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30C with Bill Harbeson

Helena Carmel

Hello, I'm Helena Carmel. Welcome to another episode of Capstan Live. We've been featuring a lot of amazing guests in our Beyond the Spreadsheet series and enjoying them tremendously. We did get some feedback from listeners who missed our more technical episodes. So Capstan Live is returning to scratch that itch. Today, we'll be discussing an incentive that might be new to some of our audience. And lucky for us, we have a real expert joining to provide a solid introduction. Bill Harbison is Capstan's Director of Energy Incentives, and we're so excited to have him on the pod today. Thanks for coming, Bill.

Bill Harbeson

Thanks for having me, Helena.

Helena Carmel

We appreciate it. We appreciate your time and we appreciate your expertise because this Credit has so many aliases, I start to lose track. I want to talk to you about the EV Charging Credit. It has so many names though. Why? Why so many names?

Bill Harbeson

Well, so you'll have to forgive the IRS for not being real creative with their names. It seems like every incentive I work with is called 45L or 179D or 48 or 48C. And this one's no different. So the correct, what you call nomenclature, would be the Section 30C Credit known as the Alternative Fuel Vehicle Refueling Property Credit, which is a big mouthful. Most people kind of shorten that to EV Charging Credit, EV Charging Station Credit. And, you know, most likely because that's probably 95% of the qualified property for this Credit.

But it does not stop with Electric Vehicle Charging Stations. Alternative vehicle refueling can include natural gas. A lot of fleet vehicles run off of natural gas. Hydrogen, is gaining in some popularity in California and some other places.

However, most of what we do, again, 95, maybe 99% of the interest that we get in this Credit is for EV charging stations. So it gets shortened to EV Charging Station Credit. But 30C is the probably easiest way to call it.

Helena Carmel (24:33)

Right, the official nomenclature. So, okay, so tell me, what exactly are we looking at here?

Bill Harbeson (24:41)

So the 30C Credit is an interesting one. It is a Credit of 6% of the total cost to install qualified alternative vehicle refueling station property, which is to say that the cost of, for our purposes, we'll say installation of an EV charging station -- whether it's in an apartment building or one of those like EV gas stations that you see kind of popping up around that's got like eight or 12 individual charging ports.

You get a Credit from the government of 6%. That number can go to 30%. Should the equipment be installed, paying prevailing wage to all laborers, electricians, anyone who's on the project, as well as that project participating in a registered apprenticeship program.

Should you attempt to bring on apprentices for this installation project in good faith but are unable to do so, then you would be exempted from the requirements. There's also another way -- if the equipment was installed with four or fewer people, you are also exempted from the apprenticeship program requirements.

Helena Carmel (26:30)

So you don't even have to try to find apprentices if the installation only requires 4 or less team members?

Bill Harbeson (26:36)

That's right. And that's especially relevant for the 30C Credit. Again, there's some large scale installations. And we've worked with people that do that where, you know, they're installing a parking lot and they're putting 20 of those stations and that's a fairly large group.

However, if you're an apartment building and you're installing a half a dozen of these, it might be 4 or fewer people that are doing it, in which case you'd be exempted from that apprenticeship program requirement.

No matter what you do, how many people are on the project, you must pay prevailing wage if you want to get that enhanced Credit of 30%, which is a lot of money. That is not the only thing that you must do to qualify, however.

The 30 C also has a requirement that the equipment be located in what's called an eligible census tract. So the government is trying to incentivize people to put this equipment in eligible areas, which is to say that they are underserved, maybe they're low income, they're rural. It's about two thirds of the United States is a eligible census tract

Where you will NOT see an eligible census tract is someplace like downtown Los Angeles, where they've got a lot of EV charging stations already. The government doesn't need you to put more in. However, in more rural California, maybe inland California or most of the Midwest, a lot of the East Coast, they're underserved. They are encouraging EV production, purchase, use, etc. So these kind of areas that haven't really embraced electric vehicles want to see the EV charging stations going into those areas. The eligible census tract is an evolving map. So if you're interested in installing some of that equipment, I would reach out to a consultant like us. We can take your ideas for locations and we'll let you know if it's going to fall within that and you could claim a Credit.

It is a bit of a tricky map. It's not just like it's all of Pennsylvania or it's all of Maryland or none of Texas. You know, I've been working with this map now for a couple years now and it's amazing. You can go into, we'll say Philadelphia because know, you can have an eligible building across the street from an ineligible building. And that's how specific these maps get. So I said all that to say that it must be in the right location, it must be the right kind of equipment, and if you want an enhanced Credit, it must be done paying prevailing wages.

Helena Carmel (29:41)

Location, location, holy moly. How frequently does the map change if it's not static, but it's an evolving map?

Bill Harbeson (29:42)

So it was put in place a few years ago with the Inflation Reduction Act, and it's on its third iteration. It changed a little bit earlier in 2024, so about six, seven months ago, it's evolved. With the administration change, it's liable to evolve again. 30C is law, so I don't see it rolling back or getting repealed. However, what's considered an eligible census tract is up for debate. So we may see some changes there. And so again, if you're interested in installing some of this equipment, I encourage you to get started soon. Start asking questions, reach out to a trusted advisor like Capstan.

Helena Carmel (30:38)

That is a very important take home message. Sooner than later. Yes, we don't know exactly. We don't know quite what the future holds. Okay. I also wanted to ask you, there's another condition that you have to be the "first user" to be eligible for the Credit?

Bill Harbeson (30:44)

Right. That's absolutely right.

So this is very similar to a lot of the Credits, the energy incentives very similar to like solar, for instance. If I am a business owner and I install a EV charging station and then down the road, I sell my property, I cannot transfer a Credit to a new user, to a new owner.

The Credit is solely for the first user of that equipment. So you don't necessarily have to be the installer. Most people aren't. They're not going to install their own EV charging stations. We're going to hire somebody to do it. And while they may be the installer, I'm the first one to use it. And because of that, I'm the one that claims the Credit and no one else. So if you're thinking of hanging on to the Credit to make a sale of your property more appealing, don't. Claim the Credit now and then you can do what you want with that money. But it is for the first use and only the first use. Good question.

Helena Carmel (32:02)

Thank you for clarifying that. And speaking of the IRA, the IRA has totally boosted this Credit. I couldn't believe it when I was reading about a change from "per location" to "per item" cap.

Bill Harbeson (32:19)

That's right.

So there used to be a cap of $100,000 Credit per location. And as you said, that has changed from location to per piece of equipment. Like we said, there's these kind of EV refueling stations where there's a half dozen of these used to be is a $100,000 Credit for that whole little area. Now it is for every single charging station is a $100,000 cap.

Big hint, these things don't cost that much money. So you are not going to be capped by cost for the amount of Credit that you can claim. It's going to be 30%. And unless there's some really exotic refueling station that I don't know of, I've never heard of, we haven't come up with anybody yet that's been capped by the $100,000 per piece of equipment.

Helena Carmel (33:21)

Plus, let's say you have the piece of equipment and it has more than one port on it, right? So you can take up to $100,000 for each of those charging ports on that *main guy*. I'm sorry, the name is escaping me.

Bill Harbeson (33:37)

Right.

That's correct. That's right. You're getting the sentiment down. [Laughter]

Bill Harbeson (33:56)

Yeah, and it is doing what it intended to do. We're seeing a lot more interest in these. These things aren't cheap, but if you make them 30% cheaper, then they become a lot more appealing, which is the entire idea. So we're seeing clients that are installing these in their housing projects in rural Illinois even.

In some states, some areas, they're starting to require these refueling stations anyways. So if you're in like an urban area, but it's like a low income area, they may require EV charging stations in your new development. So you have to put them in. And now you can claim a federal Credit for it. So by just doing nothing different, a lot of our developer clients are claiming brand new tax Credits. So, a big positive there.

Helena Carmel (34:55)

And I feel like it draws people to your business or to your apartment complex. It's like a desirable amenity these days and it's only becoming more so from what I can tell. So it's a win-win. Okay, so I'm intrigued. And if I had that kind of money, I would be involved here. So let's pretend I do.

What would you advise me, Bill? Like, how do I get in on this? Say I want to claim this Credit. I want to join the exciting world of 30C'ers.

Bill Harbeson (35:33)

Yeah, it is an exciting world. EV charging stations are, it's evolving technology. That said, there's a few steps to follow. First off, have to decide your needs as a business and you have to, see if there's local regulations or statutes that dictates how many and where they go and things like that, you know, that's all some research that needs to be done.

But when the time comes to get these things paid for in the front end, the back end, that's when it's time to reach out to a trusted advisor. A company like Capstan, we work nationwide, we work with these federal incentives every day. So, you reach out to us.

If you're in the very early planning stages, we can and have connected taxpayers business owners with installers, which we can help with. Though, you know, our bread and butter, where we spend most of our time is on the actual incentive side, the compliance side, making sure that when you file your taxes with these Credits that you're doing so correctly. But nonetheless, sooner is better, earlier is better with us. We can help you with some planning, make sure that the money that you spend and the equipment that you buy is going to be eligible for for these Credits.

Helena Carmel (36:59)

And where does cost segregation fit in here? Cost segregation is an important piece to the puzzle, right?

Bill Harbeson (37:05)

Yeah, it is. So, for one, cost segregation is a good thing regardless, even if there wasn't a Credit available, reclassifying this equipment into a different class life is going to help you depreciate it faster. It's not 39-year equipment, you know, and so it's not going to last 39 years. So you don't want to depreciate it over 39 years. That said, if you do a well-done, formatted cost segregation exercise, get the equipment into the class life. That's how the Credit is calculated. It's pulled from that 5-year class life. Very similar to how it's done with like the solar programs, the Investment Tax Credit, now the Clean Energy Investment Credit. It's very treated much, very much the same way. And we're gonna pull the Credit directly from that 5-year class life.

So if you're part of a larger construction project, maybe, a brand new parking lot or parking garage or maybe it's a brand new apartment building or something like that. It could be a little tricky to say, all right, *where do these EV charging stations stop? And where does everything else begin?* And so getting that exactly correct is going to make sure that you are maximizing the Credit that you get, but also not double dip and claim funds that you shouldn't. Because at the end of the day, our highest priority is to make sure that you keep the money that you claim. So yeah, that's where a well done cost segregation is going to come into play. And then on top of all that you can claim bonus depreciation for for this equipment as well. So you're doing all these things at the same time is going to cost less, you know, for a consultant, right. But also it's going to maximize the benefit, you're going make sure that you're not double dipping anything like that.

So I recommend to anybody that's installing this kind of equipment as part of a one-off or as part of larger project to find a trusted consultant that can do it all.

Helena Carmel (39:13)

Because you need somebody who can make sure you're going to fully leverage the incentives while remaining in a fully defensible position.

Here's a question. If somebody -- for some crazy reason -- didn't want to use Capstan, what should they look for? What are some good signs that they should look for in a practitioner?

Bill Harbeson (39:19)

Sure, so if you're not going to use Capstan, first we certainly hope that you do, but we can't help everybody in the United States. We understand that. If you must look beyond our borders, I would say experience, first and foremost.

These Credits are not new. However, they are new to the Inflation Reduction Act. They've blown up. And now people in this space - we're the prettiest girl to dance. But that also is bringing people to the forefront that are saying like, *we can do this too. We're an engineering firm and we can calculate this for you. We're pretty sure we can figure this out*. So I would ask a provider like *how many of these have you done? How familiar are you with it? Are you going to outsource any of this work? If so, to where?* That sort of thing.

Helena Carmel (40:31)

Good point.

Bill Harbeson (40:36)

The other thing that I talk about a lot with these kind of Credits, all the energy incentives that we work with, whether it's the solar Credits, these kind of Credits, there is a sweet spot, which is to say that some providers are going to make this seem more complicated than it is. They're going to say, *we need a $50,000 consulting fee to really get this right for you*. And that is not the case. There is one right way to do these.

Finding a company that can do it that right way and do it efficiently is right where you want to be. You may be tempted to overpay for this kind of thing because it is kind of a foreign technology. This is kind of new stuff for lot of people. And there's some providers out there that really aren't sure how to price this kind of work yet. So they're going to make it harder than it seems that it needs to be.

On the other side of things, it's not really easy either. People might say, *we can calculate this for you for 400 bucks*. I would be skeptical of those people as well. Where is that money going? What are you doing for compliance? Where's your audit support? Are we going to get all of that for $400? Probably not. yeah, I would look for someone that knows what they're doing, but they're not going to make things harder than they need to be.

Other than that, I'd be interested in their depth of practice. Is this the only thing that you do? Is this the primary thing that you do? Or was this a recent add-on? Because, yeah, it's getting more popular all of sudden. Which is not always a bad thing. But, you know, certainly I would ask those kind of questions.

Helena Carmel

Bill, thank you. That was a really great answer. It was very thoughtful. And I learned a lot today. If people want to learn more from you, Bill, can they reach out to you? Can they get in touch with you?

Bill Harbeson

Yes, absolutely. We have a very well-done website. But also, we are all myself included active on LinkedIn. My personal contact information is located on our website. But really, if you find any capstan phone number or email address, you will end up at the right place. Have no fear. We all really like what we do and so you will not slip through the cracks. So reach out any way is most convenient for you and you will get in contact with the right person.

Helena Carmel (43:15)

I love that answer. We do love what we do and no man is ever left behind here. No, opportunity left unturned. So yeah, no worries. You could practically send a carrier pigeon and we would get it to Bill and we'd be like, *Bill, look at this pigeon's leg.* [Laughter]

Bill Harbeson (43:20)

That's right.

I did get a fax the other day.

Helena Carmel (43:36)

Really?

Wow, that's like a blast from the past. Hello, the 90s. Love it.

Bill, thank you so much again for your time. We appreciate it. And listeners, thank you for yours. If you liked what you heard, why not subscribe? We're on Apple Podcasts, Google Podcasts, Spotify, Podbean, or just go to capstan tax.com/podcasts. I'm Helena Carmel. Thanks for joining us. We'll see you next time.