



Talking About IRA Tax Credits & Elective Pay

Guide for Advocates

This is a companion to the [AESB Fact Sheet on Tax Credits and Direct Pay for Electric School Buses](#) and the [AESB Guide for Advocates - 30C Tax Credit Implementation](#).

Talking Points

The Urgency of Acting Now

- **TIME IS OF THE ESSENCE:** In 2025, Congress drastically accelerated the expiration of these tax credits. Eligible entities can claim the 30C tax credit for chargers installed by June 30, 2026. **School districts should act quickly to bring this funding to their schools.**

Benefits of IRA Tax Credits

- **RECENTLY AVAILABLE FOR SCHOOLS:** Thanks to a new Inflation Reduction Act system called *direct or elective pay*, eligible entities that typically don't owe taxes (tax-exempt) can now claim these credits. This includes local, state, and Tribal governments as well as churches, schools, hospitals, public utilities, and nonprofit organizations. Previously, only private companies or individuals could claim these credits.
- **CASH REIMBURSEMENT:** The federal government will directly pay tax-exempt entities for making qualifying investments, like purchasing electric commercial vehicles. After registering with the IRS and providing the necessary documentation, entities will receive a check with a reimbursement equal to the value of the tax credit.
- **NON-COMPETITIVE:** These tax credits are available to any eligible entity, without a competitive process. Unlike grants or loans, there is no review, ranking, or selection or rejection of applications. An eligible entity is guaranteed to receive this funding if they meet the eligibility criteria and fulfill the requirements for direct pay.
- **UNLIMITED:** There is no cap on how many credits can be claimed. Eligible entities can claim an unlimited number of credits each tax year.
- **STACKABLE:** These tax credits can be paired with federal and state grants. IRS has shared examples of IRA tax credits being paired with funds from the EPA Clean School Bus Program.
- **LOWERING COSTS:** These tax credits can reduce the cost of electric vehicles and their charging stations, lowering their total cost of ownership and incentivizing their adoption.

On Electric School Buses

- School districts could receive checks up to \$100,000 per electric school bus charging station. To be eligible, charging stations must be placed in low-income and non-urban communities.
 - For charging stations, the total funding amount depends on whether at least part of the installation is done by qualified apprentices and workers earning good wages.

- Investing in electric school buses helps school districts clean up the air children breathe and boost students' academic success, save money on maintenance and fueling costs, and provide a healthier working environment for drivers and mechanics.
- By supporting these investments, direct pay is bringing a clean ride for kids to more communities across the country.

Comparing Tax Credits & Other Federal Funding Mechanisms

Tax Credits	Grants	Rebates
<ul style="list-style-type: none"> • Non-competitive • Issued AFTER vehicle or charger purchase • Unlimited funding • Stackable with federal grants & loans 	<ul style="list-style-type: none"> • Competitive • Issued upfront, before purchase • Limited funding pool • Stackable with state grants and rebates, <i>not</i> federal funding 	<ul style="list-style-type: none"> • Non-competitive • Issued upfront, before purchase • Limited funding pool • Stackable with state grants and rebates, <i>not</i> federal funding

Possible Challenges with IRA Tax Credits

- **PRE-REGISTRATION:** To claim direct pay, tax-exempt entities will need to pre-register with the IRS during the same tax year the vehicle or charging station was placed into service. This requires an IRS online account and providing information and supporting documents related to the vehicle or charging station.
- **LENGTHY PROCESS:** Since pre-registration must take place after a project has been placed into service, and ideally 120 days before the next filing deadline, it can take 12-18 months to receive payment. Expedited processing is not available.
- **GAP IN FUNDING:** The entity will need to pay for the vehicle or charging station upfront and receive the reimbursement later, meaning there will be a gap in funding. Certain financial institutions like green banks and the USDA are pledging to provide bridge financing for school districts while they wait to receive direct pay.
- **LIMITS:** The 30C tax credit is limited to projects placed in low-income and non-urban communities, and additional Prevailing Wage and Apprenticeship Requirements must be met to claim 30%, instead of 6%, of the charger cost.

Guidance

DO point out the benefits of tax credits and acknowledge the limitations.

DON'T frame this as overly complicated or impossible! This is doable, and additional support for school districts seeking more funding for clean energy and clean transportation projects.

DO educate school districts on these opportunities.

DON'T frame this as tax advice. Always recommend school districts speak to a tax specialist.

FAQs

Are tax-exempt entities other than school districts eligible for these tax credits?

Yes, businesses and others who acquire vehicles for use or lease can claim the tax credits. Direct pay (elective payment) can only be claimed by State and federally-recognized Tribal governments and their subdivisions; tax-exempt rural energy cooperatives (as well as the Tennessee Valley Authority);

and other tax-exempt entities such as 501(d) organizations and 501(c) public charities, private foundations, social welfare organizations, labor organizations, business leagues, and others.

Can an entity file for a tax credit multiple times?

One 990-T form can be filed each tax year. Pre-filing registration can only be completed once each annual accounting period. A registration submission can be amended to register new buses and/or charging stations later in the year, but only after it has been processed and assigned registration numbers by the IRS. Submissions can also be amended to change the election type or change or remove a property.

Is there a minimum number of vehicles or charging stations that must be claimed?

No.

For multiple vehicles or charging stations, do you file multiple times?

No. An entity can pre-register multiple properties at once using a spreadsheet template and bulk upload. Pre-filing registration can only be completed once each annual accounting period. A registration submission can be amended to register new buses and/or charging stations later in the year, but only after it has been processed and assigned registration numbers by the IRS.

Can these tax credits be stacked with EPA funds?

Yes, the IRS specifically lists the EPA Clean School Bus Program as an example of funding that can be combined with tax credits.

When is a project considered “in use”?

According to [Climate United](#), a project is placed in service on the date the property is placed in a state of readiness and availability for its specifically assigned function.

Resources

- ONE PAGER: [30C Tax Credit One-Pager](#)
- GUIDE: [AESB Fact Sheet - Tax Credits and Direct Pay for Electric School Buses](#)
- SLIDE DECK: [AESB Presentation - Tax Credits for Electric School Buses](#)
- WEBINAR: [WRI Electric School Bus Initiative - An Introduction to Federal IRA Tax Credits](#)
- TOOLKIT: [Congressional Progressive Caucus Center Direct Pay Partner Toolkit](#)
- FAQs: [Congressional Progressive Caucus Center - FAQs on Direct Pay](#)