

FEDERAL TAX CREDITS FOR ELECTRIC VEHICLES

In 2022, Congress passed the Inflation Reduction Act which included significant tax credits for the purchase of electric vehicles. However, the conditions for accessing the tax credits has resulted in some confusion regarding which vehicles are eligible for these credits. In addition, the Treasury Department is scheduled to update the rules in March which may affect the eligibility of these vehicles. And it is not all certain they will meet this March deadline. The Umpqua Transportation Electrification Team will provide a general snapshot of the criteria for accessing these tax credits but it is suggested you check the Treasury Department website, your dealer and/or a tax consultant to make sure the vehicle you are purchasing qualifies.

The \$7,500 Tax Credit For New Vehicles

1. How does the tax credit work?

You can reduce what you owe in taxes up to \$7,500. HOWEVER, if you owe less than \$7,500, you can only claim a credit up to the amount you owe.

2. What vehicles are eligible?

The price of a car cannot exceed \$55,000. The price of Trucks, Vans, and SUV's cannot exceed \$80,000.

3. Does the tax credit depend on where the car was built?

Yes. Half the credit is based on where the car was assembled. Half the credit is based on where the minerals for the battery came from. (See the first paragraph for how to determine if the vehicle qualifies)

4. Are there limits to my income in order to qualify?

Yes. A single person can earn no more than \$150,000. A couple can earn no more than \$300,000.

The \$4,000 Tax Credit For Used Vehicles

1. How does the tax credit work?

You can claim a tax credit of \$4,000 or 30% of the cost of the vehicle, whichever is less. It is available only up to the amount you owe.

2. How can a vehicle qualify?

It must cost less than \$25,000 and must be purchased from a licensed dealer. In addition, the car must be at least two years old.

3. Are there limits to my income in order to qualify?

Yes. A single person cannot earn more than \$75,000. A couple can earn no more than \$150,000.

4. How often can a tax credit be applied to a used vehicle?

Just once.

5. How often can a buyer claim a credit?

No more than once every three years.