

Tax Year 2023 includes new rules for clean vehicle tax credits:

- **Clean Vehicle Tax Credit**
- **Previously-owned Clean Vehicle Tax Credit**

To confirm the eligibility of a vehicle and the applicable credit amount, check here:

<https://fueleconomy.gov/feg/taxcenter.shtml>

The credits include caps on taxpayer income and vehicle cost. Limits on manufacturer sales numbers were eliminated. Qualifying for and utilizing the credits may require some tax planning.

	NEW	USED
Income Limits (AGI)	\$150,000 Single \$300,000 Married Filing Jointly	\$75,000 Single \$150,000 Married Filing Jointly
Vehicle Cost Limits	Maximum MSRP ("sticker price"): \$80,000 SUV/Van/Truck \$55,000 All others <i>Some vehicles we think of as cars are classified as SUVs for this credit.</i>	Price cannot exceed \$25,000
Maximum Credit	Up to \$7,500 (check website)	Lower of \$4,000 or 30% of sale price
Eligible Vehicle	Check here: https://fueleconomy.gov/feg/taxcenter.shtml	
	<ul style="list-style-type: none"> • Plug-in vehicle (Hybrids that charge battery from engine only are not qualified. Must have a plug.) • Four-wheels (Motorcycles and e-bikes are not qualified.) • Must meet battery and assembly rules (check website). • Must be new (Use must originate with Taxpayer). 	<ul style="list-style-type: none"> • Must be purchased from a dealer (No individual sales). • Model year must be at least two years earlier than the calendar year acquired. For 2023, model year must be 2021 or older. • Vehicle must be under 14,000 pounds and meet other requirements (check website).

Which vehicles qualify & how much is the tax credit?

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How do I claim the credits?

- The credits are claimed on your federal income tax return.
- States may also offer tax credits and rebates.

What documentation do I need to provide?

- Vehicle bill of sale
- Vehicle Identification Number (VIN)

What happens to unused credit amounts?

The credits are *non-refundable* which means that the credit amount can reduce the tax liability to zero, but any remaining amount is not refunded.

Do the credits carry-over to the next year?

- No, there is no carry-forward for this credit which means that any unused credit is lost.
- To utilize the full amount of the credit in a current year, consider tax planning tools such as initiating a Roth IRA conversion or recognizing capital gain income on investments – be aware of income limitations.

When do the credits expire?

Qualified buyers can claim a tax credit on qualified vehicles through 2032.

For the income limits, what is "AGI"?

Adjusted Gross Income - This is your gross income less certain deductions such as IRA, HSA, and self-employed health insurance. It does not include your standard or itemized deductions.

Do leased vehicles qualify?

Only the dealer would be eligible to claim the credit on a leased vehicle. The taxpayer who leases the vehicle cannot claim the credit.

Why is the credit amount different for some vehicles?

- The credit amount is calculated based on specific battery and assembly components which can vary among vehicles.
- The credit amount may also vary if the car was placed in service during the legislative transition period (1/1/23 – 4/17/23).

New for Tax Year 2024

Starting in tax year 2024, taxpayers will be able to transfer the tax credit back to the dealer.

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