Investor FAQ: Change in Tax Election

Q: What is the new corporate structure?
A: The publicly traded parent company (Hannon Armstrong Sustainable Infrastructure Capital, Inc) has obtained Board approval and other consents to operate as a taxable C-Corp, beginning with the 2024 tax year.

Q: Why has the company made this change?
A: We elected to discontinue our REIT election for several reasons, including: (a) most of our recent investments and pipeline are non-REIT qualifying; (b) we expect the C-Corp structure will be tax efficient due to our NOLs and opportunities to utilize other tax attributes (as more fully described below); and (c) remaining a REIT may create misperceptions regarding the company and its exposure to real estate risk.

Q: Does this change result in a change in strategy?
A: No.

Q: Are there any adjustments to earnings guidance as a result of this change?
A: No.

Q: Will dividend guidance change because of revoking the REIT status?
A: No, our guidance of 5-8% growth in the dividend per year through 2024 (using a 2020 base year) has been affirmed in the most recent quarterly earnings call for the third quarter of 2023.

Q: How will HASI achieve tax efficiency as a C-Corp?
A: The company has a substantial amount of Net Operating Losses (> $550 million as of September 30, 2023). These Net Operating Losses are available to offset a large portion of U.S. federal income tax related to future earnings. We expect to generate additional NOLs from new tax-efficient investments in the future. We also expect to utilize tax attributes from various project investments and will consider investing in the tax equity tranche in certain projects.

Q: Would there be any accounting impacts of the tax election?
A: Yes, there will be a non-cash Deferred Tax Liability recorded, which would have a corresponding GAAP expense entry. We do not expect the discontinuation of our REIT election to have a material impact to our Non-GAAP earnings metric.

Q: How would the taxation of dividends be impacted?
A: Currently, the portion of the dividend that is taxable is taxed at an ordinary income tax rate. A transition in our tax status to a C-Corp would have a similar profile in that a portion of the dividend may be a return of capital for tax purposes; however, the portion that is taxable may be taxed at a lower capital gains rate. There would be no tax consequence to dividends paid historically.