

## **Electric Vehicle Tax Credits.**

The Inflation Reduction Act. Which was signed into law on August 16, 2022, and changes the rules for electric vehicle tax credits. The new rules began in full on April 18th, 2023. Before then, temporary rules applied.

There are many changing rules. Please ask for assurances from the dealership that the vehicle you want qualifies for the tax credit.

If you entered into a purchase agreement for a qualifying new plugin EV before August 16th 2022, then the old rules will apply. As before, you claim the \$7500 maximum credit on your tax return for the year the qualifying vehicle was delivered to you.

For qualifying electric vehicles purchased between August 16th, 2022 and December 31st, 2022, the credit is limited to vehicles with final assembly in North America. The National Highway Traffic Safety Administration has a VIN decoder tool to look up a vehicles assembly location. However. Some models assembled in North America do not qualify, notably the Tesla and GM models, due to vehicle production caps.

**Starting on 1/1/23.** The vehicle production caps are removed, so Tesla and GM models will qualify. However, new restrictions will kick in.

- The sticker price of the vehicle must be lower than \$55,000 for cars or \$80,000 for SUV's, vans and trucks.
- Your income or modified adjusted gross income must be below \$150,000 (single) \$225,000 HOH or \$300,000 mfj.

**Starting on 4/18/23.** More restrictions will kick in in addition to the above-mentioned qualifiers.

Certain percentages of the battery assembly must be in North America. Additionally, certain percentages of the battery raw materials must either be recycled in North America or originate from countries that have a free trade agreement with the United States. Partial credit of the maximum of \$3750 is possible if either the battery assembly or raw material rules are satisfied separately.

Due to these restrictions. Fewer EV buyers will qualify for credits in 2023. Hopefully. Evie manufacturers will rule out new models that fit the requirements in future years. Once again, get assurances from the dealership that the vehicle you want meets these more stringent requirements.

The maximum amount of the tax credit does not change from \$7500. The credit also remains non refundable and does not carry forward to future tax years. As such, you must have enough ordinary tax liability (so self-employment will not count) to to utilize the full credit.

**Starting 1/1/23.** There is also a lesser tax credit maximum of \$4000 for used plug-in EV's. This credit will be limited to single owner EV sold by a qualifying dealership costing less than \$25,000. However, the income limitation will be lower. (modified AGI threshold will be half the levels mentioned above for new EVs).