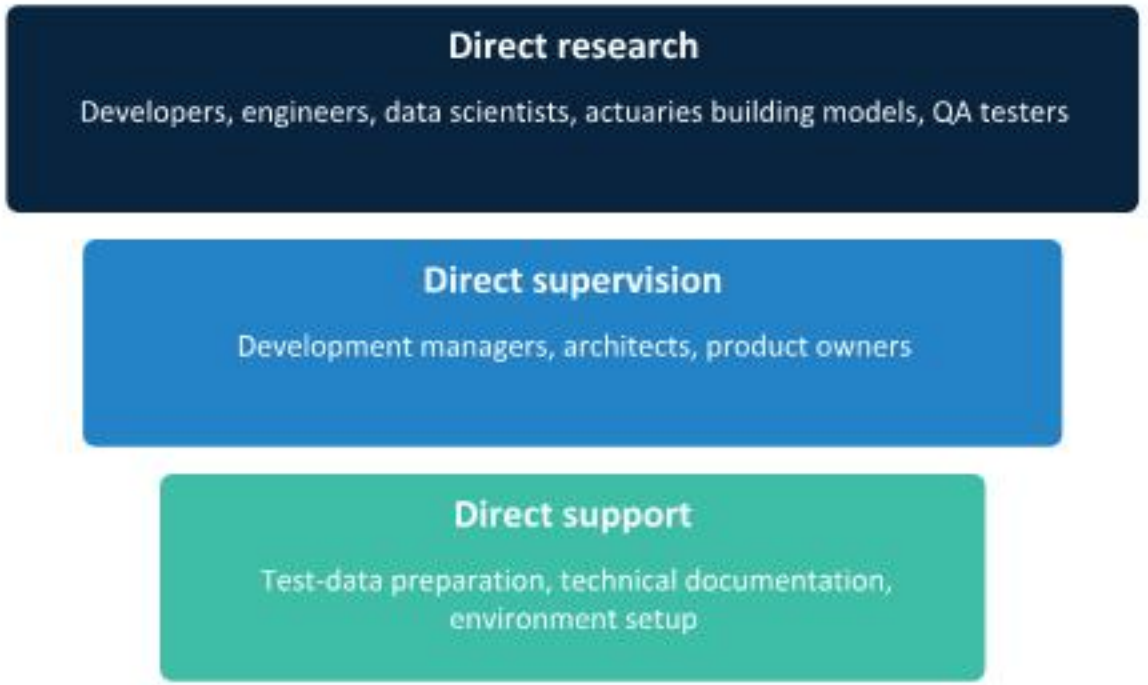
- **Innovative:** substantial, measurable improvement
- **Significant economic risk:** real resources at risk from technical uncertainty
- **Not commercially available:** can't buy it and use it as-is

Dual-function software (used internally and by third parties) may qualify in part under a safe harbor.

WHO AND WHAT COUNTS

Qualified research expenses (QREs)

W-2 wages	Usually the largest QRE — people doing, directly supervising or directly supporting the work
Contract research	65% of amounts paid to U.S. contractors and development firms
Cloud computing	Fees for hosting development and testing environments
Supplies	Consumables used in the research — rarely large for carriers



Research must be performed in the United States.

WHAT'S IT WORTH?

Illustrative: mid-size carrier with a 30-person IT and analytics team

Federal credit (ASC method)	Amount
Current-year QREs	$3,000,000
Prior 3-year average QREs	$2,600,000
Base (50% of average)	$1,300,000
Excess QREs	$1,700,000
Credit at 14%	$238,000
Net credit after §280C election	**$188,020**

~$188K

Net federal credit for the current year

~$750K

Current year plus three open prior years, at similar spend

State credits: many states tax insurers through premium taxes, so state R&D credits may not apply — we confirm state by state.

TRI·MERIT

03

COST SEGREGATION

Pull depreciation forward on the buildings you own and the space you build out

Michael Warady, CFP · Chief Revenue Officer



TRI·MERIT
SPECIALTY TAX PROFESSIONALS

WHERE COST SEGREGATION APPLIES

An engineering study that moves building costs into shorter tax lives

Most building cost is depreciated over 39 years by default. A cost segregation study identifies the components that qualify for 5-, 7- and 15-year lives — and for bonus depreciation.

15–30%

of an office building's cost is commonly reclassified to shorter lives

- **Home office & HQ campuses**
- **Regional claims, call & service centers**
- **Data centers & disaster-recovery sites**
- **Leasehold improvements in leased space**
- **Directly owned investment real estate**
- **Renovations & build-outs**

HOW IT WORKS

Where the dollars land on a $20M building after a study



5- and 7-year property

- Dedicated electrical and HVAC for IT rooms
- Carpet, millwork and cabinetry
- Decorative lighting and data cabling

15-year property

- Parking lots, sidewalks and landscaping
- Site lighting and signage
- Interior improvements (QIP) in leased or owned space

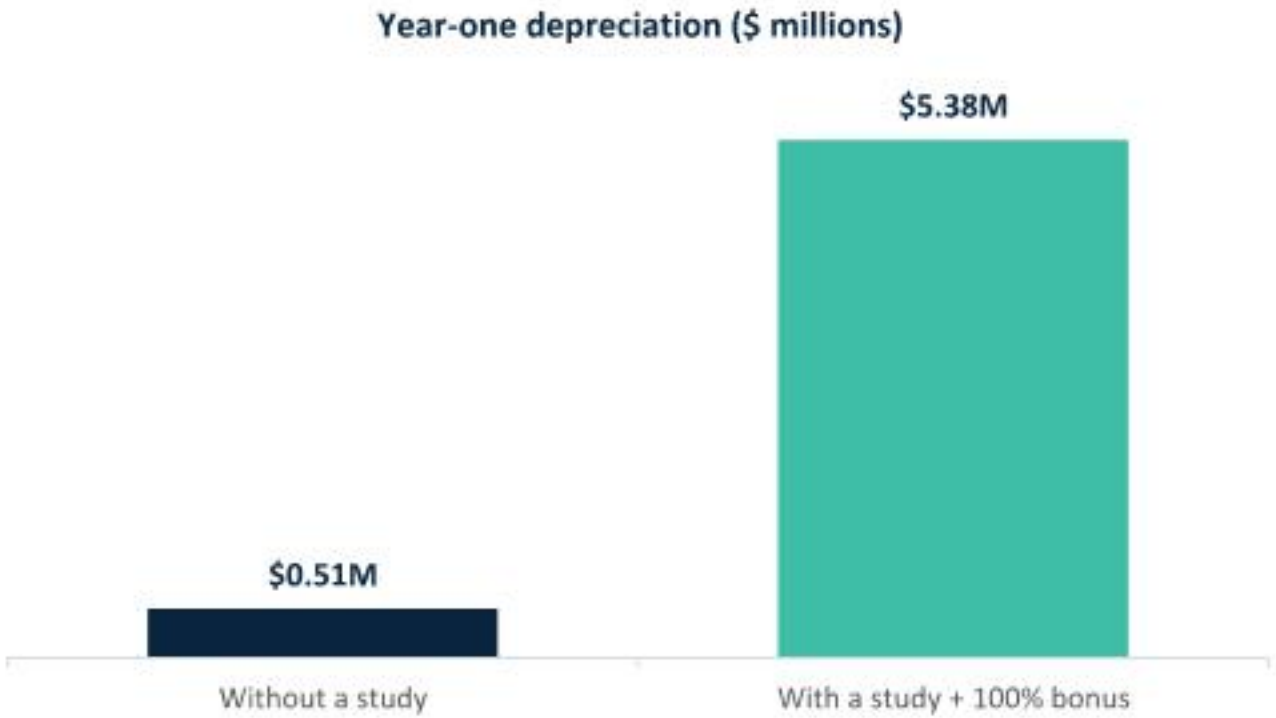
39-year property

- Structure, roof and foundation
- Core building systems
- Stays on the default schedule

Illustrative allocation of a $20M depreciable basis (land excluded).

WHAT'S IT WORTH?

Illustrative: $20M office buildng acquired in 2025



+$4.9M

Additional year-one deduction

~$1.0M

Federal tax deferred in year one at 21%

Simplified: assumes 25% reclassified; ignores land, mid-month convention and state tax.

WHAT'S NEW + LOOK-BACK OPPORTUNITIES

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

Timing matters

100% bonus is permanent

OBBBA restored 100% bonus depreciation for qualifying property acquired after January 19, 2025.

Look-back studies

Own a building placed in service in a prior year? Catch up missed depreciation this year with an automatic method change (Form 3115) — no amended returns.

179D window has closed

The energy-efficient commercial building deduction ends for property whose construction began after June 30, 2026. Earlier projects may still qualify.

WHAT TO TAKE BACK TO YOUR TEAM

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

A planning checklist for 2026 and beyond

Tax & Treasury

- ✓ What is our projected 2026 federal liability and remaining credit capacity?
- ✓ Could purchased credits lower our Q4 estimated payment?
- ✓ How would statutory accounting treat a purchase?

IT, Data & Actuarial

- ✓ What systems, models or portals did we build or rebuild in the last three years?
- ✓ What did we spend on people, contractors and cloud?
- ✓ Are we capturing Section G project detail?

Real Estate & Facilities

- ✓ Have we bought, built or renovated property in recent years?
- ✓ Do we own investment real estate directly?
- ✓ Any leasehold build-outs planned?

ABOUT TRI-MERIT

TRI·MERIT
SPECIALTY TAX PROFESSIONALS

Specialty tax, done the right way

Our mission: *to make the specialty tax world better by providing specialty tax services the right way.*

Engineers

CPAs

Attorneys

Since 2007 · Technical expertise, industry knowledge and the integrity to do the right thing. We see ourselves as an educator for the marketplace.

What we do

- R&D Tax Credits
- Cost Segregation
- Renewable Energy Tax Credits (§48E, §45X & more)
- Tax Credit Exchange (TCX)
- Audit Compliance Support

TRI-MERIT
SPECIALTY TAX PROFESSIONALS

THANK YOU

michael.warady@Tri-Merit.com

847.637.5677

www.Tri-Merit.com



Larson
CERTIFIED PUBLIC ACCOUNTANTS

Larson & Company, CPAs

Insurance Tax & Audit

www.larsco.com

801.313.1900

Michael Warady, CFP

Chief Revenue Officer · michael.warady@tri-merit.com

Dave Shereda

Managing Director – Energy Services · dave.shereda@tri-merit.com