

## The Plug-in Electric Vehicle Tax Credit: Section 30D

Plug-in electric vehicles (PEVs) are fun to drive, have little to zero tailpipe emissions and can be powered with clean, affordable, domestic electricity. From 2010 to December 2016, consumers have purchased more than 550,000 cars,<sup>1</sup> with sales expected to accelerate as new vehicle makes and models become available, such as the Chevy Bolt EV.<sup>2</sup> More and more drivers are making the switch to drive electric simply because PEVs are convenient and save consumers money, particularly for those in the middle class.<sup>3</sup>

Plug In America is the nation's leading independent consumer voice for accelerating the use of PEVs in the United States to consumers, policymakers, auto manufacturers and others. Our mission is to promote the accelerated adoption of PEVs across the United States in order to achieve these benefits for all.<sup>4</sup>

### Section 30D: New qualified plug-in electric drive motor vehicles

One of the key policies that is helping to move the PEV market from the early adopter stage to the mass market stage is the federal tax credit for PEVs, under Title 26, Subtitle A, Chapter 1, Subchapter A, Part IV, Subpart B, §30D of the U.S. tax code.<sup>5</sup> Qualifying new BEV and PHEV vehicles purchased after January 1, 2010 are eligible for a base tax credit of \$2,500, plus an additional amount based on the battery capacity of the vehicle, not to exceed \$5,000. Once a vehicle manufacturer has reached 200,000 PHEVs and BEVs sold, the credit will begin to phase out over the course of a year to 50% of the full credit amount, followed by a step down to 25% and then zero.



A future PEV driver enjoys a Kia Soul PEV.

Section 30D was originally enacted as part of the Energy Improvement and Extension Act of 2008. The American Recovery and Reinvestment Act of 2009 amended section 30D effective for vehicles acquired after December 31, 2009.

This tax credit is a powerful incentive to help consumers make the switch to driving electric. PEVs currently represent less than 1% of the market in the U.S. for light-duty vehicles. Federal support is needed for the purchase of these vehicles as the PEV market continues to develop and grow.

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<sup>1</sup> Vehicle count based on HybridCars.com count of U.S. sales of 543,424 plug-in vehicles (BEVs, PHEVs) from December 2010 through the end of December 2016.

<sup>2</sup> More on the Chevy Bolt can be found at: <http://www.chevrolet.com/bolt-ev-electric-vehicle.html>

<sup>3</sup> On average, fueling a car with locally produced electricity is roughly the same as fueling with gas at \$1 per gallon: <http://energy.gov/eere/everywhere/ev-everywhere-saving-fuel-and-vehicle-costs>. Should gas prices rise to \$3.50 per gallon, the average PEV will save its owner nearly \$9,000 over the vehicle's lifetime. While the study was done for CA, a similar result is expected for consumers in other states as well.

<http://www.environmentalcalifornia.org/sites/environment/files/reports/Drive%20Clean%20and%20Save%20June%202016.pdf>

<sup>4</sup> More information available at: [www.pluginamerica.org](http://www.pluginamerica.org)

<sup>5</sup> Tax code language found at: <https://www.law.cornell.edu/uscode/text/26/30D>



We urge policymakers to maintain the Section 30D credit for PEVs as part of the U.S. tax code under any tax reform process. Any improvements or modifications to the tax credit should include a lift of the 200,000 cap for each vehicle manufacturer and the implementation of an overall U.S. PEV vehicle deployment target as the sunset of the tax credit instead. We recommend an overall PEV vehicle deployment goal of five million PEV vehicles on the road, which would be approximately 30% of current light-duty vehicle sales in the U.S.<sup>6</sup> In addition, any modifications to the tax credit should include the ability for the consumer to apply the tax credit in part or whole to any loan amount for the vehicle purchase, in order to better serve the needs of consumers to offset upfront cost.

### **Benefits of PEVs**

There are a multitude of benefits from PEVs that accrue to all citizens, regardless of who may purchase the car or the type of PEV purchased. PEVs include battery-electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs). The BEVs are charged by electricity from the local grid, while PHEVs drive on electricity from the local grid first, then on gasoline for longer trips. These vehicles promote national security by heavily reducing our dependence on oil and imported fuels. There is also significant job creation potential with the acceleration of the PEV market,<sup>1</sup> and the PEV market keeps America competitive with countries such as China, which is moving aggressively towards deployment of these vehicles

### **About Plug In America**

Plug In America is the nation's leading independent consumer voice for accelerating the use of plug-in electric vehicles in the United States to consumers, policymakers, auto manufacturers and others. Formed as a non-profit in 2008, Plug In America provides practical, objective information collected from our coalition of plug-in vehicle drivers, through public outreach and education, policy work and a range of technical advisory services. Our expertise represents the world's deepest pool of experience of driving and living with plug-in vehicles. The organization conceived National Drive Electric Week and has advanced workplace charging by pioneering ride-and-drive events at such leading corporations as Google, Mattel and Paramount Pictures. We drive electric. You can too. [www.pluginamerica.org](http://www.pluginamerica.org)



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<sup>6</sup> The DOE reports nearly 15 million light-duty vehicles purchased by consumers in 2013. <http://www.afdc.energy.gov/data/10314>