

EV TAX CREDITS

Clean Vehicle Credit for **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.

The credit is nonrefundable, so you can't get back more on the credit than you owe in taxes. You can't apply any excess credit to future tax years.

At the time of sale, a seller must give you information about your vehicle's qualifications. Sellers must also register online and report the same information to the IRS. If they don't, your vehicle won't be eligible for the credit.

Purchases made before 2023 don't qualify.

Who Qualifies

You may 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, under [Internal Revenue Code Section 25E](#).

To qualify, 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 1 of the two years, you can claim the credit.

Qualified Vehicles and Sales

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 doesn't 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 7 kilowatt hours
- Be for use primarily in the United States

The sale qualifies only if:

- You buy the vehicle from a dealer
- For qualified used EVs, the dealer [reports required information to you at the time of sale and to the IRS.](#)

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.

Required information includes:

- Dealer's name and taxpayer ID number
- Buyer's name and taxpayer ID number
- Sale date and sale price
- Maximum credit allowable under IRC 25E
- Vehicle identification number (VIN), unless the vehicle is not assigned one
- Battery capacity

How to Claim the Used Clean Vehicle Credit

Complete [Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit \(Including Qualified Two-Wheeled Plug-in Electric Vehicles and New Clean Vehicles\)](#), and file it with your tax return for the year you took possession of the vehicle to claim the used clean vehicle credit. You will need to include the vehicle identification number (VIN) on the form.

Credits for **New** clean vehicles purchased in

2023 or after – For Individuals Taxpayers

If you place in service a new plug-in electric vehicle (EV) or fuel cell vehicle (FCV) in 2023 or after, you may qualify for a clean vehicle tax credit.

Who qualifies

You may qualify for a credit up to \$7,500 under Internal Revenue Code Section 30D 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
- 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 1 of the two years, you can claim the credit.

The credit is nonrefundable, so you can't get back more on the credit than you owe in taxes. You can't apply any excess credit to future tax years.

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 7 kilowatt hours of battery capacity
- Plus \$417 for each kilowatt hour of battery capacity beyond 5 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 doesn't meet either requirement will not be eligible for a credit.

The sale qualifies only if:

- You buy the vehicle NEW
- The seller reports required information to you at the time of sale and to the IRS.
 - Sellers are required to [report your name and taxpayer identification number to the IRS](#) for you to be eligible to claim the credit.

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

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

MSRP is the retail price of the automobile suggested by the manufacturer, including manufacturer installed options, accessories and trim but excluding destination fees. It isn't necessarily the price you pay.

Commercial Clean Vehicle Credit for Business

Who Qualifies

Businesses and tax-exempt organizations qualify for the credit.

There is no limit on the number of credits your business can claim. For businesses, the credits are nonrefundable, so you can't get back more on the credit than you owe in taxes. A 45W credit can be carried over as a general business credit.

Businesses and tax-exempt organizations that buy a qualified commercial clean vehicle may qualify for a clean vehicle tax credit of up to \$40,000 under Internal Revenue Code (IRC) 45W. The credit equals the lesser of:

- 15% of your basis in the vehicle (30% if the vehicle is not powered by gas or diesel)
- The incremental cost of the vehicle

The maximum credit is \$7,500 for qualified vehicles with gross vehicle weight ratings (GVWRs) of under 14,000 pounds and \$40,000 for all other vehicles.

How to Claim the Credit

IRS is re finalizing a form for you to claim the credit. Please check back for updates.

You will need to provide your vehicle's VIN along with the amount of the credit.

The depreciable basis of the vehicle is reduced by the amount of the commercial clean vehicle credit you receive.

Vehicles That Qualify

To qualify, a vehicle must be subject to a depreciation allowance, with an exception for vehicles placed in service by a tax-exempt organization and not subject to a lease.

The vehicle must also:

- Be made by a qualified manufacturer as defined in [IRC 30D\(d\)\(1\)\(C\)](#). See our [index](#) of qualified manufacturers
- Be for use in your business, not for resale
- Be for use primarily in the United States
- Not have been allowed a credit under sections 30D or 45W

In addition, the vehicle must either be:

- Treated as a motor vehicle for purposes of title II of the Clean Air Act and manufactured primarily for use on public roads (not including a vehicle operated exclusively on a rail or rails); or
- Mobile machinery as defined in [IRC 4053\(8\)](#) (including vehicles that are not designed to perform a function of transporting a load over a public highway)

The vehicle or machinery must also either be:

- A plug-in electric vehicle that draws significant propulsion from an electric motor with a battery capacity of at least:
 - 7 kilowatt hours if the gross vehicle weight rating (GVWR) is under 14,000 pounds
 - 15 kilowatt hours if the GVWR is 14,000 pounds or more; or
- A fuel cell motor vehicle that satisfies the requirements of [IRC 30B\(b\)\(3\)\(A\) and \(B\)](#).

A new federal EV tax credit for 2023 is here, thanks to the [Inflation Reduction Act](#) (IRA) — massive tax and climate legislation promoting clean energy. The credit of up to \$7,500 for certain electric vehicles, called “clean vehicles,” is supposed to encourage more people to use EVs. However, there are many questions about how the EV tax credit works.

- Some buyers wonder if they can claim the credit because of income limits. *(More on that later.)*
- Due to ongoing changes to U.S. Treasury Department and IRS rules, there are questions about which electric vehicles qualify for the full tax credit now, for the 2023 tax year, and soon for 2024.

Despite the confusion, electric vehicle tax credits can benefit some consumers. So, here is some information to help you navigate the [latest EV credit rule changes](#) and better understand which vehicles do (and don't) qualify — and why.

And, of course, if you're eligible, you need to know to claim the EV credit when you file your federal income tax return with the [IRS](#). Read on for some answers.

How does the \$7,500 EV tax credit work?

Here are some of the key points to know about the federal electric vehicle tax credit.

Key points

- Under the IRA, the EV tax credit is in place for 10 years, until December 2032, for electric vehicles placed into service this year (2023).
- The tax credit is taken in the year you take delivery of a qualifying clean vehicle.
- The credit is up to \$7,500 for new vehicles. The credit amount considers factors like the vehicle's sourcing and assembly (which must primarily be in North America for the full credit) and when you placed your vehicle into service. *(More on all of that below.)*
- Certain used/previously owned EVs can qualify for a tax credit of up to \$4,000 or 30% of the sales price (whichever is less).

- Beginning in 2024, you can take the EV tax credit as a discount when purchasing the vehicle.

However, one of the most important points is that there are income limits for the clean vehicle tax break. Here's what you need to know.

EV tax credit income limit 2023

Your [modified adjusted gross income](#) (MAGI) is used for the following income limits, which apply to qualifying new clean vehicles. (MAGI, found on Line 11 of [Form 1040](#), often determines your eligibility for various tax breaks and is generally your adjusted gross income (AGI) with certain deductions or income exclusion added.)

When claiming the EV credit, the IRS says that you can use the lesser of your MAGI in the year you take delivery of your EV or your MAGI from the year before you took delivery of the vehicle.

Income limits for new qualifying electric vehicles

SINGLE	Modified AGI over \$150,000	Don't Qualify for the EV Credit
MARRIED (Filing Jointly)	Modified AGI over \$300,000	Don't Qualify for the EV Credit
HEAD OF HOUSEHOLD	Modified AGI over \$225,000	Don't Qualify for the EV Credit
ALL OTHER FILERS	Modified AGI over \$150,000	Don't Qualify for the EV Credit

You won't qualify for the EV tax credit if you are single and your modified adjusted gross income exceeds \$150,000.

The EV tax credit income limit for married couples filing jointly is \$300,000.

And, if you file as head of household and make more than \$225,000, you also won't be able to claim the electric vehicle tax credit.

The EV credit income limit is \$150,000 for all other filing statuses.

Qualifications and income limits for previously owned eligible EVs

You must meet the following criteria to qualify for the federal EV tax credit for eligible [used/previously owned clean vehicles](#).

- 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 three years before the purchase date

Additionally, for the EV tax credit for used vehicles, the IRS says your MAGI cannot exceed the following income limits.

- \$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 MAGI from the year you took delivery of the vehicle or the year before, whichever is less.*

Once you know if you're income-eligible to claim the electric vehicle tax credit, a big question on EV buyers' minds is which vehicles qualify. **The short answer is that very few models currently qualify for the full \$7,500 electric vehicle tax credit.** Others qualify for half that amount, and some don't qualify at all.

[Stricter rules](#) adopted on April 18 that limited the credit depending on whether a vehicle meets battery and sourcing requirements. Additionally, more stringent [EV tax credit requirements kick in on Jan. 1, 2024](#), which will further impact which vehicles qualify.

But first, price limits determine whether a vehicle is eligible for a tax credit.

EV credit vehicle price limits for new vehicles

- Vans, pickup trucks, and SUVs with a manufacturer's suggested retail price (MSRP) of more than \$80,000 won't qualify for the credit.
- For clean cars to qualify for the EV tax credit, the MSRP can't be more than \$55,000.
- Also, a previously owned clean vehicle will qualify for the tax credit only if it costs \$25,000 or less.

Note: "Used" or "previously owned" for the EV tax credit purposes means that the car is at least two years old.

Which vehicles are considered SUVs? More clarity was needed over [which vehicles were classified as SUVs for the \\$80,000 price limit](#). Treasury and IRS released guidance saying they will use criteria based on the Environmental Protection Agency's (EPA) [Fuel Economy Labeling Standard](#) to determine whether a vehicle is a car or an SUV. Some SUVs are eligible for EV tax credits for automakers and consumers where they weren't previously.

Price limits for previously owned EVs

A used/previously owned electric vehicle must meet the following requirements to qualify for the up to \$4,000 federal EV tax credit.

- Have a sale price of \$25,000 or less

- Have a model year at least two 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 to a qualified buyer after Aug. 16, 2022
- 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 at least 7 kilowatt hours
- Be for use primarily in the United States

To see if a vehicle is eligible for the used clean vehicle credit, visit the federal [fueleconomy.gov website](https://www.fueleconomy.gov).