

Tax Credit for Buying a New Clean Vehicle

Dear Client,

Should President Trump's "Big Beautiful Big" pass the senate and be signed into effect beginning January 1, 2026, electric vehicle (EV) credits can be expected to be eliminated as early as September 30th 2025. With Republican senators aiming to remove the EV credits as early as September 30, 2025, this is your last chance to take advantage of this opportunity. If you are in the market for an electric vehicle, we should review the rules to help you maximize the credit you are allowed while there is still time. The credit is generally available to middle-income taxpayers purchasing moderately priced new clean vehicles.

Make sure to look out for the final Big Beautiful Bill details to see the last day you can purchase a "new clean vehicle" and receive the tax credits. Please feel free to call me with any questions you might have about your electric vehicle purchase.

North American assembly requirement

To qualify for the electric vehicle credit, final assembly of the vehicle must take place in North America. You can check whether a particular vehicle meets this requirement by entering its vehicle identification number (VIN) into the VIN decoder at <https://afdc.energy.gov/laws/inflation-reduction-act> or <https://www.nhtsa.gov/vin-decoder>.

There is also a list of makes and models that generally should meet the requirement at <https://afdc.energy.gov/laws/inflation-reduction-act>, but you should double-check for any particular vehicle by using the VIN decoder. A list of eligible vehicles is also available at [FuelEconomy.gov](https://www.fueleconomy.gov).

Calculation of the credit

Under the new rules, the amount of the credit is based on two separate requirements, each one based on where the vehicle's battery is sourced:

Taxpayers get a \$3,750 credit for meeting the critical minerals requirement (which requires that a minimum percentage of the minerals contained in the battery be sourced in the United States or a country with which the United States has a free trade agreement in effect).

Taxpayers also can get a \$3,750 credit for satisfying the battery component requirement (which requires that a minimum percentage of the value of the components of the battery be manufactured or assembled in North America).

A vehicle can satisfy either or both requirements, for either a \$3,750 credit (if only one requirement is satisfied) or a \$7,500 credit (if both requirements are satisfied).

The new rules are designed to encourage electric vehicle manufacturers to move their battery supply chains from China to North America or countries with which the United States has better trade relations than China.

New qualified fuel cell motor vehicle

The credit is also available for new qualified fuel cell motor vehicles. "New qualified fuel cell motor vehicles" are vehicles propelled by power derived from one or more cells that convert chemical energy directly into electricity by combining oxygen with hydrogen fuel, and that meet certain additional requirements. New qualified fuel cell motor vehicles have to meet the North American final assembly requirement. They can qualify for either a \$3,750 or \$7,500 credit, based on whether they satisfy one or both of the critical minerals requirement and battery components requirement.

Modified adjusted gross income limitation

Your ability to take the electric vehicle credit is limited based on your modified adjusted gross income (MAGI). You may not take the credit if your MAGI exceeds the threshold amount. The threshold amount is:

For married taxpayers filing a joint return or a surviving spouse, \$300,000.

For taxpayers filing as head of household, \$225,000.

For all other taxpayers (single, married filing separately), \$150,000.

These amounts are not adjusted for inflation.

MSRP limitation

Vehicles are not eligible for the credit if they exceed an MSRP limit: \$80,000 for vans, pickup trucks, and sport utility vehicles; \$55,000 for other vehicles.

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Yours truly,

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