

EV Tax Credits and the IRA

The deadline for submitting your 2022 tax return is approaching fast, so if you bought a new electric vehicle (EV) last year you don't want to miss out on potential tax credits.

Before Aug. 17, 2022, finding out tax credit eligibility was pretty simple. But with the passing of the [Inflation Reduction Act \(IRA\)](#), it's a bit more complicated.

As always, consult your tax preparation professional before making any decisions or filing, but we have some tips to steer you in the right direction.

Vehicle Purchases Before August 17, 2022

If you purchased a new qualifying plug-in electric vehicle, either a battery electric (BEV) or plug-in hybrid (PHEV) with at least a 4 kilowatt-hours (kWh) capacity battery, your purchase may be eligible for a tax credit of \$2,500 to \$7,500 depending on the make and model. The previous tax law stipulated that the credit



was phased out for each manufacturer when 200,000 vehicles had been sold. For example, because both Chevrolet and Tesla had sold the threshold number of vehicles, purchasers of either of those manufacturers are ineligible. However, purchasers of Ford, Chrysler/Jeep, Volkswagen, Kia, and many other brands are still eligible.

This tax credit is also available for future EV owners with a written binding contract to purchase a new qualifying electric vehicle before Aug. 16, 2022, but do not take possession of the vehicle until on or after Aug. 16, 2022.

To find out if your car purchase qualifies, visit this IRS site [IRC 30D New Qualified Plug-In Electric Drive Motor Vehicle Credit](#) to find your vehicle.

Vehicle Purchases Between August 17 and December 31, 2022

Here's where it gets trickier. Qualifying EVs purchased and delivered between Aug. 17, 2022, and Dec. 31, 2022, are eligible for the tax incentive as described above but are limited to vehicles with final assembly in North America. Manufacturer sales caps on vehicles apply. The US Department of Energy's Alternative Fuels Data Center has a database of [Electric Vehicles with Final Assembly in North America](#). There is also a [Vehicle Identification Number \(VIN\) decoder](#) that can be used to identify a vehicle's build plant and country of manufacture.

Vehicles Placed in Service After December 31, 2022

Obviously 2023 purchases will not affect 2022 tax year credits, but if you have purchased or are considering purchase of an EV in 2023, you should know what to expect. Electric vehicle news resource [electrek](#) has put out a [great summary](#) of the IRA stipulations. Here are some of the highlights:

- Federal tax credit for EVs will remain at \$7,500
- Tax credit cap for automakers after they hit 200,000 EVs sold is eliminated, making GM, Tesla and Toyota once again eligible
- The language in the bill indicates the tax credit could be implemented at the point of sale instead of on taxes at the end of the fiscal year.
 - That means you can get your credit up front at the dealer, but these terms may not kick in until 2024
 - To get the full credit, the EV must be assembled in North America and...
 - Most battery components need to come from North America and...
 - A certain percentage of "critical minerals" must come from North America or countries with free trade agreements with the US
- New federal tax credit of \$4,000 for used EVs priced below \$25k – this could be a big deal. Watch this space!
- The federal EV tax credit will be available to individuals reporting adjusted gross incomes of \$150,000 or less, or \$300,000 for joint filers.
- The new credit will also continue to apply to plug-in hybrids (PHEVs) if they meet the same requirements outlined above and are equipped with a battery over 7 kWh.

Final Thoughts

There's a lot to digest here. The authority on tax advice will always be the IRS, so be sure to consult your tax preparer before making purchase decisions. You can also read all the details on the US Department of Energy's [Alternative Fuels Data Center site regarding EV tax credits](#).

The image shows a screenshot of the IRS 1040 U.S. Individual Income Tax Return form for 2022. The form is partially filled out, showing fields for Filing Status, Name, and Address. To the right of the form is a calculator window titled "IRC 30D New Qualified Plug-In Electric Drive Motor Vehicle Credit". The calculator has a grid for inputting vehicle information, including Make, Model, Year, and Mileage. It also includes a section for "Updated information for consumers as of August 16, 2022" with a table of tax credit amounts.