



Dallas-Fort Worth
CLEAN CITIES



North Central Texas
Council of Governments

Dallas-Fort Worth Clean Cities Electric Vehicle Fleet Manager Roundtable

Clean Vehicle Initiatives Team

November 2, 2023

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Inflation Reduction Act: Clean Vehicle Credits

**Communications & Liaison
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Tax-exempt and governmental entities that were generally unable to use tax credits can now benefit from clean energy tax credits using new options enabled by the Inflation Reduction Act of 2022.

- **Elective pay** makes certain clean energy tax credits effectively refundable. With elective pay, an eligible entity (such as a local government) that qualifies for a clean-energy investment tax credit can notify the IRS of their intent to claim the credit and file an annual tax return to claim elective pay for the full value of the credit. The IRS would then pay the local government the value of the credit.

NOTE: Elective pay is sometimes also known as "direct pay," which shouldn't be confused with the [IRS payment method](#)

- **Transferability** allows entities that qualify for a tax credit but are not eligible to use elective pay to transfer all or a portion of the credit to a third-party buyer in exchange for cash. The buyer and seller would negotiate and agree to the terms and pricing.



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Elective Pay Overview



The answers to the questions below are based on proposed and temporary elective pay and transferability regulations and other tax guidance on IRS.gov. These proposed and temporary regulations and the answers below may change when these regulations are finalized following a public comment period. You may also choose to consult with a tax advisor.

What is elective pay?

Elective pay allows applicable entities, including tax-exempt and governmental entities that would otherwise be unable to claim certain credits because they do not owe federal income tax, to benefit from some clean energy tax credits. By choosing this election, the amount of the credit is treated as a payment of tax and any overpayment will result in a refund.

For example, because of the Inflation Reduction Act, a local government that makes a clean energy investment that qualifies for the investment tax credit can file an annual tax return with the IRS to claim elective pay for the full value of the investment tax credit, as long as it meets all of the requirements including a pre-filing registration requirement. As the local government would not owe other federal income tax, the IRS would then make a refund payment in the amount of the credit to the local government.

Who is eligible?

Applicable entities can use elective pay. Applicable entities include tax-exempt organizations, states and political subdivisions such as local governments, Indian tribal governments, Alaska Native Corporations, the Tennessee Valley Authority, rural electric cooperatives, U.S. territories and their political subdivisions, and agencies and instrumentalities of state, local, tribal and U.S. territorial governments.

What types of businesses are eligible?

Generally, only "applicable entities" are eligible for elective pay. However, there are special rules for three of the clean energy tax credits. Specifically, other taxpayers that are not "applicable entities" may make an election to be treated as an applicable entity for elective pay with respect to the applicable credit.

What will I need to do to receive a payment?

- 1. Identify and pursue the qualifying project or activity:** You will need to know what applicable credit you intend to earn and use elective pay for.
- 2. Determine your tax year, if not already known:** Your tax year will determine the due date for your tax return.
- 3. Complete pre-filing registration with the IRS:** This will include providing information about yourself, which applicable credits you intend to earn, and each eligible project/property that will contribute to the applicable credit and other information required. Upon completing this process, the IRS will provide you with a registration number for each applicable credit property. You will need to provide that registration number on your tax return as part of making the elective pay election.
 - Complete pre-filing registration in sufficient time to have a valid registration number at the time you file your tax return.
 - *More information about this pre-filing registration process will be available by late 2023.*
- 4. Satisfy all eligibility requirements for the tax credit and any applicable bonus credits, if applicable, for a given tax year:** For example, to claim an energy credit on a solar energy generating project, you would need to place the project in service before making an elective payment election.
 - You will need the documentation necessary to properly substantiate any underlying tax credit, including if bonus amounts increased the credit.
- 5. File the required annual tax return by the due date (or extended due date) and make a valid elective payment election.**



Tax-Exempt Organizations

The answers to the questions below are based on proposed and temporary elective pay and transfer ability regulations and other tax guidance on IRS.gov. These proposed and temporary regulations and the answers below may change when these regulations are finalized following a public comment period. You may also choose to consult with a tax advisor.

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Are tax-exempt organizations eligible?

Organizations that are exempt from tax by § 501(a) are eligible for elective pay. This would include all organizations described in § 501(c), such as public charities, private foundations, social welfare organizations, labor organizations, business leagues and others. It also includes religious or apostolic organizations under § 501(d).

How do I make the elective payment election?

Eligible entities would claim and receive an elective payment by making an **elective payment election** on Form 990-T along with any form required to claim the relevant tax credit.

However, there are steps leading up to this, such as a required pre-filing registration process. An EIN or TIN is required to

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State & Local Governments



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Are state and local governments eligible?

Yes. States, political subdivisions and their agencies and instrumentalities are all eligible for elective pay. This includes the District of Columbia. It also includes cities, counties and other political subdivisions. Water districts, school districts, economic development agencies, public universities and hospitals that are agencies and instrumentalities of states or political subdivisions are also included.

How do I make the elective payment election?

Eligible entities not normally required to file an annual tax return with the IRS should file Form 990-T along with any form required to claim the relevant tax credit.

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IRC 45W Credit for Commercial Clean Vehicles

Businesses and tax-exempt organizations that buy a qualified commercial clean vehicle may qualify for a clean vehicle tax credit of up to \$40,000 under Internal Revenue Code (IRC) § 45W

The credit equals the lesser of:

- 15% of the tax basis in the vehicle (30% if the vehicle is not powered by gas or diesel) or
- The incremental cost of the vehicle

The maximum credit is \$7,500 for qualified vehicles with gross vehicle weight ratings (GVWRs) of under 14,000 pounds and \$40,000 for all other vehicles.



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

Who Qualifies:

- Businesses and tax-exempt organizations qualify for the credit.
- There is no limit on the number of credits the business can claim.
- For businesses, the credits are general business credits and non-refundable, which means the business cannot get back more on the credit than you owed in taxes. However, this credit may be carried over to a subsequent year.



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

To qualify, a vehicle must be subject to a depreciation allowance, with an exception for purchased vehicles placed in service by a tax-exempt organization.

The vehicle must also:

- Be made by a qualified manufacturer as defined in IRC 30D(d)(1)(C). Qualified manufacturers list is at [IRS.gov](https://www.irs.gov)
- Be for use in the business and not for resale
- Be for use primarily in the United States
- Not have been allowed a credit under IRC sections 30D or 45W



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

In addition, the vehicle must either be:

1. Treated as a motor vehicle for purposes of Title II of the Clean Air Act and manufactured primarily for use on public roads (not including a vehicle operated exclusively on a rail or rails);
2. Mobile machinery as defined in IRC 4053(8) (including vehicles that are not designed to perform a function of transporting a load over a public highway)



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

The vehicle or machinery must also either be:

1. A plug-in electric vehicle that draws significant propulsion from an electric motor with a battery capacity of at least:
 - 7 kilowatt hours if the gross vehicle weight rating (GVWR) is under 14,000 pounds
 - 15 kilowatt hours if the GVWR is 14,000 pounds or more; or
2. A fuel cell motor vehicle that satisfies the requirements of IRC 30B(b)(3)(A) and (B)



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

Claiming the Credit:

- IRS is finalizing a form for you to claim the credit. Please check back to www.irs.gov/cleanvehicles for updates.
- You will need to provide your vehicle's VIN along with the amount of the credit.
- The depreciable basis of the vehicle is reduced by the amount of the commercial clean vehicle credit you receive.



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

How to Claim the Credit:

- File Form 8936 (check back soon for a revised Form 8936) that should be completed to claim the commercial clean vehicle credit for vehicles placed in service in 2023 and later)
- The vehicle's VIN will be reported on Form 8936
- Along with make, model, model year and placed in service date
- The depreciable basis of the vehicle is reduced by the amount of the commercial clean vehicle credit received



Clean Vehicle Resources

- [Frequently Asked Questions About the New, Previously-Owned and Qualified Commercial Clean Vehicles Credit Publication](#)
- [Publication 5724, Credit for Previously Owned Clean Vehicles](#)
- [Elective Pay and Transferability | Internal Revenue Service \(irs.gov\)](#)
- [Elective Pay and Transferability Frequently Asked Questions | Internal Revenue Service \(irs.gov\)](#)
- [Publication 5724-A, Credit for Clean Vehicles](#)
- [Publication 5724-B, Credit for Commercial Clean Vehicles](#)
- [Publication 5724-E, Credit for Clean Vehicles, Poster](#)
- [Publication 5724-F, Credit for Commercial Clean Vehicles](#)

[**WWW.IRS.GOV/CLEANVEHICLES**](http://www.irs.gov/cleanvehicles)



Questions? Feedback

Electric Vehicle Infrastructure Planning

Open discussion



Electric Vehicle Supply Infrastructure (EVSE) Planning

For fleets that currently have EVSE, how did you decide which level of charging infrastructure was needed?

For fleets that don't have EVSE, what level do you think you need and why?

Electric Vehicle Supply Infrastructure (EVSE) Planning

What most impacts which EVSE brand you buy from?

Cost, features, resiliency, warranty, brand, software, etc?

How have you procured EVSE installers and/or electrician services?

Electric Vehicle Supply Infrastructure (EVSE) Planning

What challenges have you faced in deploying EVSE?

Do you have concerns about EVSE reliability, such as broken charging stations, lack of public charging, or power outages?

Electric Vehicle Transition Planning

Open discussion



Electric Vehicle Transition Planning

What is driving your transition to EVs?

- Fuel and maintenance cost savings
- Upper management requirement
- Environmental benefits
- Funding
- Other

Electric Vehicle Transition Planning

What barriers are preventing your EV transition?

- What training is needed for your fleet to transition to EVs?
- Is EV funding adequate? Are there "gaps" in funding?

What resources have you found useful in your EV transition planning?

- What do you feel like you still need?

Electric Vehicle Transition Planning

Have you procured any "hands-on" assistance? (ex: deciding the vehicle make, calculating savings, implementing EVSE). If not, would that be helpful?

Is more EV education needed? For example, battery safety and recycling, battery fires, maintenance, and more.

Lessons Learned from Operating EVs

Open discussion



Lessons Learned from Operating EVs

Overall, how would you describe your fleet's experience operating EV?

Did you have to adjust your fleet operations to accommodate EVs?

What has the driver's experience driving the EV been?

Lessons Learned from Operating Electric Vehicles (EV)

Have you ever not been able to utilize an EV due to range limitations?

Have you ever been able to not utilize an EV due to payload?

DFWCC Upcoming Events

Regional Electric Vehicle Infrastructure Working Group

- November 15, 2023, from 2-3pm; VIRTUAL
- Presentation from Oncor Electric Delivery

Drop-in Fuels Webinar

- December 6, 2023, from 1-2pm; VIRTUAL
- Overview of the Availability and Benefits of Renewable Diesel, Biodiesel, Ethanol, and Renewable Gasoline

Regional Electric Vehicle Infrastructure Working Group

Electric Vehicle Supply Equipment Expo

- January 17, 2023, from 2-4pm
- In-Person Only – Transportation Council Room

<https://www.dfwcleancities.org/events>



Tools and Resources

[Alternative Fuels Data Center \(AFDC\)](#) – Information, data, and tools on alternative and renewable fuels, advanced vehicles, and other fuel saving measures

[AFDC Alternative Fueling Station Locator](#) – Locate alternative fuel stations; route mapping capability

[AFDC Electric Vehicles for Fleets](#) – Resources for fleet electrification, including available vehicle models and electrification checklist

[Fuel Economy.gov](#) – Fuel economy information and tools for light-duty vehicles like side-by-side car comparison, MPG calculator

[AFLEET](#) – Tool to compare new alternative fuel vehicles to gasoline (light-duty) and diesel (heavy-duty) vehicles, available as a spreadsheet or simplified online version

[Dallas-Fort Worth Clean Cities Website](#) – Resources, future events, past event materials and recordings

[Electric Vehicles North Texas](#) – Current and past EV registration data statewide and in North Texas

[NCTCOG AQ Funding](#) – Regularly updated list of currently open funding programs

[Texas Emissions Reduction Plan \(TERP\) Funding](#) – Financial incentives to eligible individuals, businesses, or local governments to reduce emissions from polluting vehicles and equipment

[TxVEMP All-Electric Funding](#) – Grants for repowering or replacing eligible heavy-duty vehicles and equipment with all-electric models, along with supporting infrastructure

[Zero-Emissions Technology Inventory](#) – Search current and upcoming zero-emission medium- and heavy-duty vehicles



Contact Us



Savana Nance
Senior Air Quality Planner
NCTCOG/DFWCC
SNance@nctcog.org
(682) 433-0488



Maya Joyner
Air Quality Intern
NCTCOG/DFWCC
MJoyner@nctcog.org
(817) 608-2352



Juliana VandenBorn
Air Quality Planner
NCTCOG/DFWCC
JVandenborn@nctcog.org
(817) 704-2545



Bradley LeCureux
Air Quality Planner
NCTCOG/DFWCC
BLecureux@nctcog.org
(682) 433-0371



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CLEAN CITIES**



dfwcleancities.org



cleancities@nctcog.org