AI Overview

**Yes**, municipalities can use IRS Direct Pay—though the term applies to two completely different IRS programs depending on whether you are **paying taxes** or **claiming clean energy tax credits.**

## 1. Making Tax Payments (IRS Direct Pay for Businesses)

Municipalities that owe federal taxes (such as payroll taxes) can use the standard IRS Direct Pay with bank account portal by selecting the **Pay business tax** option. IRS (.gov)

- **Accepted tax forms.** Municipalities commonly use this for employer federal tax deposits and balances due on **Form 941**, **Form 945**, **Form 943**, **Form 940**, **Form 720**, and civil penalty assessments. IRS (.gov)
- **Eligibility rules.** Your municipality must have previously filed a return with the IRS within the last 6 years to verify its identity. IRS (.gov)
- **Payment limits.** Direct Pay caps transactions at **$10 million per payment.** Payments above $10 million—or organizations that prefer recurring scheduled deposits—must use the Electronic Federal Tax Payment System (EFTPS) or a same-day wire. IRS (.gov)

## 2. Receiving Clean Energy Refunds (Elective Pay / Direct Pay)

If you are referring to the Inflation Reduction Act's clean energy incentives, "Direct Pay" (officially called **Elective Pay**) allows municipalities to receive tax-free cash refunds from the IRS for qualifying clean energy projects (such as solar, geothermal, EV charging, or clean commercial vehicles). Massachusetts Municip... +2

- **Eligibility.** Local governments, cities, towns, school districts, and public utilities are explicitly classified as eligible "applicable entities". Mass.gov +2
- **How it works.** Even though municipalities do not pay federal income taxes, they can claim the full value of eligible tax credits as a direct cash reimbursement after a project