



EV Supply Equipment
Incentives under IRA and
beyond



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working world

Inflation Reduction Act and Infrastructure Investment and Jobs Act overview

Between the Inflation Reduction Act (“IRA”) and the Infrastructure Investment and Jobs Act (“IIJA”), President Biden has allotted hundreds of billions of dollars towards sustainability and climate grant programs. This allocation represents the US government’s priorities to increase American energy security and manufacturing, and to decarbonize all sectors of the economy.

IIJA

- ▶ Over \$200 billion allocated towards sustainability-related programs
- ▶ Over a dozen IIJA programs have already opened to applicants
- ▶ Priorities include both public and private-sector funding

IRA

- ▶ Over \$280 billion in sustainability tax credit budget provisions to be awarded through 2031
- ▶ Over \$65 billion in sustainability grant funding
- ▶ Prioritizes incentives for private sector investment

Overview of the IRA

- ▶ Transferability
- ▶ Tax credit due diligence
- ▶ Structuring

Fleet decarbonization

- ▶ 30C – alternative fuel vehicle (AFV) refueling property credit
- ▶ 30D – clean vehicle credit
- ▶ 45W – qualified clean commercial vehicles credit
- ▶ Clean Heavy-Duty Vehicles Grant Program*

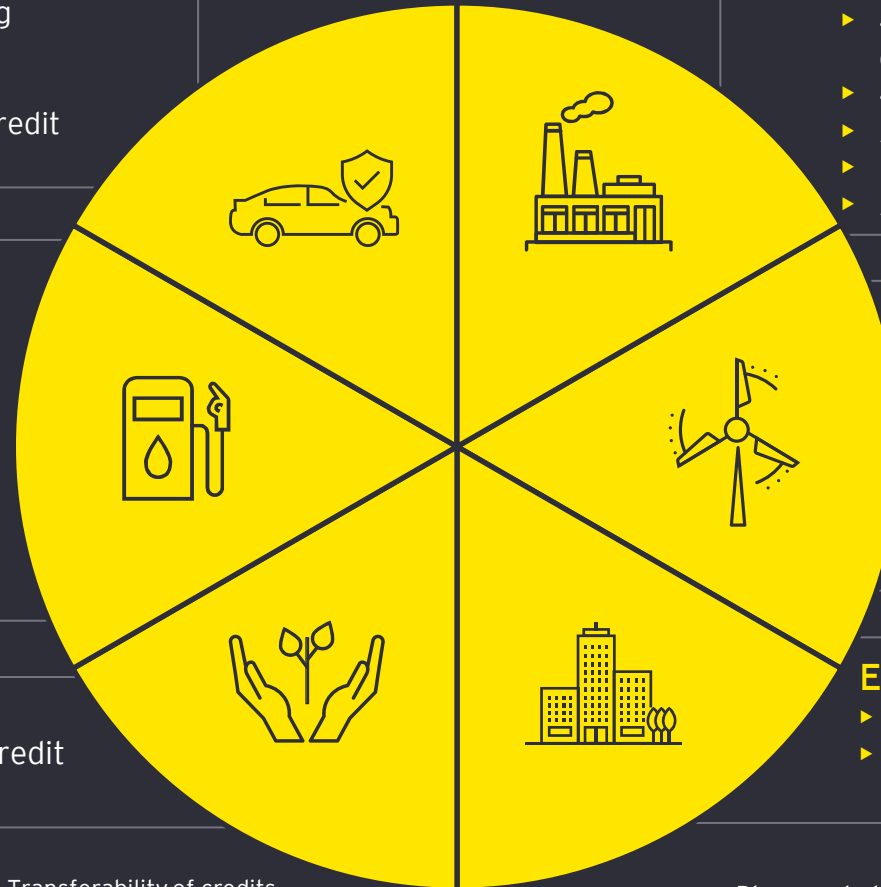
Renewable fuels

- ▶ 40A – biodiesel and alternative fuels credit
- ▶ 40B – sustainable aviation fuel credit
- ▶ 45Z – clean fuel production credit
- ▶ Alternative Fuel and Low-Emission Aviation Technology Program*
- ▶ Incentives for biodiesel, renewable diesel and alternative fuels*

Carbon sequestration

- ▶ 45Q – carbon capture and sequestration credit

- ▶ Other notable IRA provisions:
 - ▶ Two-tiered credit structure
 - ▶ Direct pay option for certain credits and entities
 - ▶ Transferability of credits
 - ▶ Modified carryback



Advanced manufacturing

- ▶ 45X – advanced manufacturing production tax credit (PTC)
- ▶ 48C – advanced energy project credit
- ▶ ATVM Loan Program*
- ▶ Domestic manufacturing conversion grants*
- ▶ Advanced Industrial Facilities Deployment Program*

Renewable/clean energy

- ▶ 45 – clean energy PTC
- ▶ 45U – zero-emission nuclear power PTC
- ▶ 45V – hydrogen PTC
- ▶ 45Y – technology-neutral PTC
- ▶ 48 – clean energy investment tax credit (ITC)
- ▶ 48E – clean electricity investment credit

Energy-efficient buildings

- ▶ 45L – new energy-efficient home credit
- ▶ 179D – energy-efficient commercial building deduction

Please note that applicability is generalized and is not meant to be exhaustive.

* Related grant, loan or other federal opportunity

EV & charging station - Incentives opportunities

Incentives are provided from the federal/country level for companies investing in manufacturing of Electric Vehicles (EVs) and charging infrastructure (EVSE, or EV Supply Equipment). As well, incentives are being offered for consumers (individuals and businesses) investing in the assets.

On a state level,

2/3+

offer consumer benefits for purchasing an EV, charging an EV or installing EV charging infrastructure

The evolving landscape presents opportunities and challenges:

- ▶ Existing incentives are expiring or being extended, including the federal programs as well as the evolving, state, local and utility provided incentives
 - ▶ Currently tracking almost 900 incentive opportunities in the US
- ▶ New incentives are being established at all levels at a fast pace
- ▶ Qualification criteria change throughout the life cycle of existing incentives

EY has technology enabled solutions to support our clients with reducing the costs of EVs and related charging infrastructure.

Section 30C Alternative Fuel Vehicle Refueling Property Credit

Overview

- ▶ Credit reinstated for property placed in service after **December 31, 2021**
 - ▶ **IRA modifications** are effective for property placed in service after **December 31, 2022**
 - ▶ A maximum credit of **\$100,000** at **30%** if prevailing wage and apprenticeship requirements are met; otherwise limited to a **6%** base credit
 - ▶ For property not subject to an allowance for depreciation placed in service at a taxpayer's main home (personal property), a maximum credit the lesser of \$1,000 or 30% of property and installation costs
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- ▶ Eligible property includes:
 - ▶ Electric vehicle charging stations
 - ▶ Clean-burning fuels including CNG, LNG and ethanol
 - ▶ Hydrogen fuel cell recharging stations
 - ▶ Bidirectional charging infrastructure
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- ▶ Property must be installed in a low-income census tract or a non-urban area
 - ▶ A Low-Income Community (LIC)
 - ▶ Census tract with a poverty rate of at least 20% or a median family income 80% or less than the area it is benchmarked against
 - ▶ Non-urban areas
 - ▶ "Urban area" means a census tract designated as such in the most recent decennial census
 - ▶ Basis of the property must be reduced by the amount of the credit allowed under 30C
 - ▶ Sellers of qualified property to tax-exempt entities may claim the credit, subject to additional requirements
 - ▶ Individuals/consumers are eligible for a credit up to \$1,000

Section 30C Alternative Fuel Vehicle Refueling Property Credit

Pre-IRA comparison

For property placed in service **before** January 1, 2023:

- ▶ IRA modifications do not apply
- ▶ Credit rate of 30% of the basis of qualified property
- ▶ Maximum credit of \$30,000 with respect to all qualified property placed in service by the taxpayer at a *single location*
- ▶ Prevailing wage and apprenticeship requirements do not apply
- ▶ No census tract requirements
- ▶ Credit transfer not permitted

For property placed in service **after** December 31, 2022:

- ▶ IRA modifications apply
- ▶ Credit rate up to 30% of the basis of qualified property (Base credit rate of 6%)
- ▶ Maximum credit of \$100,000 with respect to any *single item* of qualified property placed in service by the taxpayer
- ▶ Prevailing wage and apprenticeship requirements apply for projects that begin construction more than 59 days after guidance is issued*
- ▶ Only property placed in service in eligible census tracts eligible for credit
- ▶ Transfer and direct pay for applicable entities permitted

30C Eligible Costs Overview

How are eligible costs defined?

- ▶ Eligible costs are determined under the principles of 1.46-3(a) and (c) and include:
 - ▶ All costs that are required to be capitalized as a cost of the eligible property (i.e. cost basis), including acquisition and construction costs.¹
- ▶ Ineligible costs include costs properly allocable to land, buildings or structural components, which include permits, legal fees, project management or engineering **related to land/buildings**.

How does this work in practice?

- ▶ Typically, the direct and indirect costs of property that is integral to the operation of the charging station or other qualified refueling property is includable in the 30C calculation

Do grants or rebates reduce eligible costs?

- ▶ In general, grants and rebates would not reduce the eligible cost basis for purposes of 30C.

Examples of eligible costs

- ▶ Cost to acquire and install the charging station
- ▶ Cost to upgrade on-site electrical to the extent required to serve the charging station
 - ▶ Switchboards, outlets, etc...
- ▶ A portion of engineering and project management costs associated with the charging station
- ▶ Portion of foundation (requires case-by-case review)
- ▶ Allocation of indirect costs to eligible portion of direct costs

Examples of ineligible costs

- ▶ Purchase of land for charging station site
- ▶ Earthwork and other costs associated with site prep
- ▶ Lighting, signage, and fencing
- ▶ Upgrades to the building/structures
- ▶ Costs covered by a third-party (e.g. utility) and not subject to repayment

¹See Notice 2007-43.

Section 30C Alternative Fuel Vehicle Refueling Property Credit

Location-based requirements

- ▶ To be qualified property for purposes of 30C, the EV charging station must be located in:
 - ▶ A low-income census tract as defined in 45D(e); or
 - ▶ A non-urban area
- ▶ Low-income census tract
 - ▶ Proposed rules for the 48(e) low-income allocation program look to the current New Markets Tax Credit census tract which rely on 2011-2015 American Community Survey data and are available through the CDFI website
 - ▶ If updated ACS low-income community data is released for the NMTC program, taxpayers may use the current/old or new data source during a 1-year transition period
- ▶ Urban area
 - ▶ 2020 Census modified urban and rural classification to remove “urban core” and “urban cluster” so a geographical area is now simply “urban” or “rural”
 - ▶ Mapping tool for urban areas is available on TigerWeb

National Electric Vehicle Infrastructure (NEVI) Funding Program

- ▶ Federally funded, state run program
- ▶ \$7.5B of funding available to offset up to 80% of eligible project costs including:
 - ▶ The acquisition, installation, and network connection of EV charging stations to facilitate data collection, access, and reliability;
 - ▶ Proper operation and maintenance of EV charging stations; and,
 - ▶ Long-term EV charging station data sharing.
- ▶ **Eligibility requirements include:**
 - ▶ EV charging stations must be non-proprietary;
 - ▶ Allow for open-access payment methods;
 - ▶ Be publicly available or available to authorized commercial motor vehicle operators from more than one company, and;
 - ▶ Be located along designated Alternative Fuel Corridors.
 - ▶ Priority on “dead zones” for first round of funding