

INFLATION REDUCTION ACT OF 2022

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

The Inflation Reduction Act of 2022 (IRA; 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:

The IRA extends and modifies the tax credit for alternative fuel refueling property, such as electric vehicle charging supply equipment (including bidirectional charging equipment). Qualifying property placed in service within low-income or non-urban census tracts is eligible for this tax credit, known as Section 30C.

Eligible entities, including school districts, can receive a federal tax credit of 30% of the cost of the electric vehicle charging supply equipment, if they meet prevailing wage and registered apprenticeship requirements. If prevailing wage and apprenticeship requirements are not met, the tax credit is set at 6%. The tax credit applies to business property (or property that is subject to depreciation), with a maximum amount of \$100,000 per piece of eligible property.

Importantly, the law provides that this calculation is applied to each item of eligible refueling property (e.g., each port) rather than the entirety of the investment at a single location (e.g., multiple chargers in a bus depot). Permitting and inspection fees are not included in the covered expenses.

Only chargers located in an eligible census tract can receive this tax credit. Census tracts are eligible if they are a low-income community or a non-urban area. The IRS has released a map of eligible Census tracts for the 30C tax credit, which can be found 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

Under the Inflation Reduction Act, the Section 30C 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 IRS.

To receive the full value of the Section 30C tax credit, school districts must ensure that laborers and mechanics employed in the construction, alteration and repair of the charging infrastructure are paid at least a prevailing wage. It is required that apprentices from registered apprenticeship programs are utilized in projects; please visit the IRS's [website](#).

If a school district is purchasing the charging infrastructure and the seller is claiming the Section 30C tax credit, the seller must disclose in writing to the school the amount of the expected credit allowable for the charging infrastructure and reduce the sale price by that credit amount.

Example: The Section 30C tax credit in action

This example is adapted from the IRS's Section 30C [Notice of Proposed Rulemaking](#).

Pine Tree School District purchases a fleet of electric school buses. Also, Pine Tree School District installs 20 chargers at the same physical address and in the same taxable year. The school district installs 20 direct current fast chargers (DCFCs) for \$30,000 each, and the DCFCs have two charging ports each for a total of 40 charging ports. This is important because the Section 30C tax credit is calculated per charging port.

The school district also installs:

- A pedestal to support each charger, totaling \$20,000
- An electric panel and conduit/wiring, which together cost \$50,000, to connect the DCFCs to the electrical service line
- A smart charge management system for \$25,000

The electric panel and conduit/wiring are used exclusively to service the DCFCs and are necessary to install to make each charging port operational. All property is owned by the school. All costs include labor costs and the project meets prevailing wage and registered apprenticeship requirements. The physical address where the school installs these properties is located in an eligible census tract. The DCFCs, pedestals, electric panel, conduit/wiring and the smart charge management system all constitute eligible Section 30C property. These pieces are necessary for the DCFCs and are not used for anything else on the school property.

To calculate the Section 30C tax credit, Pine Tree School District needs to determine the cost per port, multiply by 30%, then multiply by the number of charging ports. Here's how:

Determine the total cost per port:

Pine Tree School District should calculate a separate Section 30C credit for each of the 40 charging ports. To start, they'll need to find the total cost per port:

- Each DCFC charger costs \$30,000 and each has two charging ports, so the cost of each port is \$15,000, based on a calculation of $\$30,000 \div 2$.
- Each pedestal supports a charger with two ports and costs \$1,000, so the pedestal cost attributable to each port is \$500, based on a calculation of $\$1,000 \div 2$.
- The \$50,000 cost of the electric panel and the conduit/wiring are allocated ratably based on the cost per charging port for each of the 40 charging ports, the panel and wiring cost per port is \$1,250, based on a calculation of $\$50,000 \div 40 = \$1,250$.
- The cost of the smart charge management system is allocated ratably based on the cost per charging port for each of the 40 ports, resulting in a charge management system cost of \$625 per port, based on a calculation of $\$25,000 \div 40 = \625 .

Then, the school districts adds these components up to find the total cost per port:

- \$15,000: the cost of the charging port
- \$500: the attributable cost of the associated pedestal per port
- \$1,250: the ratable cost of the panel/wiring per port
- \$625: the ratable cost of the charge management system per port

The sum of these costs is \$17,375 for each charging port.

Multiply the total cost per port by 30%

Because Pine Tree School District's project pays a prevailing wage and meets apprenticeship requirements, the district is eligible for 30% of the cost per port.

- The district multiplies the \$17,375 cost for each charging port by 30%, which equals a \$5,212.50 tax credit per port.

Multiply the tax credit per port by the 40 total ports to determine total

Because the \$5,212.50 tax credit per port is less than the \$100,000 credit limit, the final Section 30C credit for each charging port is also \$5,212.50. Pine Tree School District then multiplies this by the 40 ports, for a total Section 30C tax credit of \$208,500.

In all, for the entire project, **Pine Tree School District would receive \$208,500 in Section 30C credit through direct pay**, so long as they meet prevailing wage and apprenticeship requirements.