

TAXES

New EV Tax Credit Gets Complicated for 2023

More car models qualify for the full federal electric vehicle tax credit for a little while this year—but then what?



(Image credit: Getty Images)

Tax credits for electric vehicles got revamped in 2022 thanks to the Inflation Reduction Act, a massive climate, healthcare, and tax law that contains more than 200 clean energy tax credits and incentives. The new EV tax credit of up to \$7,500 can be claimed on new so-called “clean vehicles,” while a lower tax credit applies to certain used EVs.

But the new tax credit rules for EVs that became effective January 1, are also a mix of battery sourcing and capacity requirements, MSRP price caps, and income limits. And there’s a significant assembly requirement from last year—i.e., that qualifying EVs undergo final assembly in North America.

To help consumers sort through it, the IRS recently released answers to frequently asked EV questions and a new list of EVs that qualify for the 2023 federal EV tax credit. But the agency also announced that much-anticipated rules addressing sourcing requirements for the new EV tax credits will not be available until March.

IRS EV Tax Credit Rules

So, to recap: Some new clean vehicle tax credit rules became effective last August when President Biden signed the Inflation Reduction Act. Others kicked in January 1, 2023, and remaining rules regarding battery and other key EV component sourcing won’t be available for at least another three months.

That essentially means that some cars that are eligible for the full clean vehicle tax credit now, might not be eligible three months from now. And the resulting "rule gap," that seems to apply for the first part of 2023, is causing some confusion about which cars are eligible for the federal electric vehicle tax credit.

Which Vehicles Are Eligible for the EV Tax Credit?

At the end of December, the IRS released a new list of the electric vehicles that currently qualify for the 2023 EV tax credit. The agency has said that it will add to that list over the coming days and weeks. So, if you don't see a specific electric vehicle, it doesn't necessarily mean that the EV you want doesn't qualify for the tax credit—for now.

Also, keep in mind that to be on the IRS' eligible EV list, vehicles must have minimum battery capacity requirement of 7kWh and gross vehicle weight rating less than 14,000 lbs.

Cost also factors into which vehicles are considered eligible for the tax credit. The manufacturer's suggested retail price (MSRP) for electric cars must be less than \$55,000. The MSRP for eligible electric pickup trucks, SUVs, and vans, cannot be more than \$80,000. (Used EVs must be purchased from a licensed dealer, and cost less than \$25,000 to qualify for the tax credit.)

How To Claim the EV Tax Credit

In any case, if you're eligible to claim the EV tax credit (e.g., the electric vehicle you purchased is eligible and your income is under the ev tax credit income limit), the up to \$7,500 credit is taken in the year that you take delivery of the EV. The exact amount of the credit is based on a calculation that considers factors including the vehicle's sourcing (more on that coming from the IRS in March), and final assembly.

You claim the EV tax credit on [IRS Form 8936](#).

Claiming the Electric Vehicle Tax Credit for 2022

Essentially, if you purchased an electric vehicle before the Inflation Reduction Act became effective (i.e., before August 16, 2022), and that vehicle is otherwise eligible for the old EV tax credit, you can claim that credit under the rules that applied before the Inflation Reduction Act became law. (That's true even if you don't take possession of the EV until after August 16, 2022.)

Also, the North American final assembly requirement doesn't apply before August 16, 2022. But keep in mind: You need to have a written, binding sales contract to substantiate your claim for the EV tax credit.

What About EVs Purchased and Delivered Between August 16, 2022, and December 31, 2022?
If you purchased and took possession of your EV between August 16, 2022, and December 31, 2022, the rules for claiming the EV tax credit before the Inflation Reduction Act became law, still apply, except that the final assembly requirement applies.

You can check to see if the EV you purchased meets the final assembly requirement in the Inflation Reduction Act (i.e., is eligible for the EV tax credit). And for more details from the IRS on new EVs purchased in 2022, or before, visit the IRS website.

NYSUT NOTE: If you're thinking of buying a clean vehicle this year, take advantage of the NYSUT Member Benefits Corporation-endorsed Buyer's Edge, Inc. program. This unique service can be used to purchase a variety of major products and services, including new and used vehicles. Buyer's Edge, Inc. offers the option to purchase online, by phone and even in-person. Get more information on how to save on your vehicle purchases and more by [visiting the website](#).

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