



**BDO Driving Profits**  
NEWSLETTER

INSIGHTS FROM THE BDO AUTO DEALERSHIPS PRACTICE

# RENEWABLE ENERGY TAX CREDITS FOR AUTO DEALERSHIPS

**BDO**

The case for sustainability — and for sustainable business — has been building on a global stage for many years. A growing number of consumers are taking into consideration the environmental impact of not only their purchases, but also the businesses from which they are buying.



Auto dealerships looking to make a positive impact on the environment may be in a position to reduce their energy costs, align their brand to an environmentally conscious offering and potentially reach new prospects who may not have previously purchased from the dealership. Additionally, dealerships may be able to take advantage of the following federal income tax credits to help mitigate the costs associated with investing in renewable energy projects.

### ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY CREDIT

The growing demand for electric vehicles (EVs) is creating a greater need for EV charging stations. Auto dealerships may be in a unique position of providing an additional service to their customers and, at the same time, improving their visibility by installing EV charging stations on their property.

Federal income tax law previously provided an investment tax credit equal to 30% of the cost of any qualified alternative fuel vehicle refueling property, including electric charging stations, placed in service during the taxable year. The credit was capped at \$30,000 for refueling property installed for commercial use prior to December 31, 2021, the date the credit expired. However, the credit could potentially not only be extended, but also enhanced if the current version of the [Build Back Better Act](#) (BBBA) is enacted.

The BBBA would extend the Alternative Fuel Vehicle Refueling Property Credit to include property placed in service before December 31, 2031. The proposal would provide a base credit of 6% for expenses up to \$100,000 and a 4% credit for allowable expenses in excess of \$100,000. The 6% and 4% rates would be increased to 30% and 20%, respectively, if the alternative fuel vehicle refueling project meets the prevailing wage and apprenticeship requirements. Additionally, the proposal would allow the taxpayer to elect a cash payment in lieu of the tax credit.

To be eligible for the 4% credit (20% if prevailing wage and apprenticeship requirements are met) for allowable expenses in excess of \$100,000, the property must be intended for:

- ▶ General public use and either accept credit cards as a form of payment or not charge a fee; or
- ▶ Exclusive use by government or commercial vehicle fleets.

The BBBA would also expand the list of eligible property to include bidirectional charging equipment and electric charging stations for electric two- and three-wheeled motor vehicles manufactured for use on public streets, roads and highways, but only if such stations meet one of the two requirements listed above.



In addition to the Alternative Fuel Vehicle Refueling Property Credit, the BBBA would provide opportunities for zero-emissions vehicle infrastructure grants. The proposal would appropriate \$600 million to the Department of Energy to provide financial assistance through state energy programs for Level 2 publicly accessible EV supply equipment, \$200 million for direct current fast charging infrastructure and \$200 million for hydrogen fueling equipment. The grants would target the buildout of infrastructure in rural, underserved and disadvantaged areas.

## RENEWABLE ENERGY INVESTMENT TAX CREDIT

Solar panels may be a natural fit for many auto dealerships. With the rising cost of electricity, the growing demand for EVs and EV charging stations, and the amount of real estate often available — such as on dealership rooftops or under-utilized parking spaces — the use of solar panels might be a sensible option.

The cost of installing solar panels may be offset by the Renewable Energy Investment Tax Credit (ITC). Under current federal income tax law, the ITC is available for energy property, which includes equipment that uses solar energy to generate electricity, as well as energy storage systems that are charged by the solar panels and meet certain charging requirements (e.g., batteries). Currently, the credit is equal to 26% of the qualified property if construction begins before January 1, 2023. The rate decreases to 22% for projects that begin

construction after December 31, 2022 and before January 1, 2024 and are placed in service before 2026; thereafter, the credit is 10%.

The BBBA, if enacted in its current form, would extend and enhance the ITC for solar property. The legislation would increase the credit rate from 26% to 30%, subject to prevailing wage and apprenticeship requirements for projects that begin construction before January 1, 2027. Additionally, the proposal would increase the credit rate from 30% to 40% for projects that meet domestic content requirements. Similar to the proposed Alternative Fuel Vehicle Refueling Property Credit, the taxpayer would be able to elect a cash payment in lieu of the tax credit.

## HOW BDO CAN HELP

Application of the various tax credit rules can be complex and difficult to navigate. BDO can help. Whether it's determining and documenting the "begin construction" date, identifying which aspects of the construction/installation process may qualify for the available credits or navigating the prevailing wage and apprenticeship requirements and domestic content requirements as proposed in the BBBA, we have the knowledge to help your dealership maximize tax benefits.

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### ABOUT BDO'S AUTO DEALERSHIPS PRACTICE

BDO is a valued business advisor for auto dealerships, bringing a wealth of experience on traditional and emerging accounting, tax, and advisory issues. The firm's Auto Dealerships industry practice works with a variety of companies across the dealership sector, including automotive, motorcycle, marine, RV, rental equipment and more. We help dealerships of all sizes achieve their desired business outcomes.

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