

## CREDITS FOR PURCHASE OF CLEAN VEHICLES

There are separate credits for purchase of new qualified vehicles and used qualified vehicles. The credits are nonrefundable. They are limited to the federal income tax generated by your income. This results in your maximum refund being equal to the total of your withholding plus estimated payments. You cannot apply any excess credit to future tax years. Lower income taxpayers should consider this before purchasing.

At the time of sale, the seller must give you information about your vehicle's qualifications. Sellers must also register online and report the same information to the IRS. Required information includes:

- Dealer's name and taxpayer ID number
- Buyer's name and taxpayer ID number
- Maximum credit allowable under IRC 30D (new) or IRC 25E (used)
- Vehicle identification number (VIN), unless the vehicle is not assigned one.
- Battery capacity
- Sale date
- Sale price
- \*For new vehicles, verification that the buyer is the original user
- A declaration of accuracy statement signed by a representative of the dealer with binding authority that "Under penalties of perjury, I declare that I have examined this report submitted to the IRS pursuant to Revenue Procedure 2022-42 by [insert name of Seller], and to the best of my knowledge and belief I certify that this report is true, correct, and complete."

If they do not, your vehicle will not be eligible for the credit. You should keep a copy of this information and evidence of their submission to the IRS with your tax records.

You can look up eligible vehicles by using the online tool available at:

<https://fueleconomy.gov/feg/tax2023.shtml>

### **New Vehicles:**

New vehicles may qualify for a credit up to \$7,500 if you buy a new, qualified plug-in EV or fuel cell electric vehicle (FCV). The Inflation Reduction Act of 2022 changed the rules for this credit for vehicles purchased from 2023 to 2032.

The credit is available to individuals and their businesses.

To qualify, you must:

- Buy it for your own use, not for resale, and
- Use it primarily in the U.S.

In addition, your modified adjusted gross income (AGI) may not exceed:

- \$300,000 for married couples filing jointly,
- \$225,000 for heads of households,

- \$150,000 for all other filers

You can use your modified AGI from the year you take delivery of the vehicle or the year before, whichever is less. If your modified AGI is below the threshold in one of the two years, you can claim the credit.

The amount of the credit depends on when you placed the vehicle in service (took delivery), regardless of purchase date.

For vehicles placed in service January 1 to April 17, 2023:

- \$2,500 base amount
- Plus \$417 for a vehicle with at least seven kilowatt hours of battery capacity
- Plus \$417 for each kilowatt hour of battery capacity beyond five kilowatt hours
- Up to \$7,500 total

In general, the minimum credit will be \$3,751 (\$2,500 + 3 times \$417), the credit amount for a vehicle with the minimum 7 kilowatt hours of battery capacity.

For vehicles placed in service April 18, 2023, and after:

Vehicles will have to meet all of the same criteria listed above, plus meet new critical mineral and battery component requirements for a credit up to:

- \$3,750 if the vehicle meets the critical minerals requirement only,
- \$3,750 if the vehicle meets the battery components requirement only,
- \$7,500 if the vehicle meets both.

A vehicle that does not meet either requirement will not be eligible for credit.

To qualify, a vehicle must:

- Have a battery capacity of at least seven kilowatt hours,
- Have a gross vehicle weight rating of less than 14,000 pounds,
- Be made by a qualified manufacturer.
  - FCVs do not need to be made by a qualified manufacturer to be eligible.
- Undergo final assembly in North America
- Meet critical mineral and battery component requirements (as of April 18, 2023).

The sale qualifies only if you buy the vehicle new.

In addition, the vehicle's manufacturer suggested retail price (MSRP) cannot exceed:

- \$80,000 for vans, sport utility vehicles and pickup trucks
- \$55,000 for other vehicles

### **Used Vehicles:**

Beginning January 1, 2023, if you buy a qualified used electric vehicle (EV) or fuel cell vehicle (FCV) from a licensed dealer for \$25,000 or less, you may be eligible for a used clean vehicle

tax credit (also referred to as a previously owned clean vehicle credit). The credit equals 30% of the sale price up to a maximum credit of \$4,000. Purchases made before 2023 do not qualify.

To qualify for a credit for buying a previously owned, qualified plug-in electric vehicle (EV) or fuel cell vehicle (FCV), including cars and light trucks, you must:

- Be an individual who bought the vehicle for use and not for resale,
- Not be the original owner,
- Not be claimed as a dependent on another person's tax return,
- Not have claimed another used clean vehicle credit in the 3 years before the purchase date.

In addition, your modified adjusted gross income (AGI) may not exceed:

- \$150,000 for married filing jointly or a surviving spouse
- \$112,500 for heads of households
- \$75,000 for all other filers

You can use your modified AGI from the year you take delivery of the vehicle or the year before, whichever is less. If your income is below the threshold for one of the two years, you can claim the credit.

To qualify, a vehicle must meet all of these requirements:

- Have a sale price of \$25,000 or less. Sale price includes all dealer-imposed costs or fees not required by law. It does not include costs or fees required by law, such as taxes or title and registration fees.
- Have a model year at least 2 years earlier than the calendar year when you buy it. For example, a vehicle purchased in 2023 would need a model year of 2021 or older.
- Not have already been transferred after August 16, 2022, to a qualified buyer.
- Have a gross vehicle weight rating of less than 14,000 pounds.
- Be an eligible FCV or plug-in EV with a battery capacity of least seven kilowatt hours.
- Be for use primarily in the United States.

The sale qualifies only if you buy the vehicle from a dealer. A dealer is a person licensed to sell motor vehicles in a state, the District of Columbia, the Commonwealth of Puerto Rico, any other territory or possession of the United States, an Indian tribal government, or any Alaska Native Corporation.