**Tax Tips
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**The Inflation Reduction Act: Electric Vehicle Credits**

Are you considering buying an electric vehicle in 2023? The rules have recently changed, due to the passage of the Inflation Reduction Act of 2022 (the “Act”) in the summer of 2022. This bill included a range of new tax rules addressing various areas, and one of its significant goals was to address climate change and jump-start clean energy production. In this article, we’ll specifically cover the portion of the bill that includes updates to the electric vehicle credits available.

Under the Act, existing electric vehicle (EV) credits have been expanded and modified. Although credits of up to $7,500 on the purchase of a new EV have been available for several years (with some limitations), the existing rules have been changed to make them more available to middle income taxpayers while also ramping up domestic manufacturing of EVs and their related components such as batteries.

Overall, there are now three EV tax credits available:

1. **[Revised] *IRC 30D qualified plug-in vehicle credit,***renamed to the***clean vehicle credit***

The maximum credit remains at $7,500; however, there are income limits for qualifying automobiles placed in service after December 31, 2022.

Any vehicle placed in service after August 16, 2022 must have final assembly in North America in order to qualify (with a transition rule for any contracts entered into between January 1, 2022 and August 15, 2022).

After 2023, taxpayers can elect to transfer their credit to treat it as a payment to the dealer.

When purchasing an EV, be sure to request for your salesperson to give you the necessary tax information you need! For some manufacturers, the assembly location may vary depending on the specific vehicle and trim, and for that reason, it’s advised to ask the salesperson for the VIN of the car that you plan to purchase.

The Department of Energy has provided a VIN lookup tool that can be used to verify this information for a particular vehicle. Consumers can refer to a list published by to determine which models have final assembly in North America: <https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit>

1. **[New] *IRC 25E previously-owned clean vehicle credit***

A credit is now available for used EVs. Previously-owned clean vehicles placed in service after December 31, 2022 and before January 1, 2033 may qualify for the credit.

The credit is a nonrefundable credit equal to the lesser of $4,000 or 30% of the vehicle sale price.

There is also an income limit to qualify for this credit (with much lower limits than the 30D credit), and the sale price must be $25,000 or less.

1. **[New] *IRC 45W qualified commercial clean vehicle credit***

This credit is available for commercial clean vehicles placed in service after December 31, 2022 and before January 1, 2033. The credit is 15% of the vehicle’s basis but increases to 30% for a vehicle not powered by a gasoline or diesel combustion engine, and it cannot exceed $40,000 (with other possible limitations).

There is no income limitation to claim it, but there are other requirements regarding the vehicle type and type of clean energy used. A taxpayer cannot claim the credit for a vehicle for which the taxpayer received the IRC 30D credit (#1).

Check with your tax professional to learn more about the new/revised electric vehicle credits and how they impact your specific tax situation.

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Our latest blog: “The Inflation Reduction Act: Electric Vehicle Credits” is available now! Subscribe here: [link]

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A credit is now available for used EVs. Previously-owned clean vehicles placed in service after December 31, 2022 and before January 1, 2033 may qualify for the credit. Learn more in our latest blog article: [link]

DID YOU KNOW… There are now three EV tax credits available following the passage of the Inflation Reduction Act of 2022. Learn more here: [link]

If you’re thinking about buying an electric vehicle (EV) in 2023, you don’t want to miss the latest info on EV tax credits in our latest blog article: [link]

One of the significant goals of the Inflation Reduction Act of 2022 was to address climate change and jump-start clean energy production. Check out how it affects electric vehicles in our latest blog: [link]