Photo by: Lion Electric

Inflation Reduction Act of 2022

TAX CREDIT FOR ALTERNATIVE FUEL REFUELING PROPERTY (SECTION 30C): AN EXPLAINER

Inflation Reduction Act and EV Charging Infrastructure

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 Treasury Department.*
>
> *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).*
>
> *Permitting and inspection fees are not included in covered expenses.*

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 IRS has released a map of eligible Census tracts for the 30C tax credit, which can be found here using the Department of Energy's Argonne National Laboratory 30C Eligibility Locator.
  - School districts can utilize this map by entering the location/address of planned charging infrastructure to determine eligibility under this credit.

Claiming the 30C tax credit

At the time of publishing this overview, the IRS has not yet finalized guidance for prevailing wage and apprenticeship requirements. However, based on proposed IRS guidance and the Inflation Reduction Act, to receive the full value of the 30C tax credit, laborers and mechanics employed in the construction, alteration, and repair of the charging infrastructure will need to be at least paid a prevailing wage. It is also critical that apprentices from registered apprenticeship programs are utilized for a certain number of hours. For more information, please visit IRS's website.

There are a number of fuels whose equipment is eligible for this credit, including electricity.

Under Sections 13801 (page 186 and page 193) of the Inflation Reduction Act, the Alternative Fuel Refueling Property Tax Credit is eligible for elective payment 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 has initiated a request for information on elective payment and transferability as it pertains to this credit to inform the guidance it will release before January 2023.

If a tax-exempt entity, like a school district, 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, indicating that the credit is stackable with federal funds unless otherwise limited by Treasury or guidance from other federal agencies.

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