ERIC GARCETTI
MAYOR

November 4, 2022

Internal Revenue Service
Room 5203, P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Re: Notice 2022-50: Request for Comments on Elective Payment of Applicable Credits and Transfer of Certain Credits - Comment from City of Los Angeles Chief Sustainability Officer Lauren Faber O'Connor

To Whom It May Concern,

Los Angeles is the second largest city in America and a leader in setting ambitious climate goals. As seen in the City's sustainability plan or Green New Deal (GND), Los Angeles aims to achieve carbon neutrality by 2050 through the decarbonization of its electric grid before 2035, adopting codes for all-electric buildings, and expanding electric vehicle charging infrastructure across the City. The Inflation Reduction Act (IRA) will dramatically accelerate the City's progress toward its goals, and we welcome the opportunity to provide comments as the IRS/Treasury writes the rules of its clean energy tax incentives.

Los Angeles, through our municipally owned electric and water utility, has procured the bulk of our renewable energy and energy storage from third party Power Purchase Agreements. The IRA allows the City to finance its own renewable energy projects, potentially leading to significant cost savings for residents and businesses. Los Angeles intends to finance renewable energy projects on its municipal buildings, with over $30 million in the pipeline to start, and directly utilize the tax credits previously unavailable to non-taxpaying entities. The City also owns and operates an extensive vehicle fleet, with over 20,000 vehicles across all asset classes.

The IRS/Treasury should enable municipalities and larger nonprofits to apply for tax credits through a portfolio as opposed to individual applications for each project installation or electric vehicle purchase. Los Angeles has the potential to install solar/energy storage across hundreds of buildings and purchase thousands of electric vehicles. Therefore, allowing applicants to apply for tax credits in bulk would greatly streamline the procurement process.

Los Angeles has dozens of departments, each with its own fleet needs. To increase the attractiveness, efficiency, and clarity of the electric vehicle tax credits, the IRS/Treasury should work directly with vehicle manufacturers and dealerships to apply the tax credits at the point of sale for government and non-profit entities. Having these prices incorporated into bids from the onset will reduce friction in the procurement process and make the buying experience much more streamlined and accessible.

It will be the first time entities such as Los Angeles will utilize the "direct-pay" feature of the clean energy tax credits. Therefore the IRS/Treasury must provide clear guidelines and flexibility on deadlines to allow municipalities to learn and utilize the benefits. Cities often finance capital-intensive projects, such as solar and energy storage, through municipal bonds. The IRS/Treasury should have rules that clearly allow cities to continue financing through bonds to utilize the clean energy tax credits.

Cities also plan and prepare budgets on an annual basis. Submitting an application and waiting several months for the payment may significantly disrupt financial planning for cities as they don't carry large cash reserves. Therefore, the IRS/Treasury should make the "direct-pay" option streamlined, with minimal forms and clear timelines of the payments. Ideally, cities should be able to apply for and receive the dollars as soon as the project is operational to minimize over-issuing municipal bonds and utilizing cash reserves. Alongside budgets, cities also master plan projects several years into the future. Therefore, the IRS/Treasury should allow cities and other large non-taxpaying entities to apply for these tax credits as portfolios as opposed to individual projects.

Private or commercial entities are still able to take advantage of additional tax benefits for solar such as accelerated depreciation. The updates from the Inflation Reduction Act may not provide cities and nonprofits with cost parity with tax-paying entities in leveraging the clean energy tax credits. The IRS/Treasury should enact another special rule to offer bonuses to cities and nonprofits to achieve benefit parity to the private sector.

Lastly, cities may continue to utilize various delivery methods for renewable energy and energy storage projects. Cities may continue using third party Power Purchase Agreements or contract different project elements, such as financing, design, material procurement, and installation. Rules surrounding the transfer of credits should be straightforward to enable cities to promote the range of implementation pathways.

Sincerely,

Lauren Faber O'Connor
Chief Sustainability Officer
Office of Mayor Eric Garcetti