



IRA Tax Credits for Electric Vehicles

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Disclaimer

- This presentation provides an overview of Treasury/IRS guidance and Inflation Reduction Act tax credits and is intended for general informational purposes only and does not constitute legal or tax advice.
- Please refer to Treasury/IRS guidance for more detailed information.



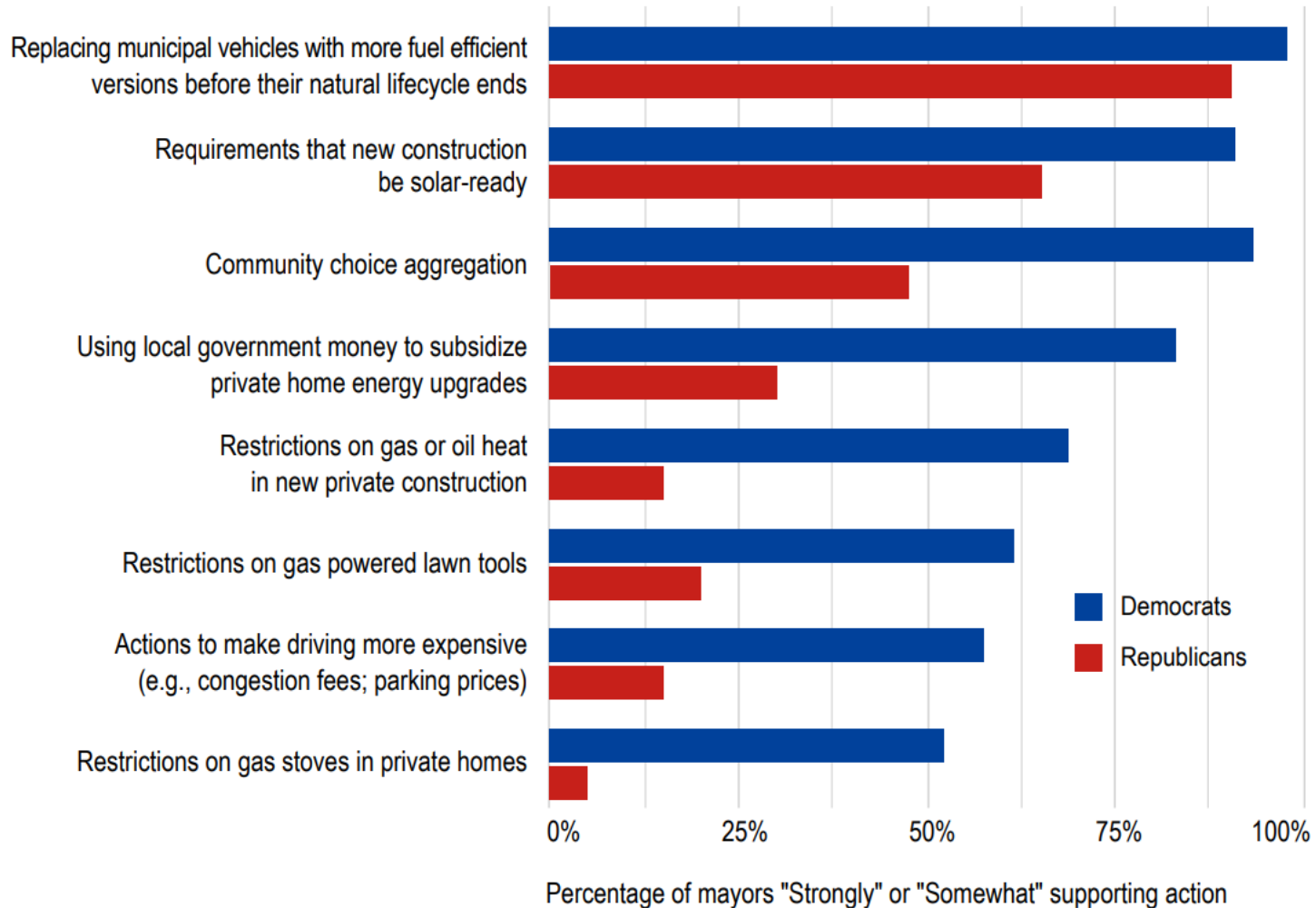
Overview

1. Background on IRA tax credits for electric vehicles and charging infrastructure, importance for local governments
2. Overview of Treasury's proposed regulations on direct pay
 - Eligibility and other issues
 - Process for claiming direct pay credits



Importance of IRA Credits to Local Governments

Figure 16. Support for Local Actions to Reduce Emissions, by Party



Source: Menino Survey of Mayors, 2022



Tax Credit for Qualified Commercial Clean Vehicles

- Credit equals 30 percent of the value of a fully electric or fuel cell-powered vehicle
- Capped at \$7,500 for small vehicles (<14,000 pounds) and \$40,000 for large vehicles (>14,000 pounds)



Tax Credit for Alternative Fuel Vehicle Refueling Property

- Credit equals 30% of the cost of charging infrastructure for electric vehicles, up to \$100,000 for each item of property
- Property must be located in a nonurban area or a qualifying low-income census tract
- Full 30% credit available only if prevailing wage and apprenticeship requirements are met (if not, the credit is worth 6 percent of equipment costs)



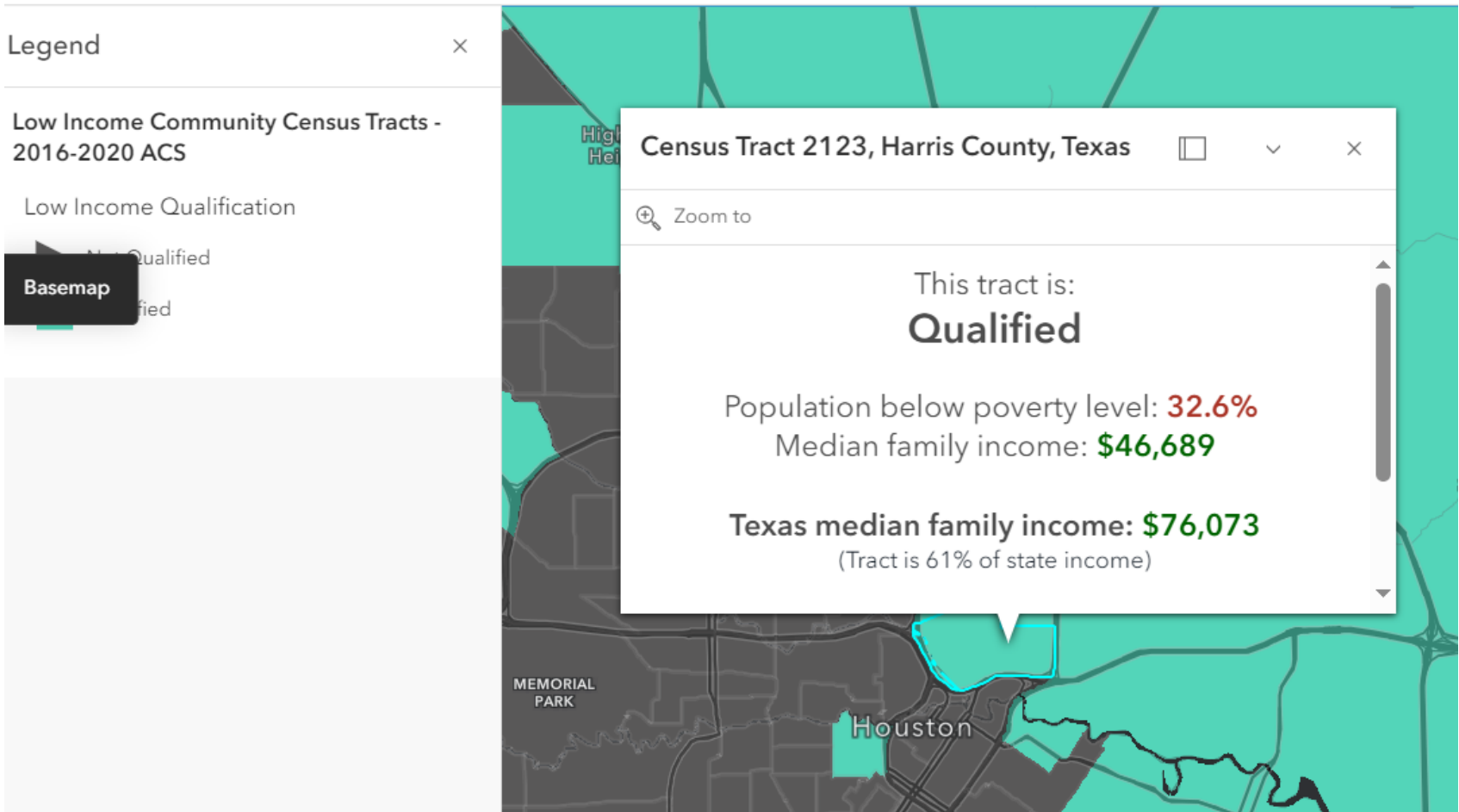
Tax Credit for Alternative Fuel Vehicle Refueling Property

- Non-urban area: based on Census designations
- Qualifying low-income census tract:
 - poverty rate is at least 20%, OR
 - the median family income does not exceed 80% of statewide median family income, or if in a metropolitan area, the greater of 80% statewide median family income or 80% of metro area median family income



Finding Qualifying Low-Income Census Tracts

Low Income Communities (2016-2020 ACS)





EV Example

- Plan: A city had a fleet of 20 ICE passenger vehicles. In April 2023, the city spent \$800K to replace this fleet with electric vehicles and installed charging infrastructure at a cost of \$100K.
- **Pre-Credit Cost: \$900K**
- Vehicle Credit: \$150,000 ($\$7,500 \times 20$)
- Charging Infrastructure Credit: \$30,000 ($\$100K \times 30\%$)
 - Low-Income Community Charging Infrastructure? Yes
 - Labor Requirements for Charging Infrastructure? Yes
- Total Credit: \$180,000
- **Post-Credit Cost: \$720,000**
- **Direct Pay? Yes**



Eligibility for Direct Pay

- Exempt orgs (I.R.C. sections 501(a), 115)
- State or political subdivision
 - Includes territories, agencies, and instrumentalities
 - Public power
- Indian tribal governments and subdivisions
- Alaska Native Corporations
- Tennessee Valley Authority
- Rural electric coops



Other Issues

- **How payments are made:** lump sum, made after tax return is filed in the year after the property is placed in service
- **Stacking:** credits can stack with other grants up to 100% of property basis
- **Partnerships:** generally not eligible, even if all partners would be eligible
- Elections must be timely and are irrevocable
- Direct ownership required



Process for claiming direct pay

1. Identify and pursue qualifying project
2. Pre-filing w/IRS
 - E-portal
 - Per-credit, per-year
 - Include key information required by IRS
 - Timing: lead time for registration number prior to filing tax return
3. File tax return
 - Due date: due date (including extensions) for the tax return for the taxable year for which the election is made
 - If no tax filing requirement, generally Form 990-T and Form 3800
 - Generally May 15th for calendar year taxpayers; 6 month extension available
 - No late elections
4. Timing of payment: paid out after placed in service date and after tax return is due for the year in which credit is claimed

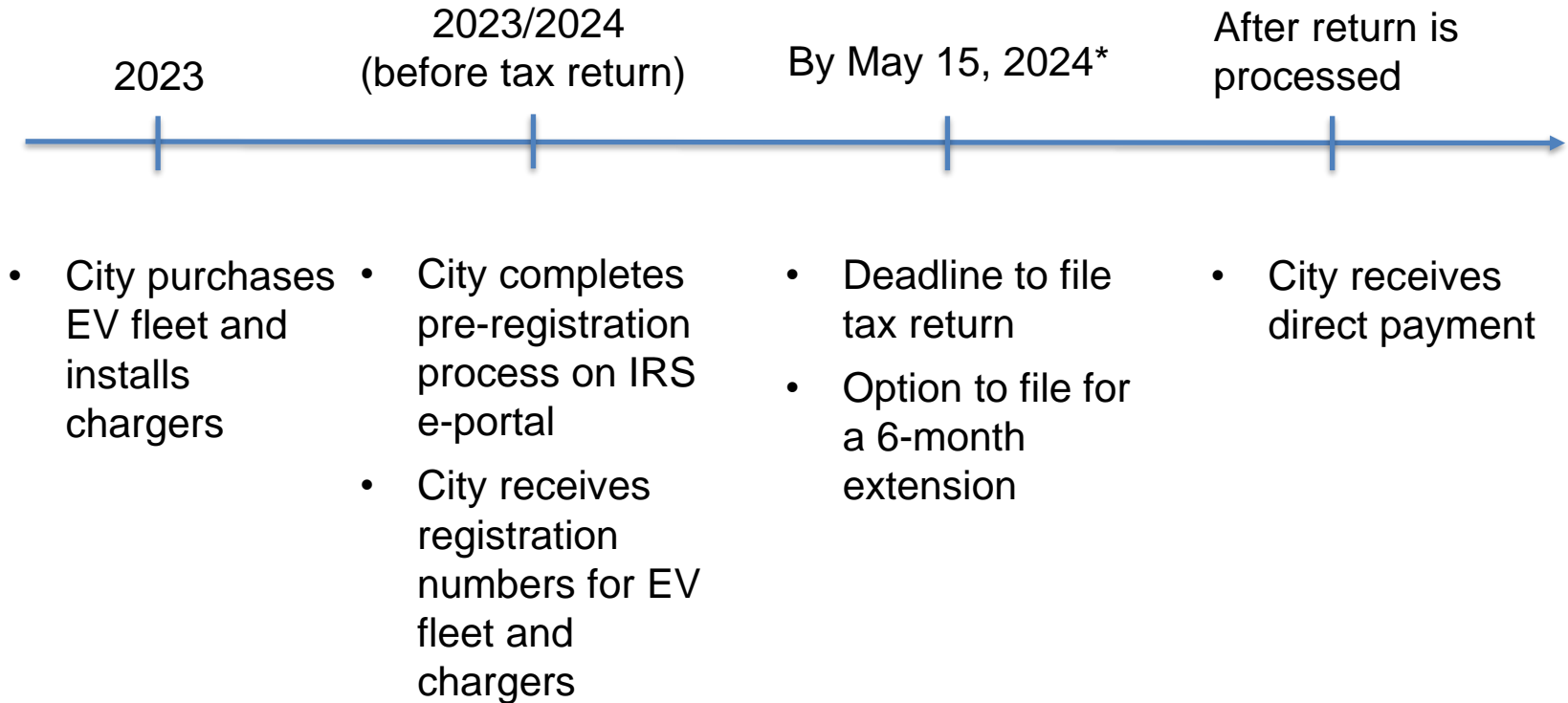


Claiming Direct Pay

- Information needed:
 - Taxpayer identifying information (name, EIN, location, etc.)
 - Taxable year
 - Type of tax return
 - List of applicable credit properties + identifying info
 - Other IRS-required information
- Signed under penalties of perjury



Example Timeline



*Due date for filing tax return depends on entity's accounting period. For calendar year taxpayers, due date is May 15.



Resources

- IRS Direct Pay FAQs: <https://www.irs.gov/credits-deductions/elective-pay-and-transferability-frequently-asked-questions-elective-pay>
- Proposed regulations: <https://www.federalregister.gov/documents/2023/06/21/2023-12798/section-6417-elective-payment-of-applicable-credits>
- Form 990-T and instructions: <https://www.irs.gov/forms-pubs/about-form-990-t>
- Low-income census tract map: <https://www.esri.com/arcgis-blog/products/arcgis-living-atlas/decision-support/mapping-low-income-communities-in-the-us/>
- Direct pay resources from Lawyers for Good Government: <https://www.lawyersforgoodgovernment.org/elective-pay-ira-tax-incentives>