IRS Announces Important Changes to New Vehicle EV Tax Credits Under IRC Section 30D

The Internal Revenue Service today released proposed guidance which, effective April 18, 2023, will significantly change the new electric vehicle (EV) tax credits that are available under Section 30D of the Internal Revenue Code. In particular, the IRS guidance will put in place new critical mineral and battery component content requirements that EVs must meet to qualify for Section 30D tax credits.

For dealers, these new requirements will mean two key things:

- First, effective April 18, 2023, the number of EV make/models that are potentially eligible for a Section 30D credit will likely be dramatically ***reduced***.

- Second, for those vehicles that may qualify for a Section 30D credit under the proposed guidance, there will be only two possible credit amounts – $3750 or $7500. Until April 18th, potential Section 30D credits will continue to vary but will typically be for $7500.

OEMs are now working to determine how the new proposed guidance applies to the EVs they manufacture. Given the guidance's complexity, this process could take some time. Accordingly, after April 17, 2023, dealerships offering new EVs for sale are cautioned against providing customers with seller report forms, or otherwise representing the potential value of a Section 30D tax credit for a given make/model, without first consulting with their OEMs on the impact of the proposed guidance. In addition, since the IRS has indicated that it will continuously update the make/model credit eligibility information found on fueleconomy.gov, dealers are encouraged to avail themselves of that resource as well.

For general information on the Section 30D and other federal EV tax credits, see nada.org/ev-incentives. Questions may be directed to regulatoryaffairs@nada.org.

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