

Direct Pay

\$4,000 to \$7,500 for Light-Duty Vehicles and up to \$40,000 for Medium- & Heavy-Duty Vehicles.

Direct Pay Option for Nonprofits and Tax-Exempt Entities

Direct Pay, sometimes also referred to as elective pay, allows tax-exempt entities, nonprofits, local governments, tribal organizations, and certain cooperatives to access federal incentives even if they don't owe taxes.

Here's how it works:

- Instead of a tax credit, eligible organizations can receive a direct payment equivalent to the value of the tax incentive.
- This applies to programs like the Commercial Clean Vehicle Credit and the Alternative Fuel Vehicle Refueling Property Credit, enabling nonprofits to benefit from clean energy investments without a taxable income requirement.

For example, if a nonprofit or tax-exempt entity purchases an electric shuttle bus for community use, it can receive up to \$40,000 in direct pay. Similarly, if it installs charging stations, it can recover 30% of the installation costs (up to \$100,000 per station).

Steps for Pre-filing registration:

- A) Ensure the project is active before registration:** Ensure the applicable credit property is placed in service before submitting a pre-filing registration.
- B) Identify your project** *[For example, projects that also qualify for direct pay include Electric Vehicles (EV), Solar power, Energy Storage, Charging Stations, HVAC systems, etc.]*
 - B1. Identify the qualifying project or credit:** Identify the clean energy project or purchase you plan to undertake, such as buying an EV or installing charging stations, and determine the specific tax credits it qualifies for.
 - B2. Determine your tax year, if not already known:** Confirm your tax year to ensure accurate deadlines for filing the required tax return.
 - B3. Meet Eligibility Requirements:** Fulfill all criteria for the tax credit (ex, placing the project in service during the applicable tax year).
- C) Prepare Required Documentation:** Gather necessary records to substantiate the tax credit, including documentation for any bonus credits.

D) Create an Internal Revenue Service (IRS) user by making an 'ID.me' account and filing the required forms.

D1. Register with the IRS (Pre-filing):

D1.1. First-time users create an 'ID.me' account to obtain a registration number for each applicable credit property. This is a multi-step process. You may be video-called by the 'ID.me' team to verbally verify your identity, Social Security number, and Employer Identification Number (EIN).

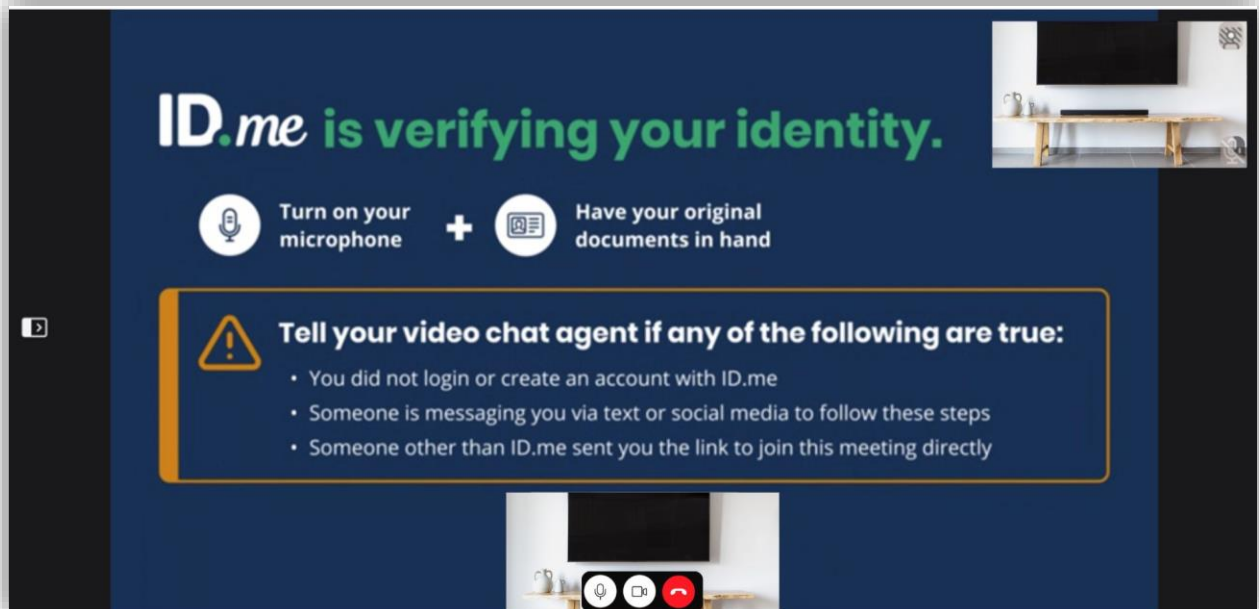


Figure 1. ID.me snapshot.

D1.2. Once your account is created, you will be able to add details about your organization and the identified eligible project(s).

D2. If you are already registered: Obtain a unique registration number for each applicable credit property from the IRS following step D1.2. You will need to provide that registration number on your tax return as part of making the elective pay election.

- E) Complete pre-filing registration in sufficient time:** submit pre-filing early enough to obtain all of the valid registration numbers you need before filing your tax return.
- F) File the Tax Return:** Submit the required annual tax return by the due date (or extended due date) and make a valid elective payment election. This includes properly completed and attached source credit forms, Form 3800, General Business Credit (or its successor), which should include registration number(s) and required return attachments.

Disclaimer: This document is for educational purposes only; Triangle Clean Cities Coalition and Central Pines Regional Council are not tax experts. If you have any questions, consult a qualified tax professional or the U.S. Internal Revenue Service (IRS) before making any tax-related decisions:

- Contact the IRS at 800-829-1040 or
- Identify the local IRS office on the [Contact Your Local IRS Office page](#).