



# The Inflation Reduction Act: CLEAN VEHICLE CREDIT

A brief overview - updated 1/17/23

The Inflation Reduction Act (IRA) made several changes to what is also referred to as the Electric Vehicle Tax Credit. Most of the new changes have already taken effect January 1st, 2023 and last until 2032. Among these changes are new manufacturing requirements, income thresholds and expanded car type eligibility.

## NEW EVS

The new tax credit qualifies battery electric vehicles (BEV) as well as hydrogen fuel cell electric vehicles (FCEV) and requires a battery size of at least 7kWh. Like before, the new credit will allow for a maximum credit of \$7,500 for new EVs however, the previous manufacturing cap of 200,000 qualifying vehicles per manufacturer has been lifted.

There is now an income eligibility cap based on the adjusted gross income (AGI). Specifically, you are ineligible for the tax credit if your AGI is above \$150,000 for individuals or \$300,000 if filing jointly. Next, there is a price cap for eligible vehicles, all of which must weigh <14,000lbs. Vans, SUVs and pickup trucks must have an MSRP of \$80,000 and under to qualify. Other vehicles, such as sedans and passenger cars, are capped at \$55,000.

The new tax credit now also requires vehicle assembly to take place in North America including, importantly, the batteries. You can see if a vehicle qualifies by entering the VIN [here](#) and see the current list of new qualifying vehicles [here](#).

## BATTERIES

As part of the domestic assembly requirements the battery portion will be broken up into two, annually adjusting, parts. Specifically, battery components and critical minerals. Half the tax credit (\$3,750) will require a percentage of the battery components to be manufactured or assembled in North America. While the critical mineral half of the credit requires a percentage of the value of the battery's critical minerals to be extracted or processed in the United States or a U.S. free-trade partner or recycled in North America. Percentages increase over the next 6 years from 50%-100% and 4 years from 40%-80% respectively.

## USED EVS

Used EVs now qualify for a tax rebate of 30% of the purchase price up to \$4000. The EV must be plug-in or fuel cell electric, have a sale price of \$25,000 or less and must be at least 2 years old. This credit is only valid once per vehicle and can only be claimed once every 3 years. Income caps are half of those for new EVs: \$75,000 AGI for Single tax-filers and \$150,000 if filing jointly.