45W: QUALIFIED COMMERCIAL CLEAN VEHICLE CREDIT

Overview

History

The credit was created by the Inflation Reduction Act in 2022.

Purpose

45W provides a tax credit for purchasers of qualified commercial clean vehicles.

Who Qualifies?

Businesses and tax-exempt organizations that purchase or lease qualified commercial clean vehicles after December 31, 2022, and on or before January 1, 2033.

Credit Amounts

The amount of the credit is the lesser of:

- 15% of the vehicle's cost to the purchaser or 30% for vehicles without internal combustion engines, or:
- The incremental cost of the vehicle. The credit is capped at $7,500 for vehicles less than 14,000 pounds and $40,000 for all other clean vehicles.

Direct Pay and Transferability

Direct Pay: Yes
Transferability: No

How To Claim the Credit

Partnerships and S corporations must file Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit.

How To Claim the Credit, Cont'd

Other taxpayers do not need to complete Form 8936 if their only source for the credit is a partnership or S corporation. They can instead report this credit directly on line 1aa in Part III of Form 3800, General Business Credit.

Details

What Criteria Need To Be Met for a Vehicle To Be Considered a Qualified Commercial Clean Vehicle?

To qualify for the credit, a vehicle must be subject to depreciation, unless it is used by a tax-exempt organization and not subject to a lease.

The vehicle must be either:

- A plug-in electric vehicle that is propelled by an electric motor with a battery capacity of at least:
  - 7 kilowatt-hours if the vehicle is under 14,000 pounds.
  - 15 kilowatt-hours if the vehicle is 14,000 pounds or more.
- A fuel cell motor vehicle that satisfies the requirements of IRC 30B(b)(3)(A) and (B).

(Details continued on next page)

DETAILS, CONTINUED

The vehicle must also:

- Be made by a qualified manufacturer as defined in IRC 30D(d)(1)(C). See the IRS's list of qualified manufacturers for examples.
- Be used for business, not for resale.
- Be used primarily in the United States.
- Not have been allowed a tax credit under section 30D.

Additionally, the vehicle must be either:

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

If you are unsure if your vehicle qualifies for the credit, CALSTART can direct you to more information and resources about the topic.

What Is the Incremental Cost of a Vehicle?

The incremental cost is the excess of the purchase price of a qualified commercial clean vehicle over the price of a comparable vehicle. A comparable vehicle is a vehicle that is powered by an internal combustion engine

and is comparable in size and use to the qualified commercial clean vehicle. Below is a list of incremental costs for qualified commercial clean vehicles based on a Department of Energy analysis used by the IRS as a safe harbor for calculating incremental costs in 2023, altered to reflect the $40,000 credit caps.

Representative Vehicle Modeled	Battery-Electric Vehicle	Plug-In Hybrid Electric Vehicle	Fuel Cell Electric Vehicle
Compact Car	$7,500	$7,000	$7,500
Midsize Car	$7,500	$7,500	$7,500
Midsize SUV	$7,500	$7,500	$7,500
Pickup Truck	$7,500	$7,500	$7,500
Class 4-6 Box	$34,500	$28,000	$40,000
Class 7-8 Daycab	$40,000	$40,000	$40,000

A Note on Direct Pay and Transferability

Direct Pay (aka Elective Pay) allows "applicable entities" that do not pay federal income taxes to claim clean energy tax credits. Applicable entities are tax-exempt organizations, states, and political subdivisions such as local governments, Indian tribal governments, U.S. territories and their political subdivisions, agencies and instrumentalities of state, local, tribal and U.S. territorial governments, and similar entities. To claim a clean energy tax credit through direct pay, an applicable entity would file a tax return with the IRS and claim elective pay for the full value of the credit. Since the entity pays no federal income tax, the IRS would then make a refund payment to the entity in the amount of the credit.

If an entity plans to utilize elective pay to claim a tax credit, a representative from that entity needs to register their intent to do so with the IRS before filing for the credit. The IRS recommends registering no later than 120 days before filing for the credit.

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About CALSTART

CALSTART works with its member companies and agencies to build a high-tech clean transportation industry that creates jobs, cuts air pollution, reduces oil imports, and curbs climate change. We work with the public and private sectors to knock down barriers to innovation and progress, and drive the transportation industry to a clean and prosperous future.

For more information about the 45W credit, please visit the IRS Alternative Fuel Vehicle Refueling Property Credit page.

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