

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 19, 2025

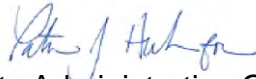
CAO File No. 0220-06228-0001

Council File No. 22-0947-S1

Council District: All

To: The Mayor
The City Council

From: Matthew W. Szabo, City Administrative Officer



Reference: Report from the Office of the City Administrative Officer dated August 27, 2024

Subject: **SECOND STATUS REPORT ON FEDERAL CLEAN ENERGY TAX CREDITS FROM THE INFLATION REDUCTION ACT**

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

1. Authorize the City Administrative Officer (CAO), or designee, to:
 - a. Complete and submit clean energy tax credit claims to the Internal Revenue Service (IRS), to be filed under Tax Identification No. 95-6000735, on an annual basis for reimbursement of eligible expenses; and,
 - b. Accept and deposit all reimbursement funds from clean energy tax credit claims into the Grants and Awards Fund No. 65W, Department No. 10, Account No. 10A845 "Recovered Costs – Clean Energy Tax Credits";
2. Approve the use of all reimbursements received for reinvestment in projects eligible for activities that reduce greenhouse gas emissions within City operations, or other climate mitigation measures;
3. Request the Controller to appropriate all reimbursements received into account 10A845 "Recovered Costs – Clean Energy Tax Credits"; within the Grants and Awards Fund No. 65W, Department No. 10;
4. Authorize the CAO to prepare Controller instructions to make necessary technical adjustments consistent with the Mayor and Council actions, and request the Controller to implement these instructions.
5. Instruct the CAO to report annually on the status of reimbursements received from federal clean energy tax credits after tax credits are received and appropriated.

SUMMARY

In August 2024, this Office reported on clean energy tax credits applicable to the City from the Inflation Reduction Act of 2022 (IRA), including the acquisition of electric vehicles (EV) and plug-in hybrid electric vehicles (PHEV), installation of EV chargers, and clean energy projects (C.F. 22-0947-S1). This report provides an update on the current and previous clean energy tax credit claims and requests on-going authority for actions to effectuate tax credit reimbursements. Attachment 1 provides an overview of IRA tax credits applicable to the City, including reimbursement percentages and criteria.

Status of Tax Credit Reimbursement Claims

In November 2024, this Office submitted the first Direct Pay reimbursement claim to the IRS for calendar year 2023. The reimbursement amount submitted was \$575,554.37. The funds have not yet been received and it is not known when funds will be received due to the recent actions by the federal government. This Office continues to pursue clean energy tax credits insofar as they are codified in the United States Code Title 26 Internal Revenue Code, Subtitle F Procedure and Administration, Chapter 65 Abatements, Credits, and Refunds, Subchapter B Rules of Special Application, Section 6417 Elective payment of applicable credits.

In December 2024, this Office solicited data from City departments to perform due diligence to determine the eligibility of expenses. Data was provided by the following departments:

- Department of Public Works,
 - Bureau of Street Lighting;
 - Bureau of Sanitation;
- General Services Department;
- Police Department;
- Los Angeles City Tourism; and,
- Los Angeles Zoo.

While a significant portion of the submitted projects qualify for reimbursement, certain investments have been identified as potentially ineligible due to factors such as project timing, insufficient documentation, or specific project characteristics not aligned with IRS guidelines.

The calendar year 2024 reimbursement claim is currently being compiled and we are not yet able to determine the reimbursement request amount. The annual deadline for submission to the IRS is May 15th. The calendar year 2024 reimbursement claim is due to the IRS on May 15, 2025.

Upon successful receipt of the IRA tax credit reimbursements, this Office will report back on the amount of reimbursement received to allow the Mayor and Council to consider it in the budget development process as part of the City's investment in clean energy infrastructure.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund as a result of the recommendations in this report.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with City Financial Policies.

Attachment 1 – Federal Clean Energy Tax Credits

MWS:THS:06250071

ATTACHMENT 1 – Federal Clean Energy Tax Credits

The IRA created new provisions for tax-exempt entities, such as local governments, to receive direct reimbursement for clean energy infrastructure costs through a refundable tax credit program administered by the Internal Revenue Service (IRS). A refundable tax credit allows an entity whose tax burden is zero to receive reimbursements up to the limit of the tax credit. The IRS clean energy tax credits for tax-exempt entities is also known as Direct Pay.

ELIGIBLE IRA TAX CREDIT SECTIONS

Section No.	Eligible Expenses for Reimbursement	Reimbursement	Potential Bonus	
Section 30C	Installation of Electric Vehicle Chargers	6%	Prevailing Wage & Apprenticeship	24%
Section 45W	Acquisition of Zero-Emission Vehicles	\$7,500 per vehicle <14,000 lbs. \$40,000 per vehicle >14,000 lbs.	N/A	
Section 48	Renewable Energy Projects	Projects Over 1 Megawatt		
		6%	Prevailing Wage & Apprenticeship	24%
			Buy America	10%
			Energy Communities Criteria	10%
			Low Income Communities Criteria Applicable through Section 48(e)	10%
		Projects Under 1 Megawatt		
		30%	Prevailing Wage & Apprenticeship	N/A
			Buy America	10%
Energy Communities Criteria	10%			
Low Income Communities Criteria Applicable through Section 48(e)	10%			

To maximize the value of the tax credit reimbursement, investments or projects must meet specific criteria outlined in federal program guidance such as, but not limited to, the following:

- Ownership of the asset or project site by the City;
- The asset or project must be placed in service;
- The City must provide payment records for the asset or project;
- Reimbursement is limited to the local share of a grant-funded asset or project; and,
- Ensuring each asset or project is pre-registered with the IRS prior to filing the claim.

Additional eligibility considerations specific to each tax credit section are as follows:

- For Section 30C – Installation of Electric Vehicle Chargers, charging units must be installed in low-income or non-urban population census tracts in accordance with national environmental justice initiatives;
- Section 45W – Acquisition of Zero-Emission Vehicles, vehicles must be made by a qualified manufacturer and used for business purposes only; and,
- Section 48 – Renewable Energy Projects, eligible project costs must be for qualified energy or electricity equipment.