

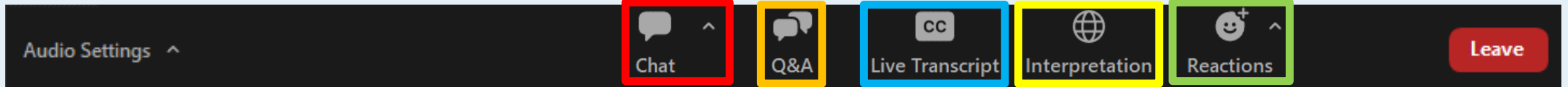


EPA CLEAN SCHOOL BUS

**2023 CSB Rebates: Overview of IRS Tax Credits w/ Department of Treasury
December 5, 2023 @ 1 PM ET**

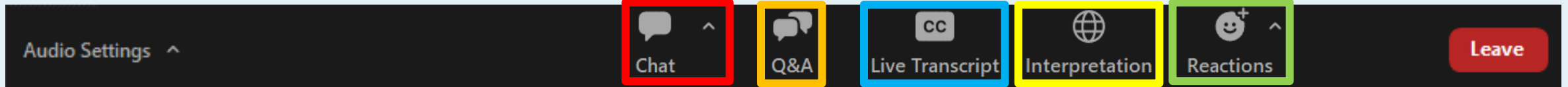
Office of Transportation and Air Quality
U.S. Environmental Protection Agency

Zoom Webinar Logistics



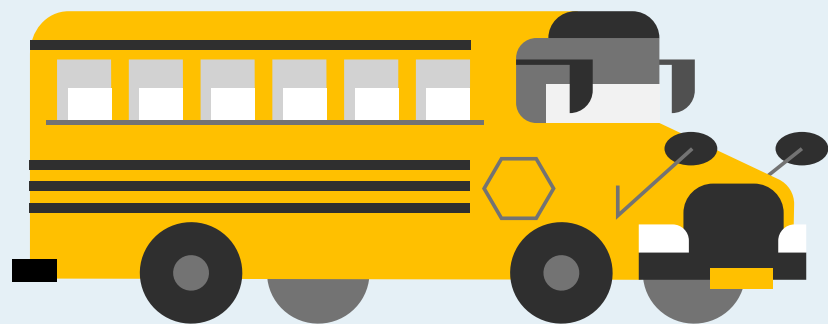
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Logística de seminarios web en Zoom



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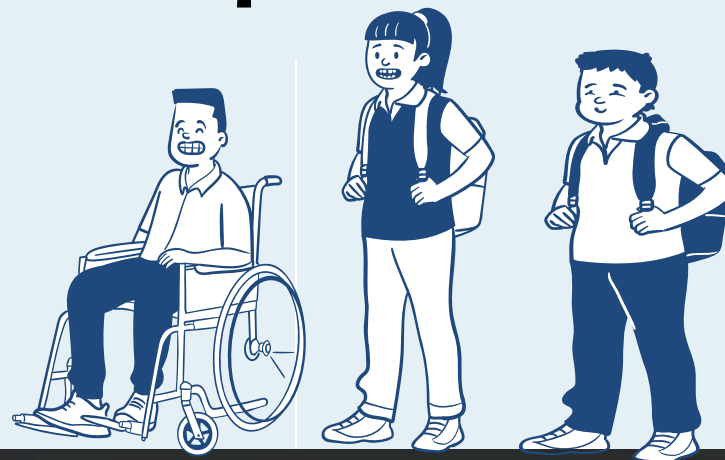


Live transcript is available

CC

Live Transcript

Live Spanish Interpretation / Interpretación simultánea



✓ Off

English

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Interpretation

Overview of the Clean School Bus (CSB)
Program

2023 CSB Rebate Program Overview

Overview of IRS Tax Credits w/
Department of Treasury

Q&A

Next Steps and Resources

Overview of the Clean School Bus Program

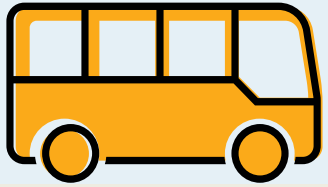
Bipartisan Infrastructure Law

- Under **Title XI: Clean School Buses and Ferries**, the Bipartisan Infrastructure Law (BIL) provides **\$5 billion** over five years (FY22-26) for the replacement of existing school buses with zero-emission (ZE) and clean school buses.

CSB Funding Opportunities

- EPA has offered rebates and grants in past funding opportunities.
- EPA is offering another round of rebate funding.
- The 2023 Rebates is the third CSB funding opportunity.





Why Clean School Buses?



Reduced Greenhouse Gas Emissions

CSBs emit zero or low tailpipe emissions.



Cleaner Air

CSBs result in cleaner air on the bus, in bus loading areas, and in the communities in which they operate.



Cost Savings

Replacing older diesel school buses with CSBs often reduces maintenance and fuel costs.



Resiliency

Vehicle-to-Grid (V2G) capable CSBs can provide power to the grid or buildings during power shutdowns.



Improved Student Attendance & Achievement

The transport of students with CSBs has been linked to student attendance and academic achievement improvements.

2023 CSB Rebate Program Overview



EPA is offering at least **\$500 million** for clean school buses and ZE school buses. EPA may modify this amount based on the applicant pool and other pertinent factors. Funds are subject to availability and total awards may be higher or lower than the anticipated funds offered update if changed.



Eligible activities include the **replacement of existing internal-combustion engine (ICE) school buses with electric, propane, or compressed natural gas (CNG) school buses**, as well as the purchase and installation of **electric vehicle supply equipment (EVSE) infrastructure**.



EPA is prioritizing applications that will replace buses serving **high-need local education agencies, Tribal school districts funded by the Bureau of Indian Affairs or those receiving basic support payments for students living on Tribal land, and rural areas**. EPA is committed to ensuring the CSB Program delivers on the Justice40 Initiative.



Application packages must be submitted to EPA no later than 1/31/24 at 4:00 p.m. ET.

For more information, please visit www.epa.gov/cleanschoolbus.



**EPA CLEAN
SCHOOL BUS**

CSB Funding per Replacement Bus

| School District Prioritization Status | Replacement Bus Fuel Type and Size | | | | | |
|--|--|--|----------------|-----------------|--------------------|---------------------|
| | ZE – Class 7+* | ZE – Class 3-6* | CNG– Class 7+ | CNG – Class 3-6 | Propane – Class 7+ | Propane – Class 3-6 |
| Buses serving school districts that meet one or more prioritization criteria | Up to \$345,000 (Bus + Charging Infrastructure) | Up to \$265,000 (Bus + Charging Infrastructure) | Up to \$45,000 | Up to \$30,000 | Up to \$35,000 | Up to \$30,000 |
| Buses serving school districts that are not prioritized | Up to \$200,000 (Bus + Charging Infrastructure) | Up to \$145,000 (Bus + Charging Infrastructure) | Up to \$30,000 | Up to \$20,000 | Up to \$25,000 | Up to \$20,000 |

*Funding levels include combined bus and EV charging infrastructure. Recipients have flexibility to determine the split between funding for the bus itself and the supporting infrastructure.

ADA-Compliant Buses:



Applicants can request up to an **additional \$20k** to purchase ADA-compliant clean school buses of any fuel type equipped with wheelchair lifts.



High Shipping Costs:

Applicants in non-contiguous U.S. states and territories will receive up to an **additional \$20k** per bus to cover high bus shipping costs.



Tax Credits:

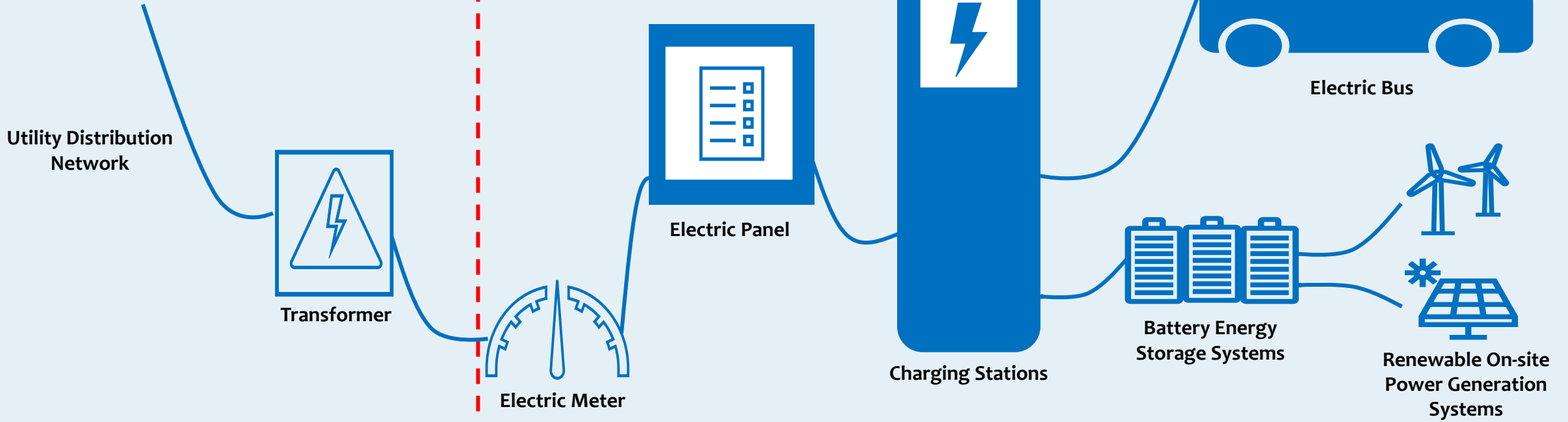
Selectees may be eligible for IRA tax credits applicable to their bus and infrastructure purchase(s) not reflected in the funding table.

Application packages must be submitted to EPA no later than 1/31/24 at 4:00 p.m. ET.

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Non-Eligible Expenses

Eligible Expenses



Front-of-the-Meter (FTM)

Behind-the-Meter (BTM)

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CSB Program Website Tools and Resources



Technical Assistance

- ➔ • [Clean School Bus Technical Assistance](#)
- ➔ • [Charging and Fueling Infrastructure Resources](#)



Workforce Development

- ➔ • [Bus Manufacturer Job Quality and Workforce Development Practices](#)
- ➔ • [Workforce Development and Training Resources](#)



Educational Materials

- ➔ • [Clean School Bus Reports to Congress](#)
- ➔ • [Benefits of Clean School Buses](#)

All links can be found on: [epa.gov/cleanschoolbus](https://www.epa.gov/cleanschoolbus)



December 2023

Overview of vehicle-related credits for school buses and elective pay

Office of Tax Policy, Department of Treasury

Agenda

- Ground Rules and Disclaimers
- Qualified Commercial Clean Vehicle Credit (45W)
- Alternative Fuel Vehicle Refueling Property Credit (30C)
- Credit Monetization – Elective Pay and Transferability

Ground Rules: Disclaimer

- This deck provides an overview of certain Inflation Reduction Act tax provisions for general informational purposes only and **is not itself tax guidance**.
- This deck relies on simplifications and generalizations to convey high-level points about Inflation Reduction Act tax provisions.
- Please **refer to guidance** issued by the IRS for detailed information on the rules associated with Inflation Reduction Act tax provisions.

Ground Rules: Questions and Comments

- The content in this presentation is based on the statute, proposed and temporary regulations, and other guidance.
- Given that the proposed regulations are still under consideration, we will **not be able to comment** on opinions, interpretations, or specific-taxpayer related questions. You may also choose to consult with a tax advisor.
- We will **not be able to provide substantive information** beyond what is in the statute and the publicly issued guidance.

Agenda

- Ground Rules and Disclaimers
- Qualified Commercial Clean Vehicle Credit (45W)
- Alternative Fuel Vehicle Refueling Property Credit (30C)
- Credit Monetization – Elective Pay and Transferability

Qualified Commercial Clean Vehicle Credit (45W) – Overview

- 45W allows an **income tax credit** to a taxpayer who purchases and places in service a **qualified commercial clean vehicle** during the taxable year
- The credit amount is equal to the lesser of:
 - 30% of basis (generally, cost) of the qualified vehicle, and
 - The **incremental cost** of the vehicle (described in subsequent slide)Up to a credit maximum of **\$40,000** in the case of a vehicle with a GVWR of 14,000 pounds or more (otherwise \$7,500)



Qualified Commercial Clean Vehicle Credit (45W) – Vehicle Eligibility

- Key vehicle eligibility requirements:
 - Made by a qualified manufacturer. See list at [Manufacturers for Qualified Commercial Clean Vehicle Credit | Internal Revenue Service \(irs.gov\)](#)
 - Is acquired for use or lease, not for resale
 - Treated as motor vehicle for purposes of Clean Air Act and manufactured for use on public roads
 - Battery capacity of at least 15 kwh (7 kwh if GVWR of less than 14,000 pounds) OR be a fuel cell vehicle
 - Used predominantly in the 50 states + Washington, DC
 - Vehicles used in the U.S. territories may also qualify if owned by a U.S. corporation or U.S. citizen (other than a citizen entitled to the benefits or section 931 or 933)
 - Electric vehicles or fuel cell vehicles (not other types of fuel)
- No 45W credit is allowed with respect to any vehicle for which a credit was allowed under section 30D (credit for new clean vehicles).



Qualified Commercial Clean Vehicle Credit (45W) – Incremental Cost

- Incremental cost
 - Excess of the purchase price of a clean vehicle over the price of a comparable gas or diesel internal combustion engine vehicle
 - Comparable vehicle must be comparable in size and use
- Treasury and IRS published a safe harbor for incremental cost in [Notice 2023-9](#)
 - Safe harbor is based on DOE analysis of various classes of street vehicles
 - For vehicles less than 14,000 lbs (except for compact car PHEVs), Treasury and IRS will accept \$7,500 as incremental cost (the credit max)
 - Taxpayers may make independent determinations of incremental cost if not using safe harbor

| | GVWR (lbs) | Battery EV |
|-----------|---------------|------------|
| Class 4-6 | 14,001-26,000 | \$34,500 |
| Class 7 | 26,001-33,000 | \$93,500 |
| Class 8 | > 33,000 | \$297,500 |



Qualified Commercial Clean Vehicle Credit (45W) – Taxpayer Eligibility

- The section 45W credit is a **general business income tax credit** that is generally available to businesses and individuals **with income tax liability** that place in service an eligible qualified commercial clean vehicle during the taxable year for business use.
 - The taxpayer claiming the credit should be the **owner** of the vehicle.
- The section 45W credit is one of 12 credits that are available for **elective payment** for certain applicable entities, which under the proposed rules would include:
 - An organization exempt from income tax by reason of section 501(a) of the Code;
 - A State, the District of Columbia, a political subdivision thereof, or any agency or instrumentality of any of the foregoing; or
 - An Indian tribal government, a subdivision thereof, or any agency or instrumentality of any of the foregoing.
- The section 45W credit is **not** eligible for transferability.



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Alternative Fuel Vehicle Refueling Property Credit (30C)

- 30C allows an **income tax credit** equal to 30% for individuals and up to 30% for businesses (if prevailing wage and apprenticeship requirements are met) of the cost of any **qualified alternative fuel vehicle refueling property** placed in service by the taxpayer during the taxable year
 - Applies to electric vehicle refueling property
 - Also applies to refueling property for alternative fuels such as CNG, LNG, or hydrogen
- Credit is limited to, with respect to any **single item** of qualified alternative fuel vehicle refueling property placed in service by the taxpayer:
 - \$100,000 for **business use property**, and
 - \$1,000 for **personal use property**
- Property must be placed in service in:
 - A low-income community (as defined for purposes of the New Markets Tax Credit) or
 - A non-urban census tract



Alternative Fuel Vehicle Refueling Property Credit (30C) – Eligibility

- The section 30C credit is an income tax credit that is generally available to businesses and individuals with tax liability that place in service **qualified alternative fuel vehicle refueling property** during the taxable year.
- The section 30C credit is one of 12 credits that are available for **elective payment** for applicable entities.
- The section 30C credit is also eligible for **transferability**.



Agenda

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Overview of Credit Monetization

- The Inflation Reduction Act added two methods for monetizing credits:
 - **Elective Pay** for “applicable entities” (section 6417) and
 - **Transferability** for taxpayers other than applicable entities (section 6418)
- [Temporary](#) and proposed regulations under [section 6417](#) and [6418](#) were published on June 21, 2023. In response, the IRS received 151 comments on Elective Pay and 81 comments on Transferability. Public hearings were held August 21 (Elective Pay) and August 23 (Transferability).
 - We are in the process of finalizing the rules.
- Organizations will need to use **IRS Energy Credits Online** to complete required pre-filing registration.

Overview of Elective Pay

- With “**elective pay**” (often informally called “direct pay”), tax-exempt and governmental entities that do not owe Federal income taxes will, for the first time, be able to receive a **payment equal to the full value of tax credits for building qualifying clean energy projects or making qualifying investments.**
- Unlike competitive grant and loan programs, in which applicants may not receive an award, elective pay allows entities to get their payment if they meet **the requirements for both elective pay and the underlying tax credit.**
- The entities eligible for elective pay (applicable entities) would not normally owe federal income tax. However, by **filing a return and using elective pay**, these entities can receive **tax-free cash payments** from the IRS for clean energy tax credits earned, so long as **all requirements** are met, including a pre-filing registration requirement.
- Applicable entities can use elective pay for **12 of the Inflation Reduction Act’s tax credits.**

Applicable Entities

Under the proposed rules, applicable entities for elective pay would include:

- ✓ **Tax-exempt organizations** under § 501(a), including § 501(c) and § 501(d) organizations,
- ✓ **States** (including DC) and **political subdivisions** such as local governments,
- ✓ **Indian tribal governments**,
- ✓ U.S. **territory** governments and political subdivisions (although not eligible for elective pay of secs 30C or 45W),
- ✓ **Agencies and instrumentalities** of state, local, tribal, and territorial governments,
- ✓ **Alaska Native Corporations**,
- ✓ The **Tennessee Valley Authority**, and
- ✓ **Rural electric co-operatives**.

Special Section 6417 Rule Regarding Investment-Related Tax Credits Funded with Grants and Forgivable Loans

- The proposed guidance also includes a special rule that would enable applicable entities to **combine grants and forgivable loans with investment-related tax credits**.
- If an investment-related credit property is funded by a tax-free grant or forgivable loan, entities would get the same value of eligible tax credit as if the investment were financed with taxable funds—provided the credit plus ‘restricted tax-exempt amounts’ do not exceed the cost of the investment.
- For example:
 - A school district receives a tax-exempt grant in the amount of \$300,000 to purchase an electric school bus. Under IRA, clean commercial vehicles are eligible for a tax credit of up to \$40,000.
 - The school district purchases the bus for \$400,000, using the grant and \$100,000 of the school district’s unrestricted funds.
 - The school district’s basis in the electric bus is \$400,000 and the school district’s section 45W credit is \$40,000.
 - Since the amount of the restricted tax-exempt grant plus the amount of the section 45W credit (\$340,000) is less than the cost of the electric bus, the school district’s 45W credit is not reduced.

How do I claim and receive an elective payment?

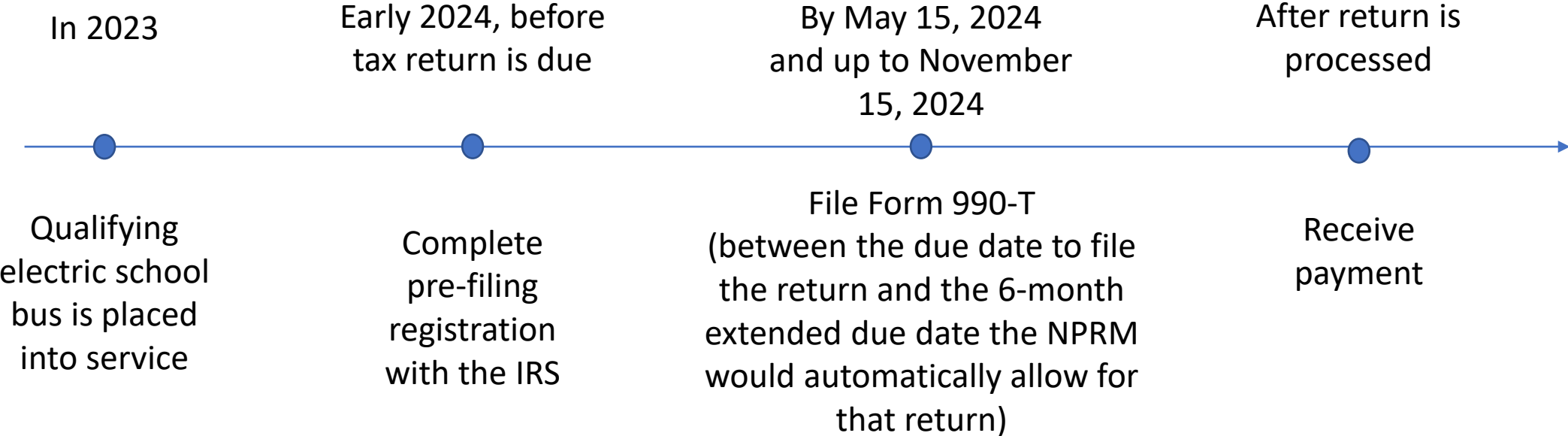
- **Identify and pursue** the qualifying project or activity. You will need to know what applicable credit you intend to earn and use elective pay for.
- Complete your project and **place it into service**.
- Determine your **tax year**, if not already known, to determine when your tax return will be due.
- Complete **pre-filing registration** with the IRS.
 - This will include the credit(s) you intend to earn, among other information.
 - Upon completing this process, the IRS will provide you with a registration number for each applicable credit property.
 - More information about pre-filing registration will be available by late 2023.
- **File your tax return** by the due date (or extended due date) and **make a valid elective pay election**.
 - Provide your registration number on your tax return as part of making the elective pay election.
 - A valid election allows you to receive payment as a refund for the amount of the credit (or if applicable, offset your tax liability and receive a payment for any remaining amount).
- **Receive payment** after the return is processed.
 - Payment cannot be received until the due date of the return, even if the taxpayer files early.



Example Timeline: Local Government Project Placed Into Service in 2023*

A local government that makes a clean energy investment that qualifies for a tax credit (such as purchasing a qualifying electric school bus) can file an annual tax return (via Form 990-T) 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.



*assume the local government is a calendar year taxpayer.



Overview of Transferability (§ 6418)

- The Inflation Reduction Act enacted section 6418 which allows an **eligible taxpayer** (“transferor”) to **transfer all or a portion** of any of **11 clean energy credits** to unrelated third-parties (“transferee(s)”) in **exchange for cash**.
 - **Eligible taxpayers** generally are taxable entities, such as businesses. Eligible taxpayers do not include applicable entities, which can only use elective pay (§ 6417).
 - The transferor and transferee would negotiate and agree to the terms and pricing.
 - Payments are not included in the transferor’s gross income and cannot be deducted by the transferee.
 - The transferee would use the credit to offset its tax liability in its first taxable year ending with, or after, the taxable year of the eligible taxpayer.
 - Under the section 6417 proposed regulations, transferees would not be able to claim elective pay for transferred credits.
- Transferability will **allow eligible taxpayers to take advantage of these clean energy tax credits**, even if they do not have sufficient tax liability to fully utilize the credits themselves.

Transferability Mechanics

- The proposed regulations provide that a transferor **would need to register** each property or facility (or unit of carbon capture equipment) to which it desires to transfer credits.
- The proposed regulations also provide that a transferor and transferee would need to jointly execute a **transfer election statement** and file such statement with their annual returns for the tax year in which the credit is transferred.
- **No further transfers** would be allowed by the transferee.
 - The proposed regulations provide that **intermediaries** could be used to broker transactions provided tax ownership of the credit only transfers once.
- Transferors can transfer **all or a portion** of an eligible credit.
 - Transferred credits **would need to include a proportionate share** of each applicable bonus credit amount: bonuses cannot be transferred separately from base credits.
 - However, there would be **no limit on the number of transfer elections** or number of transferees for which a transferor can make a transfer election.

Closing

More Information

- [Commercial Clean Vehicle Credit | Internal Revenue Service \(irs.gov\)](#)
- [Alternative Fuel Vehicle Refueling Property Credit | Internal Revenue Service \(irs.gov\)](#)
- [Elective Pay and Transferability | Internal Revenue Service \(irs.gov\)](#)
- [CleanEnergy.gov/DirectPay](#)

Question & Answer Session



Upvote and comment on questions similar to your own.
Type your full thought so we can follow-up with an answer.
Speak slowly and clearly for the captioner/interpreter.

cleanschoolbus@epa.gov

epa.gov/cleanschoolbus

Next Steps – *How to Apply*



1. Visit the Clean School Bus Website for Tools & Resources



2. Register your Organization with SAM.gov



3. Complete your Application Form and Supplemental Applicant Forms



4. Submit Application Package by January 31st, 2024 at 4:00pm ET

Upcoming Webinars (new registration link)

| | |
|-------------------|---|
| December 13, 2023 | OIG: Fraud Prevention & Best Practices with Q&A |
| January 9, 2024 | Popular Q&A with Extended Q&A Session |
| January 24, 2024 | CSB Outreach: Engaging Your Community |
| February 7, 2024 | 2023 Rebates Feedback and Next Steps |

**Please note: Webinar topics are subject to change. To view the most up-to-date list of CSB webinars and register, please visit: www.epa.gov/cleanschoolbus/events-related-clean-school-bus-program*



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For more information, please visit www.epa.gov/cleanschoolbus.



2023 CSB Rebates

- Applications must be submitted to EPA no later than **1/31/24 at 4:00 p.m. ET.**
- Dates and topics for future webinars are on our website under the 'Webinars' section.

Future Funding Opportunities

- EPA encourages school districts to consider which competition structure (grants or rebates) best suits their needs.
- EPA anticipates opening a grant program in Spring 2024.

Resources

- [EPA's CSB Program website](#)
- The Joint Office of Energy and Transportation (cleanschoolbusTA@nrel.gov)
- The CSB helpline (cleanschoolbus@epa.gov)

Stay in Touch

- Learn more about the 2023 CSB Rebates at epa.gov/cleanschoolbus/school-bus-rebates-clean-school-bus-program
- Submit questions to cleanschoolbus@epa.gov
- Don't miss any updates! To sign up for the listserv, please visit epa.gov/cleanschoolbus.



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