

# Electric Vehicles

- Public power utilities are committed to providing their communities with the infrastructure and programs needed to support increased electric vehicle (EV) adoption.
- Should Congress seek to encourage the use of EVs, it must ensure that any incentives and programs are available to public power utilities and their customers.
- Federal programs and incentives should prioritize local decision making and flexibility to fulfill each community's unique transportation needs.

## Background

Battery technology improvements, declining battery costs, automaker commitments, and government incentives are driving increased adoption of EVs nationwide. The Energy Information Administration's 2023 Annual Energy Outlook projects that EVs, including both battery-electric vehicles and plug-in hybrid electric vehicles, will account for between 13 percent and 29 percent of new light-duty vehicle sales in the United States by 2050. The electrification of the transportation sector is expected to lead to reduced emissions, economic growth (from investments in EV technologies), and the enhancement of America's energy security through the diversification of transportation fuels. EVs may also be an asset to the grid through vehicle-grid integration technologies, including absorbing excess generation from renewable energy resources, curtailing charging during peak hours, and even transferring power back to the grid if needed.

Before 2021, EV adoption was primarily supported at the federal level through the tax code using two credits. Created by the Energy Policy Act of 2005, the Alternative Fuel Vehicle Refueling Property Credit (26 U.S.C. 30C) provided a tax credit equal to 30 percent of the cost of installing alternative fuel vehicle refueling infrastructure, including EV chargers. The credit was capped at \$30,000 for businesses and \$1,000 for individuals and applied through December 31, 2021. The New Qualified Plug-in Electric Drive Motor Vehicles Credit (26 U.S.C. 30D) provided a tax credit worth between \$2,500 and \$7,500, depending on a vehicle's battery capacity, for the purchase of a new plug-in electric vehicle. The credit, created in the Energy Improvement and Extension Act of 2008, was phased out for any vehicle manufactured by a manufacturer that sold 200,000 or more qualifying EVs, a threshold that Tesla, General Motors, and Toyota met. In the case of a tax-exempt entity that could not use these tax credits, such as a public power utility, the tax credits could be claimed by the seller of the EV.

In 2015, the Fixing America's Surface Transportation Act included several measures to accelerate the growth of the EV market. One provision directed the Department of Transportation (DOT) to create corridor maps to identify the "near- and long-term need for, and location of, electric vehicle charging infrastructure...across the United States." DOT has designated hundreds of thousands of miles of road in all 50 states, Washington DC, and Puerto Rico as Alternative Fuel Corridors. Additionally, state and local governments increasingly support EV deployment through grants and tax incentives. Several states have also adopted zero-emission vehicle goals or mandates that target either a percentage of new vehicle sales or 100 percent of new passenger vehicles sold by a specified date.

## Congressional Action

The Infrastructure Investment and Jobs Act (IIJA)(P.L. 117-58) included several provisions and new federal funding designed to incentivize the deployment of EV infrastructure. The law provided \$5 billion over five years in funding to the states, distributed based on the existing highway funding formula, to deploy EV charging stations along Alternative Fuel Corridors. Distributed under the National Electric Vehicle Infrastructure (NEVI) Formula Program, DOT announced in September 2022 the approval of NEVI plans for all 50 states, Washington, D.C., and Puerto Rico. The first NEVI-funded public charging stations began opening in late 2023.

The IIJA also established a \$2.5 billion Charging and Fueling Infrastructure Discretionary Grant Program (CFI Program) to deploy publicly accessible EV charging infrastructure, along with hydrogen, propane, and natural gas fueling infrastructure. Half the funding is set aside to deploy infrastructure along DOT-designated Alternative Fuel Corridors under the Corridor Program. The other half of the overall CFI Program funding is for the Community Program, which can be used to deploy fueling infrastructure in public locations, including parking facilities, public buildings, schools, and parks. Public power utilities are eligible to apply for these grants, and several received grant funding during the first round of CFI in 2024.

Finally, the Inflation Reduction Act (IRA)(P.L. 117-169) made several changes to tax policy impacting EVs and EV charging infrastructure. The law extended the Alternative Fuel Vehicle Refueling Property Credit (26 U.S.C. 30C) through 2032. It also made significant changes to the New Qualified Plug-in Electric Drive Motor Vehicles Credit (26 U.S.C. 30D). The 30D credit, which no longer phases out following the sale of 200,000 EVs per manufacturer, now includes a cap on the retail price of the vehicle and an income limit for purchasers. The \$7,500 credit also requires a vehicle's battery to be manufactured or assembled in North America and for the critical minerals used in the battery to come from the U.S. or certain allied countries; these requirements apply to EVs purchased on or after April 18, 2023. The IRA also created a tax credit of up to \$4,000 to purchase used electric vehicles. The extension and modifications to the EV tax credits in the IRA remain controversial and APPA expects these provisions to be closely scrutinized, including further modifications or repeal, during the 119th Congress.

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