



Going, Sebastien, Fisher & LeBouef, LLP

Darren J. Cart, CPA/PFS
Partner
2811 S Union St, Opelousas, LA
1700 Kaliste Saloom Rd., #5
Lafayette, LA
337-942-3041
337-981-5555
darren@going.cpa
www.goingcpa.com

An
**AICPA Personal Financial
Planning Section**
member benefit

New Clean Vehicle Tax Credit Guidance Issued

Starting in 2023, a personal or general business tax credit of up to \$7,500 is available for the purchase of new clean vehicles meeting certain requirements (including electric, plug-in hybrid, and fuel cell vehicles). A credit of \$3,750 is available if a critical minerals requirement is met, and a credit of \$3,750 is available if a battery components requirement is met. (For vehicles placed in service from January 1, 2023, through April 17, 2023, the credit allowed generally varied from \$3,750 to \$7,500 depending on the battery capacity of the vehicle, rather than on these two requirements.) Fuel cell vehicles that have final assembly within North America can qualify for the credit without regard to these two requirements.

Proposed regulations (required by the Inflation Reduction Act) have now been published to generally explain the new clean vehicle tax credit and these two battery-related requirements. The two requirements apply to new clean vehicles placed in service after April 17, 2023. The number of vehicles eligible for the credit has dropped considerably now that the proposed regulations have been published.

Vehicle eligibility

Assuming other requirements are met, the amount of the credit will generally be the full \$7,500 for new clean vehicles (other than fuel cell vehicles) as long as both the critical minerals and battery components requirements are met (\$3,750 if only one of these requirements is met; no credit if neither requirement is met). Qualified fuel cell vehicles are not subject to these two requirements and should qualify for the full \$7,500 credit.

The critical minerals requirement is that the percentage of the value of critical minerals contained in the battery that were extracted or processed in the U.S. or in any country with which the U.S. has a free trade agreement in effect, or recycled in North America, is equal to or greater than the applicable percentage. The applicable percentage is 40% for a vehicle placed in service from April 18, 2023, through December 31, 2023, increasing in later years until it reaches 80% after 2026.

The battery components requirement is that the percentage of the value of the components contained in the battery that were manufactured or assembled in North America is equal to or greater than the applicable percentage. The applicable percentage is 50% for a vehicle placed in service from April 18, 2023, through December 31, 2023, increasing in later years until it reaches 100% after 2028.

The credit is not available for vehicles with a manufacturer's suggested retail price (MSRP) higher than \$80,000 for vans, sports utility vehicles, and pickups, or \$55,000 for other vehicles. For this purpose, the MSRP is the base retail price suggested by the manufacturer, plus the retail price suggested by the manufacturer for each accessory or item of optional equipment physically attached to the vehicle at the time of delivery to the dealer. It does not include destination charges or optional items added by the dealer, or taxes and fees.


You can check the eligibility of vehicles for the credit at [fueleconomy.gov](https://www.fueleconomy.gov). Final confirmation of vehicle qualification should be done at time of purchase. The seller must provide you with a report about a vehicle's eligibility at the time of sale.

Purchaser's income limitation

The credit is generally not available if the purchaser's modified adjusted gross income (MAGI) for the taxable year or the preceding taxable year (whichever is less) exceeds \$150,000 (\$300,000 for joint filers and surviving spouses, \$225,000 for heads of household). The proposed regulations state that the income



The new clean vehicle tax credit may be available to help offset your cost to purchase certain electric, plug-in hybrid, and fuel cell vehicles. General eligibility of vehicles for the credit can be checked at [fueleconomy.gov](https://www.fueleconomy.gov).



limitation does not apply to corporations subject to the corporate income tax. In the case of a partnership or S corporation, the credit is allocated to the partners or shareholders, respectively, and the income limitation is applied to those individuals.

Personal or general business tax credit?

The new clean vehicle tax credit can be either a personal or a general business tax credit, depending on whether the vehicle is used in a trade or business. The proposed regulations provide that if the vehicle is used 50% or more for business, the credit is treated as a general business tax credit; otherwise, the credit is allocated between personal and business use. The credit is nonrefundable if it exceeds your tax liability. An unused general business tax credit can be carried forward to a later year.

IMPORTANT DISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, legal, or retirement advice or recommendations. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable — we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.