

Sitka is an ideal community for an electric vehicle (EV) with renewable hydropower and limited driving distances (no range anxiety). The Inflation Reduction Act's *Clean Vehicle Credit* added new EV requirements to prior credits such as final assembly must be in North America. There are also credits for used EVs. The qualified EV list changes throughout the year. The vehicle requirements for the tax credits are evolving as new IRS and Treasury guidance is released.

EV Tax Credits for New Vehicles Purchased in 2023 or After

A tax credit of up to \$7,500 is available for a “qualified plug-in EV or fuel cell electric vehicle” through 2032.

- The buyer's modified adjusted gross income (AGI, from IRS Form 1040) may not exceed: \$300,000 for married couples filing jointly; \$225,000 for heads of households; and \$150,000 for all other filers.
 - Buyers qualify for the credit if their AGI meets the income requirements in the year of the vehicle delivery or the year before (whichever is less)
 - The credit cannot exceed taxes owed in the purchase year and excess credit cannot be carried to later years
- The manufacturer's suggested retail price (MSRP) cannot exceed:
 - \$80,000 for vans, sport utility vehicles, and pickup trucks
 - \$55,000 for other vehicles
 - The cost requirement is based on the MSRP, not your actual cost
- There are other vehicle requirements regarding battery characteristics, gross vehicle weight (GVW <14,000 lbs), critical mineral resources, being made by a qualified manufacturer, and final assembly in North America.
- Beginning in 2024, buyers can transfer their credit directly to a participating dealer, reducing the sales price.
- Businesses and tax-exempt organizations may qualify for the Commercial Clean Vehicle Credit. The maximum credit is \$7,500 for vehicles with GVW<14,000 lbs and \$40,000 for all other vehicles. Note: tax-exempt entities, including cities, may qualify for the tax credit through “direct pay” even though they pay no taxes (see IRS guidelines).

LEARN MORE: <https://www.irs.gov/credits-deductions/credits-for-new-clean-vehicles-purchased-in-2023-or-after>;
<https://www.irs.gov/credits-deductions/commercial-clean-vehicle-credit>; and <https://www.consumerreports.org/cars/hybrids-evs/electric-cars-plug-in-hybrids-that-qualify-for-tax-credits-a7820795671/>

EV Tax Credits for Used Vehicles

A tax credit of 30% of the sale price up to \$4,000 is available when purchasing a used EV or fuel cell vehicle from a licensed dealer for up to \$25,000.

- The buyer's modified adjusted gross income (AGI) may not exceed: \$150,000 for married couples filing jointly or a surviving spouse; \$112,500 for heads of households; and \$75,000 for all other filers.
 - Buyers qualify for the credit based on the lessor of their AGIs for the delivery year or the prior year
- The vehicle must at least 2 years older than the calendar year of purchase; less than 14,000 lbs gross vehicle weight, as well as meet other requirements.
- There are additional requirements for the purchaser such as not having claimed the credit in the previous 3 years.

LEARN MORE <https://www.irs.gov/credits-deductions/used-clean-vehicle-credit>; eligible manufacturers and models of used EVs: <https://fueleconomy.gov/feg/taxused.shtml>; and Taking Charge: A guide to used electric vehicles: https://www.youtube.com/watch?v=-jRyzF6BP_o

EV Chargers

The Inflation Reduction Act extended the *Alternative Fuel Vehicle Refueling Property Credit* through 2032.

- Homeowners are eligible for an EV charger tax credit of 30% of cost, up to \$1,000 (including installation).
- See final IRS guidance regarding bidirectional and 2- and 3-wheel electric vehicle chargers that may qualify for the credit. It is expected that credits will be for “residents in non-urban or low-income communities” (e.g., Sitka).
- Electrical upgrades for installation of Level 2, 240V chargers may be eligible for tax credits of 30% of cost, up to \$600.

For Inflation Reduction Act IRS guidance updates, see <https://www.irs.gov/inflation-reduction-act-of-2022>

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