

Frequently Asked Questions on the Inflation Reduction Act's Initial Changes to the Electric Vehicle Tax Credit

Q: How does the Inflation Reduction Act modify the existing tax credit for new electric vehicles?

The Inflation Reduction Act introduces a number of significant changes to the tax credit for new electric vehicles (section 30D). These changes will phase in over time. Effective immediately after enactment of the Inflation Reduction Act (after August 16, 2022), the tax credit is only available for qualifying electric vehicles *for which final assembly occurred in North America*. Further changes to the eligibility rules will begin in 2023.

Overall, the reforms in the Inflation Reduction Act mean that the tax credit for electric vehicles will evolve considerably over the coming months and years. However, the only change to the electric vehicle credit that takes effect immediately after the President signs the Inflation Reduction Act into law is the North America final assembly requirement.

Separately, starting in 2023, the Inflation Reduction Act also establishes tax credits for pre-owned clean vehicles (section 25E) and for commercial clean vehicles (section 45W). Treasury and the Internal Revenue Service will release more information on all the clean vehicle credits in the coming months.

Q: Now that the President has signed the Inflation Reduction Act into law, the North America final assembly requirement will enter into force after August 16, 2022. How do I know if an electric vehicle's final assembly occurred in North America?

Dealers and consumers can follow a simple two-step process to check whether a vehicle's final assembly occurred in North America.

First, the Department of Energy's Alternative Fuels Data Center (AFDC) has developed a list of Model Year 2022 and 2023 electric vehicles that likely meet the North America final assembly requirement, available here: <https://afdc.energy.gov/laws/inflation-reduction-act>. Dealers and consumers can check this list to determine whether a make/model is potentially eligible for the credit in light of the final assembly requirement. Because some models are built in multiple locations, there may be vehicles on this list that do not meet the final assembly requirement in all circumstances.

Second, to identify whether a specific vehicle's final assembly occurred in North America, dealers and consumers should enter the 17-character Vehicle Identification Number (VIN) into the National Highway Traffic Safety Administration's VIN Decoder tool, available here: <https://vpic.nhtsa.dot.gov/decoder/>. Dealers and consumers can refer to the "Plant Information" field at the bottom of the page result, which expressly lists the build plant and country for the searched vehicle.

Q: How do I claim this credit?

Consumers that purchase a qualifying electric vehicle can continue to claim the electric vehicle tax credit on their annual tax filing. Starting in 2024, the Inflation Reduction Act establishes a mechanism that will allow car buyers to transfer the credit to dealers at the point of sale so that it can directly reduce the purchase price.

Q: If I signed a contract to purchase an electric vehicle prior to enactment of the Inflation Reduction Act (before August 16, 2022) but have not yet taken possession of the vehicle, will the changes in the Inflation Reduction Act impact my tax credit?

No. If you entered into a written binding contract to purchase a qualifying electric vehicle before the date of enactment of the Inflation Reduction Act (August 16, 2022), the changes in the Inflation Reduction Act will not impact your tax credit. You may claim the credit based on the rules that were in effect before August 16, 2022. The Internal Revenue Service provides information on “written binding contract” here: <https://www.irs.gov/businesses/plug-in-electric-vehicle-credit-irc-30-and-irc-30d>.

Q: What if I purchase and take possession of a qualifying electric vehicle after August 16, 2022 but before the end of 2022?

The only change to the existing electric vehicle credit that takes effect after August 16, 2022 and before the end of 2022 is the introduction of the North America final assembly requirement. Otherwise, the rules in effect before enactment of the Inflation Reduction Act for the electric vehicle credit remain in effect, including the phase-out for manufacturers that have sold over 200,000 vehicles in the United States.

Q: Where can I find out more about the other changes taking effect starting next year?

The Internal Revenue Service and the Department of the Treasury will post information and request comments from the public on various existing and new tax credits in the coming weeks and months, including on further changes to eligibility rules for clean vehicle tax credits. Please look for updates on IRS.gov and other announcements from the Administration.