Brief description of tax credit provisions for Washington State

1. **Investment Tax Credit for Energy Property (48) pre-2025 / Clean Electricity Investment Tax Credit (48E) 2025 onwards**

   i. Investment Tax Credit for Energy Property (48) pre-2025

   For investment in renewable energy projects including fuel cell, solar, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties.

   Credit Amount: 6% of qualified investment (basis); 30% if PWA requirements met.

   ii. Clean Electricity Investment Tax Credit (48E) 2025 onwards

   Technology-neutral tax credit for investment in facilities that generate clean electricity and qualified energy storage technologies. Replaces § 48 for facilities that begin construction and are placed in service after 2024 Credit Amount: 6% of qualified investment (basis); 30% if PWA requirements met.

   The following is the list of applicable tax forms. A statement or supporting document is required attached to the tax form 3800 for each eligible facility and project.

   - 2023 Form 990-T (irs.gov) (part III, 6g)
   - 2023 Form 3800 (irs.gov) (part III)
   - 2023 Form 3468 (irs.gov) (part VI) for energy credits (Investment Tax Credit for Energy Property (48))
   - 2023 Instructions for Form 3468 (irs.gov) has definitions for energy credits and provide good references for agencies when analyzing qualified projects.

2. **Credit for Qualified Commercial Clean Vehicles (45W)**

   For purchasers of commercial clean vehicles. Qualifying vehicles include passenger vehicles, buses, ambulances, and certain other vehicles for use on public streets, roads, and highways.

   IRA provides direct payments/ to buy electric vehicles (EV) or install electric charging stations. EV could receive 30% of incremental cost, or up to $40,000 max credit for vehicles greater than 14,000 lbs. Hybrids vehicle could receive 15% of incremental cost, or up to $7,500 max credit for vehicles less than 14,000 lbs.

   A “qualified commercial clean vehicle” is defined as any vehicle of a character subject to the allowance for depreciation that is:

   - Made by a qualified manufacturer,
   - Acquired for use or lease by the taxpayer and not for resale,
   - Treated as a motor vehicle for purposes of title II of the Clean Air Act and is manufactured primarily for use on public streets, roads and highways (not including a vehicle operated exclusively on a rail or rails) or is mobile machinery as defined in § 4053(8) of the Code, and
   - Propelled to a significant extent by an electric motor which draws electricity from a battery that has a capacity of not less than 15 kilowatt hours (or, in the case of a vehicle that has a gross vehicle weight rating of less than 14,000 pounds, 7 kilowatt hours) and is capable of being recharged from an external source of electricity, or satisfies the requirements under §30B(b)(3)(A) and (B) of the Code for being a new qualified fuel cell motor vehicle.

   The Fact Sheet and Q&A (revised April 2024) related to new, previously owned and qualified commercial clean vehicle credits and Instructions for Form 8936 (2023) are guidance and reference when analyzing the credit.

3. Alternative Fuel Vehicle Refueling Property Credit (30C)

For alternative fuel vehicle refueling and charging property, located in low-income and non-urban areas. Qualified fuels include electricity, ethanol, natural gas, hydrogen, and biodiesel. (§ 30C) Credit Amount: 6% of basis for businesses and can increase to 30% if PWA is met.

The maximum credit for charging stations tax credit is less than 30% of charger's cost or $100,000. The alternative fuel vehicle refueling property credit is subject to wage and apprenticeship requirements. Failing to meet the wage and apprenticeship requirements will result in a credit rate of 6% instead of 30%. Prevailing Wage and the Inflation Reduction Act | U.S. Department of Labor (dol.gov) provides detail information for prevailing wage and apprenticeship requirements.

Qualified alternative fuel vehicle refueling property is any property (other than a building or its structural components) used for either of the following.

- To store or dispense an alternative fuel (defined below) other than electricity into the fuel tank of a motor vehicle propelled by the fuel, but only if the storage or dispensing is at the point where the fuel is delivered into that tank.
- To recharge an electric vehicle, but only if the recharging property is located at the point where the vehicle is recharged.

In addition, the following requirements must be met to qualify for the credit.

- You placed the refueling property in service during your tax year.
- The original use of the property began with you.
- The property isn't used predominantly outside the United States.
- If the property isn't business/investment use property, the property must be installed on property used as your main home.
  - Property placed in service after 2022 must be located in an eligible census tract. An eligible census tract is any population census tract that is described in section 45D(e), or is not an urban area.

The definition of the alternative fuel are as follows:

• Any fuel at least 85% of the volume of which consists of one or more of the following: ethanol, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, or hydrogen.

• Any mixture which consists of two or more of the following: biodiesel (as defined in section 40A(d)(1)), diesel fuel (as defined in section 4083(a)(3)), or kerosene, and at least 20% of the volume of which consists of biodiesel determined without regard to any kerosene in such mixture.

• Electricity.