



COST SEGREGATION • TAX CREDITS & INCENTIVES

Proposal to Provide Professional Services

Prepared by:

MS Consultants, LLC (MSC)
100 Corporate Parkway, Suite 200
Amherst, NY 14226



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About MSC.tax — Specialists in Credits, Incentives & Green Energy Tax Advisory

MSC.tax (MS Consultants, LLC) is a national specialty tax advisory firm focused on helping organizations maximize federal and state credits and incentives across a wide range of industries and technologies. Our practice encompasses the R&D credit, cost segregation, energy-efficiency incentives, and a broad array of tax benefits tied to manufacturing, software development, infrastructure, and clean-energy investment.

As part of our broader incentives practice, MSC has built a strong technical capability in green energy tax rules, including the Investment Tax Credit under IRC §48 and the §6417 direct-pay provisions now available to governmental entities and tax-exempt organizations. Our work frequently involves projects with complex construction profiles, mixed new/retrofitted components, multi-phase capital improvement programs, grant-funded initiatives, and assets that require careful analysis to determine ITC eligibility.

Our Expertise Includes

- Application of §48 rules to publicly owned energy and infrastructure assets
- Determining qualifying “energy property” and defining system boundaries
- Applying the 80/20 rule for retrofits and upgrades
- Evaluating beginning of construction under Notice 2018-59
- Performing ITC basis development for large capital projects
- Analyzing grant funding, ARPA funds, and tax-exempt financing for required basis reductions
- Navigating §6417 direct-pay compliance for municipalities

While green-energy credits represent only one segment of our broader practice, they have become an important focus area as public entities and utilities seek to modernize infrastructure under the Inflation Reduction Act.

As a wholly owned subsidiary of The Bonadio Group, MSC combines the technical depth of a major professional services firm with the agility and specialization of a boutique incentives consultancy. We frequently work with engineering teams, construction contractors, and government finance departments to translate complex technical projects into fully compliant, IRS-ready tax credit positions.

Our mission is to deliver clear, defensible, and practical tax advisory services that help clients capture valuable incentives while advancing their long-term infrastructure and sustainability goals.

We are pleased to support the Town of Webster as it advances its WRRF modernization and energy-recovery initiatives.





PROPOSAL FOR TAX CREDIT ADVISORY SERVICES

Town of Webster – WRRF Biogas & RNG Project

I. Introduction

The Town of Webster (“Webster”) is undertaking a comprehensive modernization of its Water Pollution Control Facility, transitioning it into a Water Resource Recovery Facility (WRRF). The project includes:

- Construction of a new primary anaerobic digester
- Retrofit of an existing digester for secondary use
- A High-Strength Organic Waste (HSOW) receiving facility
- Solids-handling and headworks improvements
- Heat exchanger and boiler systems
- Installation of renewable natural gas (RNG) upgrading and interconnection equipment

These assets are expected to qualify as energy property under Internal Revenue Code §48, enabling Webster to claim the Investment Tax Credit (ITC). As a governmental entity, Webster is eligible to receive the credit as a refundable federal payment under §6417 (“direct pay”).

This engagement will be led by MSC (MS Consultants, LLC), a specialty tax advisory firm wholly owned by The Bonadio Group, and dedicated exclusively to credits, incentives, and engineering-based tax analysis. MSC will deliver all phases of the project, with additional public-sector and tax compliance support provided by The Bonadio Group where needed.

II. Scope of Services and Phased Approach

PHASE 1 — ITC Eligibility, System Boundary Analysis & 80/20 Rule Validation

Objective: Confirm that Webster’s WRRF biogas and RNG improvements qualify as §48 energy property and determine the components that may be included in ITC basis.

Scope

- Define the energy property system boundary across digester systems, HSOW building, gas cleanup equipment, structural/mechanical components, and interconnection assets.
- Apply the 80/20 Rule to retrofitted digesters to determine “original use” qualification.
- Review construction timing to confirm the beginning-of-construction requirement under §48(c)(7).
- Evaluate whether the project qualifies as a single project under Notice 2018-59.
- Analyze ARPA funds, WEDA grants, and tax-exempt financing for required basis reductions.
- Deliver a written Phase 1 findings memorandum.

Estimated Hours / Fee

- Estimated hours: 60–75 hours
- Fee Estimate: \$18,000 – \$22,500

Billing

- Billed monthly as hours are incurred; no retainer.



PHASE 2 — ITC Cost Basis Development & Credit Computation Package

Objective: Build a defensible ITC basis schedule using Webster's actual capital project cost detail, and compute the §48 credit.

Scope

- Compile all project costs from Navitas, engineering teams, equipment vendors, and subcontractors.
- Identify all integral energy-property components versus non-qualifying WRRF infrastructure.
- Apply required basis reductions associated with grants or tax-exempt funding.
- Prepare MSC's detailed ITC basis schedules and credit computation workbook.
- Conduct internal technical reviews and cross-validation with engineering documents.

Note for Municipal Entities

- Webster is not subject to §263A; basis is determined solely from capital project costs actually incurred for qualifying energy property.

Estimated Hours / Fee

- Estimated hours: 100–130 hours
- Fee Estimate: \$30,000 – \$39,000

Billing

- Billed monthly as incurred.

PHASE 3 — IRS Pre-Filing Registration & §6417 Direct-Pay Election Preparation

Objective: Support all procedural steps for §48 ITC monetization through §6417 direct pay.

Scope

- Complete IRS Pre-Filing Registration for each energy property.
- Draft project descriptions and supporting documentation for registration uploads.
- Prepare workpapers for Form 3468 (Investment Credit) and Form 3800 (General Business Credit).
- Advise on timing and preparation of the Form 990-T filing for the credit year.
- Draft and validate §6417 election language.
- Provide a placed-in-service year compliance checklist.

Estimated Hours / Fee

- Estimated hours: 70–90 hours
- Fee Estimate: \$21,000 – \$27,000

Billing

- Billed monthly as incurred.



PHASE 4 — Final Filing, Commissioning Review & IRS Defense File

Objective: Finalize all ITC documentation and prepare a complete audit-ready file for IRS review.

Scope

- Review commissioning documents, methane concentration testing, and operational readiness.
- Validate placed-in-service dates for all energy-property components.
- Prepare and finalize Forms 3468, 3800, and 990-T for the credit year.
- Assemble the full IRS Defense File, including:
 - 80/20 analysis
 - Construction-begun documentation
 - Basis schedules
 - Funding/basis-reduction analysis
 - System engineering diagrams
 - RNG productive-use and methane qualification support
- Provide a final findings and conclusions report.

Estimated Hours / Fee

- Estimated hours: 90–110 hours
- Fee Estimate: \$27,000 – \$33,000

Billing

- Billed monthly as incurred.

III. Total Estimated Fees

Phase 1 – Eligibility & 80/20 - 60–75 hours - \$18,000 – \$22,500

Phase 2 – Basis & ITC Model - 100–130 hours - \$30,000 – \$39,000

Phase 3 – IRS Registration & Direct Pay - 70–90 hours - \$21,000 – \$27,000

Phase 4 – Final Filing & Defense File - 90–110 hours - \$27,000 – \$33,000

TOTAL ~320–405 hours - \$96,000 – \$121,500

Fees are billed monthly as hours are incurred. No retainer is required.

IV. Project Timeline

- Phase 1: 60–90 days from engagement
- Phase 2: Ongoing throughout construction
- Phase 3: After the credit year closes; before Form 990-T filing
- Phase 4: Prior to the original or extended due date of Form 990-T

MSC will coordinate milestones with Webster's construction and commissioning schedule.



V. Engagement Team

Jason Mollner, J.D.

Partner, MSC (MS Consultants, LLC)

Jason specializes in federal and state tax credits and incentives, including §48 energy credits, renewable energy incentives, cost segregation, and R&D credits. He advises municipalities, utilities, engineering firms, manufacturers, and infrastructure developers on complex credit monetization strategies. Jason's background includes prior national-firm experience and more than 15 years of technical advisory work.

Mona Adam, CPA

Senior Manager, The Bonadio Group

Mona focuses on federal energy credits, ITC basis development, public-sector capital projects, and §6417 direct-pay compliance. She has extensive experience analyzing construction-related costs, evaluating grant and financing interactions, and preparing audit-ready compliance documentation for renewable-energy and infrastructure projects.

VI. About MSC and The Bonadio Group

MSC (MS Consultants, LLC) is a specialty tax advisory firm wholly owned by The Bonadio Group, dedicated exclusively to tax credits, incentives, cost segregation, energy advisory, and engineering-based analyses.

The Bonadio Group is one of the largest independent professional services firms in the Northeast, with deep experience serving state and local governments, public utilities, and large-scale infrastructure projects.

Together, MSC and Bonadio provide Webster with a comprehensive solution for navigating every phase of §48 ITC qualification, basis determination, IRS registration, and §6417 direct-pay monetization.

VII. Acceptance

We are prepared to begin Phase 1 immediately upon approval and look forward to supporting the Town of Webster throughout this important renewable



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