Understanding the new federal EV tax credits

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Plug In America
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Meet the Team

Alexia Melendez Martineau
Policy Manager, Plug In America

Jay Friedland
Senior Policy Advisor, Plug In America

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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
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
● 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
Vehicle Eligibility: Critical Minerals

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
Vehicle Eligibility: MSRP Caps

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)
Vehicle Eligibility: Other Provisions

- **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

<table>
<thead>
<tr>
<th>Overall Criteria</th>
<th>Sourcing Criteria</th>
<th>Credit Amount</th>
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<tbody>
<tr>
<td><strong>Critical Minerals</strong></td>
<td>Minimum percentage of critical minerals <strong>must be extracted or processed in the US</strong> or free trade partners OR recycled in North America</td>
<td><strong>$3750</strong></td>
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<tr>
<td>- MSRP caps: <strong>$80,000</strong> for vans, SUVs and pickup trucks; <strong>$55,000</strong> for all other vehicles</td>
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<tr>
<td>- Income caps: <strong>$300,000</strong> for joint filers, <strong>$225,000</strong> for head of household, <strong>$150,000</strong> for single filers</td>
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<tr>
<td>- Final assembly must take place in North America</td>
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<td>- One credit per vehicle</td>
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<td><strong>Battery Components</strong></td>
<td>Minimum percentage of battery components <strong>must be manufactured or assembled in North America</strong></td>
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<td>-</td>
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Transition Period for 2022

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.)

**August 16, 2022**
IRA becomes law
Previous $7,500 EV tax credit still available, but now includes final assembly provision. Still includes manufacturer cap.

**2022**

**2023**

**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.

**2024**

**Transfer of credit now available**
Credit can now be transferred to dealer to apply at point of sale. Ban on foreign entities of concern for battery components goes into effect.

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

**2025**

**2032**

**Credit expires**
Credit expires and is no longer available after December 31, 2032.
EV Tax Credit for Used Vehicles
Overview

- 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

<table>
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<tr>
<th>Vehicle Requirements</th>
<th>Income Caps</th>
<th>Credit Amount</th>
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</table>
| ● Vehicle must be **at least 2 years old** | Eligible consumers must fall at or below the income caps:  
  ● Under $25,000  
  ● Sold by a dealer  
  ● No additional sourcing requirements (eg. critical minerals, battery components, final assembly) | $4,000 or 30% of the price of the vehicle (whichever is less) |
| ● Under $25,000 | $150,000 for joint return or surviving spouse  
  ● $112,500 for head of household  
  ● $75,000 for others | |
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
Helpful tips and resources

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](https://www.irs.gov))
  - List of vehicles with final assembly in North America ([Department of Energy](https://www.energy.gov))
  - VIN decoder for build location information ([Department of Energy](https://www.energy.gov))
- **Plug In America resources**
  - Visit [PlugStar.com](https://www.plugstar.com) to find the right vehicle for you
  - Contact the [EV Support Program](https://www.pluginamerica.org) with any questions
## Potentially Eligible Vehicles

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