ELECTRIC SCHOOL BUS ROAD SHOW

JERSEY CITY
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SIERRA CLUB

NEW JERSEY CHAPTER

STATUS OF STATE ELECTRIC SCHOOL BUS PROGRAM GRANTS

WORLD RESOURCE INSTITUTE EPA GRANT PROGRAM SUPPORT

Annotated Sample Project Narrative

To support you in your 2023 CSB Grant Program application, the Electric School Bus Initiative prepared an annotated Sample Project Narrative with guidance such as comments, notes, tips, additional resources, and template letters designed to help guide your application. You can download the sample narrative below!

Example Budget Table

Your application for the 2023 CSB Grant Program application must include a budget table. To help you develop your budget table, the Electric School Bus Initiative has developed an example table, available for download below.!

Talk To an Expert

Are you in the market for electric school buses and unsure where to begin? Have you started the process and have questions? WRI's Electric School Bus Initiative is here to help with free 30-minute, 1:1 sessions with our team to ask your school district-specific questions. Learn more and **sign up here**.

New Federal Funding:
ELECTIVE PAY via
TAX CREDITS

- 45W Credits for Purchase of Electric School Buses
- 30C Credits for Charging Stations

School districts can take advantage now of new IRA tax credits delivered as direct or elective payment.

The Inflation Reduction Act of 2022 created 12 new tax credits for clean energy and climate investments, available through 2032.

For the first time and thanks to Congressional ESB champions, tax-exempt entities like school districts who invest in electric school buses and their charging stations will be able to receive a direct, elective payment equal to the full value of the tax credit they are applying for.

Some credits -- such as those for charging stations -- are transferable (sellable) in part or in full from a non-applicable entity to an eligible entity, in exchange for cash payments.

Through the 45W Qualified Commercial Vehicle Tax Credit, school districts can receive up to $40,000 for purchasing an electric school bus.

The Qualified Commercial Vehicle Tax Credit is available for passenger vehicles, buses, ambulances and other vehicles, and provides up to 30% of the cost of an electric vehicle *or* the incremental cost increase between an electric and a diesel school bus, whichever is lesser -- with a maximum amount of $40,000.

Entities can combine grants and forgivable loans with tax credits -- so long as the tax credit and additional funding do not exceed the cost of the electric school bus. If the [tax credit] + [grants/loans] exceed the cost of the bus, the tax credit amount is reduced so that the [tax credit] + [grants/loans] amount equals the cost of the electric school bus.

Any income from grants or loans will be included in the basis that is used to calculate the credit amount.

EXAMPLE A

Electric school bus cost (basis)	$400,000
EPA CSBP grant	$395,000
30% of $400,000	$120,000
IRS Qualified Commercial Vehicles Tax Credit	$40,000

$395,000 + $40,000 = $435,000 -- $40,000 more than ESB Cost

Therefore tax credit reduced to $0

EXAMPLE B

Electric school bus cost (basis)	$400,000
EPA CSBP grant	$300,000
IRS Qualified Commercial Vehicles Tax Credit	$40,000

$300,000 + $40,000 = $340,000 -- less than ESB Cost

Tax credit stays at $40,000

With the 30C Alternative Fuel Refueling Property Credit, school districts can receive up to $100,000 for purchasing an electric school bus charging station.

The charging station must be installed in a **low-income community or non-urban census tracts**. The credit provides 6% to 30% of the cost of a refueling property, with a maximum amount of $100,000 per charger. Electric, methane gas, propane, hydrogen, E8 and biodiesel fueling equipment is eligible.

By meeting **Prevailing Wage and Apprenticeship Requirements**, the Alternative Fuel Refueling Property Credit could go up to 30% of the cost.

This tax credit can also be transferred, meaning any taxpayer that is NOT an applicable entity can elect to transfer (sell) all or a portion of the credit to an eligible entity in exchange for cash. Bonus or other requirements may also apply to the transfer.

School districts claim their tax-free cash payment by filing a tax return and selecting elective pay.

1. **First, the investment must be made** = The school district purchases an electric school bus and/or charging station.
2. After the electric school bus and/or charging station is in service, the school district completes a **pre-filing registration with the IRS**. The IRS will provide a registration number for each applicable credit.
3. Before the next annual deadline for the tax year the project is placed in service, the school district **files its tax return**, provides the registration number(s) and any required documentation, and selects elective pay.
4. Once the return is processed, the school district will **receive payment**. Payments will occur after the tax return due date.

Q&A

How is this different from a grant or rebate?

Under a grant or rebate, applicants may not receive an award, pending evaluation criteria of project proposals or lottery selection. Direct, elective pay allows entities to get their payment so long as they meet the requirements for direct pay and the respective tax credit.

Who is eligible for elective pay tax credits?

- State, local and territorial governments,
  - Political subdivisions such as cities, counties, municipalities, townships, villages
  - Agencies and instrumentalities of states such as water districts, school districts, certain public universities and hospitals, economic development agencies
- Federally recognized Tribal governments, subdivisions and agencies
  - Also Alaska Native Corporations
- Rural energy cooperatives
  - Also the Tennessee Valley Authority
  - Non tax-exempt rural co-cops may use elective pay for all the credits except Commercial Clean Vehicles (45W)
- Other tax-exempt entities
  - 501(c)(3) charities, foundations, schools, hospitals, houses of worship, and others
  - 501(d) organizations
  - All other organizations exempt under section 501(a) of the tax code

Q&A

Who has to own the property?

The applicable entity or electing taxpayer generally must own the property that generates the eligible credit. In some instances, ownership is not required, but you must perform the activities that result in the underlying eligible credit.

When is direct pay available?

Elective pay is only effective for taxable years beginning after December 31, 2022.

School districts don't typically file tax returns. Will they still be required to file a return to make an elective payment selection?

In short, yes.

Can a school district revoke the election of direct pay?

No. Once the return is filed, it cannot be undone.

Can a school district be audited for selecting direct pay?

Yes.

Q&A

What if the project needs bridge financing, debt financing, or tax-exempt bond financing before I receive payment, can a school district still claim the tax credit using elective pay?

Yes. Tax-exempt bonds may result in a reduction of the credit amount.

Q&A

How are credits transferred?

From the seller:

1. Pursue an eligible project.
2. Complete the pre-filing registration with the IRS and receive a registration number.
3. Arrange to transfer an eligible tax credit in exchange for only cash.
4. Provide the transferee (i.e., buyer) with the registration number and all other information necessary to claim the transferred credit.
5. Complete a transfer election statement with the transferee.
6. File a tax return indicating the eligible credit has been transferred to a third party and include the transfer election statement and other information as required.

From the buyer:

1. Arrange to purchase an eligible redit in exchange for only cash.
2. Get the registration number and all other information necessary.
3. Complete a transfer election statement with the transferor.
4. File a tax return and include the transfer election statement and registration number, and other information as required.

The White House and the U.S. Department of Treasury will host a briefing on the proposed guidance on **Thursday, June 29th at 3 PM ET**.

Register in advance for the briefing here: https://IRS Electric School Bus Tax Credits.

QUESTIONS?
COMMENTS?