

September 7, 2022

Understanding the new federal EV tax credits

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Focus: Consumer-focused EV provisions from the Inflation Reduction Act (IRA)

- Background on the IRA
- New EV tax credit
- Used EV tax credit
- EVSE/EV charger credit
- Making vehicle purchasing decisions
- Q&A

Inflation Reduction Act

- Signed into law by President Biden on August 16, 2022
- [Inflation Reduction Act](#) features a package of climate and energy provisions
- EV provisions include:
 - **Consumer credits for new and used vehicles**
 - Alternative fueling refueling stations credit
 - Commercial and manufacturing credits
 - Other EV support (eg. USPS funding assistance)



EV Tax Credit for New Vehicles

Previous EV Tax Credit

- Provided up to \$7,500 for the purchase of an electric vehicle
 - Battery electric vehicles (BEVs) were generally eligible for the full \$7,500
 - Plug-in hybrid vehicles (PHEVs) may have been eligible for less, depending on their battery size
- Each manufacturer can only sell up to 200,000 eligible vehicles under the previous credit
- Previous credit can only be claimed on a consumer's taxes for that year
- Now that the IRA is law, the previous credit no longer applies in the same way
 - Details on applicability and transition period will be provided

New EV Tax Credit

- Now called the “**Clean Vehicle Credit**” and includes plug-in electric vehicles and fuel cell vehicles
- **\$7,500 credit split into two equal parts which have different eligibility requirements:**
 - Critical minerals (\$3,750)
 - Battery components (\$3,750)
- **Vehicles must meet overall eligibility requirements to receive either half (or both halves) of the credit:**
 - MSRP caps
 - Final assembly provision
 - Income caps
- Eliminates manufacturer cap
- Applies to new purchased, financed and leased vehicles
- 2- and 3-wheel vehicles are **not** eligible
- One credit (up to \$7500) allowed per vehicle

If vehicles meet the following provision, they are eligible for **one half** of the \$7,500 credit

- \$3,750 credit for qualifying critical minerals sourcing
- **A minimum percentage of critical minerals must be extracted or processed in the US or [free trade partner countries](#) OR recycled in North America**
(percentage increases each year)
- *Critical minerals include, but are not limited to, lithium, graphite, nickel and cobalt*

If vehicles meet the following provision, they are eligible for the second half of the \$7,500 credit

- \$3,750 credit for qualifying battery components sourcing
- **A minimum percentage of battery components must be manufactured or assembled in North America** (percentage increases each year)
- *Think of this like a “Made in America” provision*

Eligible vehicles must fall at or below the following manufacturer's suggested retail price (MSRP) caps:

- **\$80,000** for vans, SUVs and pickup trucks
- **\$55,000** for other vehicles (including average sedans and other light-duty passenger vehicles)

- **Final assembly required to be in North America** (applies now that IRA is signed into law)
- No parts of the supply chain value can come from “foreign entities of concern” (includes China and Russia)
 - For critical minerals, ban on foreign entities of concern takes effect starting after December 31, 2024
 - For battery components, ban on foreign entities of concern takes effect after December 31, 2023

Eligible consumers must fall at or below the following **income caps** (determined by taxes for the applicable year):

- **\$300,000** for joint filers or surviving spouse
- **\$225,000** for head of household
- **\$150,000** for single filers (and others not included in joint filers or head of household)

Point of Purchase Option

- Consumers can transfer the credit to a registered dealer to apply the credit at point of purchase
 - Allows the credit to “take money off the hood”
- Dealer must make a payment of the full credit amount the vehicle and customer are eligible for to the consumer (in cash, in the form of a partial payment or down payment for the purchase of such vehicle)
- Point of purchase option (transfer of credit) is not allowed until 2024

New EV Tax Credit

	Overall Criteria	Sourcing Criteria	Credit Amount
Critical Minerals	<ul style="list-style-type: none"> MSRP caps: \$80,000 for vans, SUVs and pickup trucks; \$55,000 for all other vehicles Income caps: \$300,000 for joint filers, \$225,000 for head of household, \$150,000 for single filers 	Minimum percentage of critical minerals must be extracted or processed in the US or free trade partners OR recycled in North America	\$3750
Battery Components	<ul style="list-style-type: none"> Final assembly must take place in North America One credit per vehicle 	Minimum percentage of battery components must be manufactured or assembled in North America	\$3750

While there is confusion on what will happen through the transition period, this is what we know so far, **through 2022:**

Previous \$7,500 EV tax credit is still available, with some caveats:

- **Final assembly provision applies** as of August 16, 2022; vehicles now must have final assembly in North America to be eligible for the credit
- **Manufacturer cap is still active.** Tesla and GM are not eligible and Toyota is expected to begin its phase out on October 1, 2022, which means that its vehicles would only be eligible for 50% of the credit beginning on that date
- MSRP and income caps do not apply yet
- Battery components and critical minerals provisions do not apply yet

Starting in 2023:

- The new federal tax credit will be available for all manufacturers and eligible vehicles and consumers through 2032
 - Battery components and critical minerals provisions apply
 - MSRP and income caps apply
 - Final assembly provision applies
- *The used EV tax credit will also be available for eligible vehicles and consumers.*

Applicability Timeline

Previous EV tax credit available

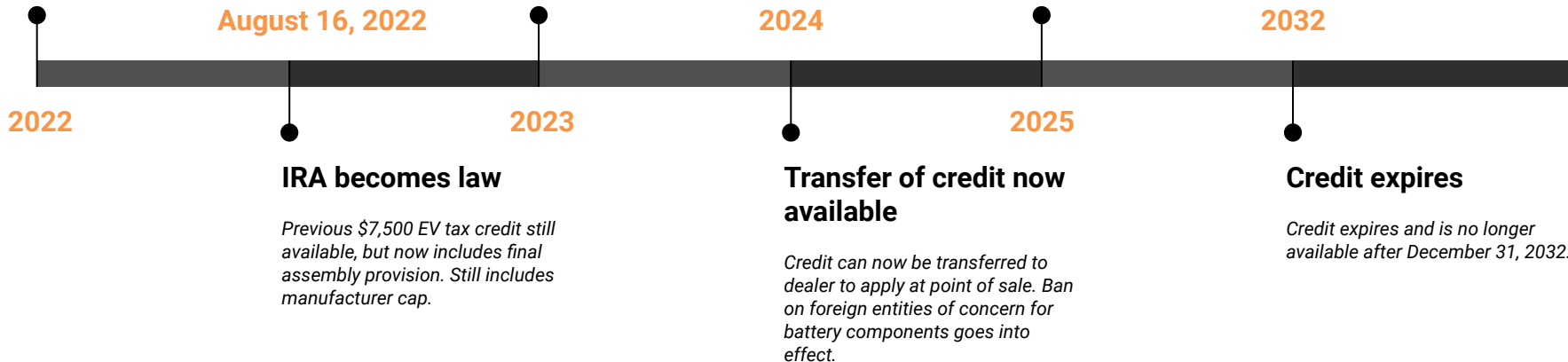
Previous \$7,500 EV tax credit including manufacturer cap. GM and Tesla are not eligible. Toyota in sunset period (only eligible for partial credit.)

New EV tax credit replaces previous tax credit

Critical minerals, battery components and final assembly provisions apply. MSRP and income caps apply. Manufacturer cap is eliminated.

Ban on foreign entities of concern for critical minerals now active

Ban on foreign entities of concern for critical minerals sourcing goes into effect.





EV Tax Credit for Used Vehicles

- Unprecedented tax credit for used vehicles that **provides either \$4000 or 30% of the sale price** of the eligible used vehicle (whichever is smaller)
- Used EV tax credit will be available in 2023
- Point of purchase “money off the hood” (transfer of credit) will be allowed after December 31, 2023
- Eligible consumers must fall at or below the income caps
- Vehicle must also meet additional price and sale requirements (details to come)

Used EV Tax Credit

Vehicle Requirements	Income Caps	Credit Amount
<ul style="list-style-type: none">● Vehicle must be at least 2 years old● Under \$25,000● Sold by a dealer● No additional sourcing requirements (eg. critical minerals, battery components, final assembly)	<p>Eligible consumers must fall at or below the income caps:</p> <ul style="list-style-type: none">● \$150,000 for joint return or surviving spouse● \$112,500 for head of household● \$75,000 for others	<p>\$4,000 or 30% of the price of the vehicle (whichever is less)</p>



EVSE/EV Charger Credit

- The federal tax credit for charging equipment has been extended through 2032
- For individual/residential uses, the tax credit covers 30% (up to \$1,000 per unit) of the cost of the equipment
- For commercial uses, the tax credit covers 6% (up to \$100,000 per unit) of the cost of the equipment
- Bidirectional charging equipment is eligible
- 2 and 3 wheeled equipment is eligible
- Starting after 2022, equipment must be placed in a low-income community or non-urban area



Making Vehicle Purchasing Decisions

Tips

- **Confirmed information on eligible vehicles for the new credit is not yet available**
 - If you are planning purchasing decisions, the manufacturer is best source of information
- Manufacturers are racing to meet the new requirements, eligibility will likely change rapidly for each vehicle - keep checking!
- Configure your vehicle order to fall under MSRP caps
- Consider purchasing a charger for your home this year to ensure you can use the EV charger credit!

Resources

- **Federal resources**
 - Breakdown of the credit and transition period rules ([Internal Revenue Service](#))
 - List of vehicles with final assembly in North America ([Department of Energy](#))
 - VIN decoder for build location information ([Department of Energy](#))
- **Plug In America resources**
 - Visit [PlugStar.com](#) to find the right vehicle for you
 - Contact the [EV Support Program](#) with any questions



Potentially Eligible Vehicles

(Potentially) eligible in 2022	(Potentially) eligible in 2023	(Likely) not eligible
Nissan LEAF	Nissan LEAF	Audi E-Tron
Ford Mustang Mach-E	Ford Mustang Mach-E	Hyundai Ioniq
Rivian R1T	Ford F-150 Lightning	Fisker Ocean
Rivian R1S	Chevrolet Bolt EUV	Kia EV6
Lucid Air	Tesla Model 3	Subaru Solterra
Jeep Wrangler PHEV	Tesla Model Y	Toyota bZ4x
BMW 330e	Volkswagen ID.4	Jaguar I-Pace

Note: This is not a comprehensive or confirmed list. Plug In America does not guarantee its accuracy or that what we have shared will ensure a consumer or vehicle will be eligible for any tax benefit.

- **Eligible vehicles are still being confirmed, especially for 2023 and beyond**
- For potentially eligible vehicles through 2022, refer to the [Department of Energy](#) list of vehicles with final assembly in North America
- For potentially eligible vehicles beyond 2022, refer to this [Consumer Reports](#) list on current and upcoming EVs with final assembly in North America that fall below the MSRP caps
 - *Does not include which vehicles will meet the battery components and critical minerals requirements*



Contact us at info@pluginamerica.org

Thank you!