



# INFLATION REDUCTION ACT OF 2022:

## Tax Credit for Alternative Fuel Refueling Property (section 30C): An Explainer

### INFLATION REDUCTION ACT; ALT FUEL REFUELING PROPERTY

Section 13404 ([page 149](#)) of the *Inflation Reduction Act of 2022* (P.L. 117-169) amends the Alternative Fuel Refueling Property Tax Credit and extends it through December 31, 2032. The provision is summarized as follows:

*Section 13404 extends and modifies the tax credit for alternative fuel refueling property, which includes electric vehicle charging supply equipment (including bidirectional charging equipment).*

*Starting in 2023, qualifying property will be limited to that placed in service within low-income or non-urban census tracts. These census tracts need to be released by the Bureau of the Census.*

*For business property (or property that is subject to depreciation), the credit amount decreases to 6% (from 30%) with a maximum amount of \$100,000 (previously \$30,000). Business property meeting prevailing wage and registered apprenticeship requirements may be eligible for a credit amount of 30% (\$100,000 maximum).*

*Importantly, the law now provides that this calculation is applied to each item of refueling property (i.e. each charger) rather than the entirety of the investment at a single location (i.e. multiple chargers in a grocery store parking lot).*

Beginning in 2023, eligibility for the credit is contingent upon the charger being located in an ‘eligible census tract’. The definition of ‘eligible census tract’ is a ‘low-income community,’ as defined under section [45D\(e\)](#), OR a non-urban area.

- Under section 45D(e), ‘low-income community’ is defined as:
  - Where the poverty rate is at least 20%; or
  - Metropolitan and non-metropolitan area census tract where the median family income is less than 80% of the state medium family income level.
- An ‘urban area’ is a census tract as designated by the Bureau of the Census. (Additional information regarding urban area census tract criteria is available [here](#). The Bureau of the Census is expected to [announce](#) the urban area census tract maps in December 2022.)

Eligible fueling equipment includes that for electricity, natural gas, propane, hydrogen, E85, or diesel fuel blends containing a minimum of 20% biodiesel.

Under Section 13801 ([page 186](#) and [page 193](#)) of the Inflation Reduction Act, the Alternative Fuel Refueling Property Tax Credit is eligible for elective payment (or direct pay) and transferability, meaning that school districts and other tax-exempt entities can claim the value of the credit through a filing with the Internal Revenue Service. The Department of Treasury recently [conducted](#) its public comment period on elective payment and transferability as it pertains to 30C to inform the implementation guidance. Additionally, Treasury is currently accepting comments on 30C more broadly through December 3, 2022 [Notice 2022-56].

If a tax-exempt entity, like a school, is purchasing the new refueling property and the seller is claiming the 30C tax credit, the seller must disclose in writing to the tax-exempt entity the amount of the expected credit allowable for the refueling property and reduce the sale price of the refueling property by that credit amount.

Additionally, there is no language included in the text directly referencing Buy American requirements or limiting the use of the tax credit with other funding or credits (i.e. the credit is stackable with federal funds unless otherwise limited by Treasury or guidance from other federal agencies). If a school district qualifies for this tax credit based on income or location and is interested in accessing the benefits, the next step will be to look for final guidance from the Internal Revenue Service with additional clarity and details on 30C implementation in the coming months.

---