



## IRS updates frequently asked questions related to new, previously owned and qualified commercial clean vehicle credits

FS-2023-08, March 2023

Note: These FAQs supersede earlier FAQs that were posted in [FS-2023-04](#) on February 3, 2023.

This Fact Sheet updates frequently asked questions related to new, previously owned, and qualified commercial clean vehicles.

The FAQs revisions are as follows:

- Topic A: Eligibility Rules for the New Clean Vehicle Credit: Questions 2, 3, 4, 5, 6, and 7, added question 11
- Topic B: Income and Price Limitations for the New Clean Vehicle Credit: added question 2, renumbering questions 2 through 10 to 3 through 11, respectively, updated questions 1, 3, 7, 8, and 9
- Topic C: When the New Requirements Apply to the New Clean Vehicle Credit: Questions 2, 4, 5, and 6, added question 8, renumbered prior question 8 to question 9
- Topic F: Claiming the Previously Owned Clean Vehicles Credit: Question 2
- Topic G: Qualified Commercial Clean Vehicles Credit: Added question 10

These FAQs are being issued to provide general information to taxpayers and tax professionals as expeditiously as possible. Accordingly, these FAQs may not address any particular taxpayer's specific facts and circumstances, and they may be updated or modified upon further review. Because these FAQs have not been published in the Internal Revenue Bulletin, they will not be relied on or used by the IRS to resolve a case. Similarly, if an FAQ turns out to be an inaccurate statement of the law as applied to a particular taxpayer's case, the law will control the taxpayer's tax liability. Nonetheless, a taxpayer who reasonably and in good faith relies on these FAQs will not be subject to a penalty that provides a reasonable cause standard for relief, including a negligence penalty or other accuracy-related penalty, to the extent that reliance results in an underpayment of tax. Any later updates or modifications to these FAQs will be dated to enable taxpayers to confirm the date on which any changes to the FAQs were made. Additionally, prior versions of these FAQs will be maintained on IRS.gov to ensure that taxpayers, who may have relied on a prior version, can locate that version if they later need to do so.

More information about [reliance is available](#). These FAQs were announced in [IR 2023-64](#).

## New clean vehicle credit, previously owned vehicle credit and qualified commercial clean vehicles credit frequently asked questions

### Background

The Inflation Reduction Act of 2022 (IRA) makes several changes to the tax credit provided in § 30D of the Internal Revenue Code (Code) for qualified plug-in electric drive motor vehicles, including adding fuel cell vehicles to the § 30D tax credit. The IRA also added a new credit for previously owned clean vehicles under § 25E of the Code.

These FAQs provide detail on how the IRA revises the credit available under § 30D (new clean vehicle credit) for individuals and businesses, and information on the credit available under § 25E (previously owned clean vehicle credit) for individuals, and the new credit for qualified commercial clean vehicles under § 45W of the Code.

- [Topic A: Eligibility Rules for the New Clean Vehicle Credit](#)
- [Topic B: Income and Price Limitations for the New Clean Vehicle Credit](#)



- [Topic C: When the New Requirements Apply to the New Clean Vehicle Credit](#)
- [Topic D: Eligibility Rules for the Previously Owned Clean Vehicles Credit](#)
- [Topic E: Income and Price Limitations Previously Owned Clean Vehicles](#)
- [Topic F: Claiming the Previously Owned Clean Vehicles Credit](#)
- [Topic G: Qualified Commercial Clean Vehicles Credit](#)

## Topic A: Eligibility Rules for the New Clean Vehicle Credit under § 30D effective 1/1/2023

### Q1. What is a new clean vehicle for purposes of the new clean vehicle credit? (updated February 3, 2023)

A1. For purposes of the new clean vehicle credit, a new clean vehicle is a clean vehicle placed in service on or after January 1, 2023, that is acquired by a taxpayer for original use. In addition, to qualify for the credit, the vehicle:

- Cannot be acquired for resale;
- Must be manufactured by a qualified manufacturer;
- Must meet the definition of a motor vehicle under Title II of the Clean Air Act (that is, any vehicle manufactured primarily for use on public streets, roads, and highways. It must also have at least four wheels);
- Must have a gross vehicle weight rating of less than 14,000 pounds;
- Must be powered to a significant extent by an electric motor with a battery capacity of 7 kilowatt hours or more and must be capable of being recharged from an external source of electricity; and
- Must have final assembly in North America.

Moreover, for a taxpayer to claim the credit, the seller of a new clean vehicle must provide a report containing taxpayer and vehicle information to the taxpayer and to the IRS. See [Topic B FAQs 7-9](#) for additional detail.

Fuel cell vehicles are also new clean vehicles if (1) the original use begins with the taxpayer, (2) the final assembly is in North America, and (3) the seller of the vehicle provides a report to the taxpayer and the IRS.

### Q2. Is there a list of vehicles that qualify for the new clean vehicle credit? (updated March 31, 2023)

A2. Yes. [FuelEconomy.gov](http://FuelEconomy.gov) contains a list of eligible clean vehicles, including fuel cell vehicles, that qualified manufacturers have indicated to the IRS meet the requirements to claim the new clean vehicle credit. This list will be promptly updated as additional vehicle eligibility requirements take effect and as manufacturers provide updated information. That list is available here: [Federal Tax Credits for Plug-in Electric and Fuel Cell Electric Vehicles Purchased in 2023 or After \(fuelconomy.gov\)](#). Verifying the manufacturer's suggested retail price, final assembly, or that a specific vehicle is eligible may be necessary for certain makes and models, see Topic B FAQs [3](#) and [4](#). Final confirmation of vehicle qualification should be done at time of purchase. The seller must provide you with a report about a vehicle's eligibility at the time of sale.

### Q3. How can I confirm the final assembly of a new clean vehicle is in North America? (updated March 31, 2023)

A3. There is a clean vehicle credit requirement that vehicles be assembled in North America. The list of eligible vehicles on [FuelEconomy.gov](http://FuelEconomy.gov) includes information about a vehicle's final assembly. The final assembly point will be listed on the vehicle information label attached to each vehicle on a dealer's premises.

North America includes the United States (defined, for this purpose to mean the 50 states, the District of Columbia, and Puerto Rico), Canada, and Mexico for purposes of determining the location of final assembly.

The VIN Decoder website for the National Highway Traffic Safety Administration (NHTSA) also provides final assembly location



information. The website, including instructions, can be found at [VIN Decoder](#).

#### **Q4. How will I know what the vehicle identification number (VIN) is? (updated March 31, 2023)**

A4. The vehicle identification number is a 17-character number that uniquely identifies a vehicle. It is permanently attached to a vehicle in several locations, appearing on the dashboard for most passenger vehicles and on the label located on the driver's door frame. The VIN is also located on the window sticker of new vehicles and often appears on the vehicle listing on dealers' websites. Once the VIN is known, the VIN can be used to confirm final assembly. See [FAQ 3](#).

#### **Q5. If I order a new clean vehicle in one year and don't receive it until a subsequent year, when do I claim the credit? (updated March 31, 2023)**

A5. The new clean vehicle credit is claimed in the tax year that the vehicle is placed in service, meaning the tax year that includes the date the taxpayer takes delivery of the vehicle. See also Topic C FAQs 5 and 8.

#### **Q6. What is the amount of the new clean vehicle credit? (updated March 31, 2023)**

A6. Beginning January 1, 2023, eligible vehicles may qualify for a tax credit of up to \$7,500. The amount of the credit depends on when the eligible new clean vehicle is placed in service and whether the vehicle meets certain requirements for a full or partial credit.

For vehicles placed in service on or after April 18, 2023, the credit amount will depend on the vehicle meeting the critical minerals requirement (\$3,750) and/or the battery components requirement (\$3,750). A vehicle meeting neither requirement will not be eligible for a credit, a vehicle meeting only one requirement may be eligible for a \$3,750 credit, and a vehicle meeting both requirements may be eligible for the full \$7,500 credit.

For vehicles placed in service before or on April 17, 2023, the credit is calculated as a \$2,500 base amount plus, for a vehicle which draws propulsion energy from a battery with at least 7 kilowatt hours of capacity, \$417, plus an

additional \$417 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours, up to an additional \$5,000 beyond the base amount. In general, the minimum credit amount will be \$3,751 ( $\$2,500 + 3 * \$417$ ), representing the credit amount for a vehicle with the required minimum of 7 kilowatt hours of battery capacity.

#### **Q7. Is the new clean vehicle credit refundable or able to be carried forward? (updated March 31, 2023)**

A7. The new clean vehicle credit may only be claimed to the extent of reported tax due of the taxpayer and cannot be refunded. The new clean vehicle credit cannot be carried forward to the extent it is claimed for personal use on Form 1040, Schedule 3, Additional Credits and Payments. However, the new clean vehicle credit can be carried forward to the extent it is claimed for business use on Form 3800, General Business Credit, as otherwise appropriate.

#### **Q8. What does "original use" mean? (updated February 3, 2023)**

A8. For purposes of the new clean vehicle credit, "original use" means the first use to which the vehicle is put after it is sold, registered, or titled. A vehicle is not a new clean vehicle if (1) another person (including a dealer) has ever purchased, registered, or titled the clean vehicle and (2) placed it in service for any purpose (including as a dealer demonstrator vehicle). Where a vehicle is acquired for lease to another person, the lessor is the original user. Test drives by potential buyers do not disqualify a vehicle from eligibility for the new clean vehicle credit provided the dealer has not titled the vehicle to itself as a demonstrator vehicle.

#### **Q9. What is a qualified manufacturer? (added December 29, 2022)**

A9. A qualified manufacturer is a manufacturer that enters into a written agreement with the IRS to file periodic reports with vehicle identification numbers (VINs) and other information for each vehicle they manufacture. The IRS maintains a list of qualified



manufacturers that can be found at [Clean Vehicle Qualified Manufacturer Requirements](#).

**Q10. Do I have to report the vehicle identification number on my return to claim the new clean vehicles credit? (added December 29, 2022)**

A 10. Yes. The vehicle identification number of the new clean vehicle is required to be included on [Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit](#), when you file your income tax return.

**Q11. Can the new clean vehicle credit be split between multiple owners? (added March 31, 2023)**

A11. No. In certain instances, multiple taxpayers may purchase, place in service, and be titled as owners of a single vehicle. For example, a married couple that files separate tax returns may jointly purchase and take possession of a new clean vehicle that **qualifies** for the credit and both be titled as owners of the vehicle. However, only one taxpayer can claim the new clean vehicle credit per vehicle placed in service, and the credit may not be allocated or prorated between multiple taxpayers. In the case of married taxpayers filing jointly, either spouse may be identified as the owner claiming the new clean vehicle credit.

The name and taxpayer identification number of the owner claiming the credit new clean vehicle credit should be listed on the seller's report. See [Topic B, FAQ 9](#). Accordingly, multiple owners of a new clean vehicle should inform the seller which owner will claim the new clean vehicle credit so that the seller can identify that taxpayer on the seller's report. The credit would be allowed only on the tax return of the owner listed in the seller's report.

## Topic B: Income and Price Limitations for the New Clean Vehicle Credit

**Q1. Could my income level prevent me from taking the new clean vehicle credit? (updated March 31, 2023)**

A1. Yes. You may not claim the credit if your modified adjusted gross income (AGI) exceeds certain thresholds. This limitation is based on the lesser of your modified AGI for the year that the new clean vehicle was placed in service or for the preceding year. The relevant modified AGI thresholds are as follows:

- Married filing jointly or filing as a qualifying surviving spouse or a qualifying widow(er) - \$300,000
- Head of household - \$225,000
- All other taxpayers - \$150,000

Your modified AGI is the amount from line 11 of your Form 1040 plus:

- Any amount on line 45 or line 50 of Form 2555, Foreign Earned Income.
- Any amount excluded from gross income because it was received from sources in Puerto Rico or American Samoa.

If your filing status changes between the preceding year and the current year, you may claim the new clean vehicle credit if your modified AGI is at or below the threshold in the preceding year or current year based on applicable filing status for that year.

**Q2. How do the income thresholds apply to my partnership's purchase and use of a new clean vehicle? (added March 31, 2023)**

A2. If a partnership or an S corporation places a new clean vehicle in service and the new clean vehicle credit is claimed by individuals who are direct or indirect partners of that partnership or shareholders of that S corporation, the modified AGI thresholds apply to those partners or shareholders.

**Q3. Are there any price limitations on new clean vehicles eligible for the credit? (updated March 31, 2023)**

A3. Yes. The manufacturer's suggested retail price (MSRP) for the new clean vehicle may not exceed the following amounts for the





following vehicle types:

- Vans - \$80,000
- Sport Utility Vehicles - \$80,000
- Pickup Trucks - \$80,000
- Other - \$55,000

If the MSRP exceeds the limitation for that specific vehicle type, that vehicle is not eligible for the new clean vehicle credit.

[FuelEconomy.gov](http://FuelEconomy.gov) contains a list of eligible clean vehicles, including fuel cell vehicles, qualified manufacturers have indicated to the IRS meet the requirements to claim the new clean vehicle credit, including the applicable MSRP limitation.

**Q4. How will I know what the manufacturer's suggested retail price (MSRP) is for a vehicle? (added December 29, 2022)**

A4. The MSRP will be on the vehicle information label attached to each vehicle on a dealer's premises. The MSRP for this purpose is the base retail price suggested by the manufacturer, plus the retail price suggested by the manufacturer for each accessory or item of optional equipment physically attached to the vehicle at the time of delivery to the dealer. It does not include destination charges or optional items added by the dealer, or taxes and fees.

**Q5. Would I still qualify for the new clean vehicle credit if the purchase price, including sales tax, fees, negative equity on a trade, etc., exceeds the manufacturer's suggested retail price threshold? (added December 29, 2022)**

A5. The credit limitations on the price of the vehicle are based on manufacturer's suggested retail price, not the actual price you paid for the vehicle. See [FAQ 3](#) for how to determine the manufacturer's suggested retail price.

**Q6. If the manufacturer/dealer offers incentives on the purchase, and the total purchase price drops below the manufacturer's suggested retail price limitation, will the vehicle be eligible for the new clean vehicles credit? (added December 29, 2022)**

A6. The credit limitations on the price of the vehicle are based on manufacturer's suggested retail price (MSRP), not the actual price you paid for the vehicle. See [FAQ 3](#) for how to determine MSRP.

**Q7. How do I know if my vehicle is a pickup truck, van, sport utility vehicle (SUV), or other type of vehicle for purposes of determining the applicable manufacturer's suggested retail price for a vehicle? (updated March 31, 2023)**

A7. A vehicle's classification for this purpose relates to the classification describing the vehicle on the fuel economy label included as part of the window sticker as well as the EPA Size class displayed on [FuelEconomy.gov](http://FuelEconomy.gov). Vehicles whose class includes "sport utility vehicle," "pickup truck," or "van" on the fuel economy label or on [FuelEconomy.gov](http://FuelEconomy.gov) are considered a sport utility vehicle, pickup truck, or van respectively for this purpose and the \$80,000 MSRP limit applies, including for the following vehicle classes:

- Small Sport Utility Vehicle
- Standard Sport Utility Vehicle
- Small Pickup Truck
- Standard Pickup Truck
- Minivan
- Van

If your eligible vehicle is not in one of the classes described in the list above, the \$55,000 MSRP limitation applies.

[FuelEconomy.gov](http://FuelEconomy.gov) contains a list of eligible clean vehicles, including fuel cell vehicles, qualified manufacturers have indicated to the IRS



meet the requirements to claim the new clean vehicle credit, including the applicable MSRP limitation.

## **Q8. If my vehicle's classification changed since it was purchased, can I claim the new clean vehicle credit? (updated March 31, 2023)**

A8. Eligible taxpayers who placed in service an eligible vehicle on or after January 1, 2023 may claim the credit on their tax return based on the updated vehicle classification definition provided in [Notice 2023-16](#) issued on February 3, 2023, and incorporated in the proposed regulations, and the associated MSRP limitation. All vehicles that were classified as an SUV, van, or pickup truck for the purpose of the new clean vehicle tax credit prior to the updated notice continue to be subject to the same \$80,000 MSRP limitation. Some vehicles that were previously subject to the \$55,000 MSRP limitation are now classified as SUVs and therefore get the benefit of the \$80,000 MSRP limitation. The vehicles now classified as SUVs for this purpose include but may not be limited to the 2023 Cadillac Lyriq, the 2022 and 2023 Ford Mustang Mach-E, certain variants of the 2022 and 2023 Tesla Model Y, certain variants of the 2022 and 2023 Volkswagen ID.4, and the 2022 and 2023 Ford Escape Plug-In Hybrid. In the case where vehicles have been reclassified for the purpose of this credit, taxpayers should obtain a report from the seller, see [FAQ 9](#). Vehicles placed in service on or after April 18, 2023 must also meet the critical minerals and battery sourcing requirements to claim the credit.

## **Q9. What information does a seller have to provide to a taxpayer purchasing a new clean vehicle to allow the taxpayer to**

claim the new clean vehicle credit? (updated March 31, 2023)

A9. A seller must provide the following information on a report to the taxpayer and to the IRS:

- Name and taxpayer identification number of the seller
- Name and taxpayer identification number of the taxpayer (only one taxpayer may be listed on the seller report; in the event of multiple owners, only the taxpayer that intends to claim the credit should be listed)
- Vehicle identification number (VIN) of the new clean vehicle
- Battery capacity of the new clean vehicle
- Verification that the taxpayer is the original user of the new clean vehicle
- The date of the sale and the sale price of the vehicle
- Maximum credit allowable for the new clean vehicle being sold
- For sales after December 31, 2023, the amount of any transfer credit applied to the purchase
- A declaration under penalties of perjury from the seller For

further details see [Revenue Procedure 2022-42](#).

## **Q10. When must the seller provide the report to the taxpayer? (updated February 3, 2023)**

A10. The seller must provide the report to the taxpayer not later than the date the vehicle is purchased. However, taxpayers that did not receive a report from the seller because their vehicle was previously ineligible but their vehicle is now eligible (such as due to a change in the vehicle's classification and the applicable MSRP limitation) may request and receive a report from the seller after the vehicle's purchase date.

For further details see [Revenue Procedure 2022-42](#).

## **Q11. How will a seller provide these reports to the IRS? (added December 29, 2022)**

A11. For vehicle sales occurring in calendar year 2023 and later, sellers must file reports within 15 days after the end of the calendar year, in a format and method that the IRS provides. For further details see [Revenue Procedure 2022-42](#).



## Topic C: When the New Requirements Apply to the New Clean Vehicle Credit

### **Q1. On the day after the Inflation Reduction Act of 2022 became law (August 16, 2022), did any requirements for taxpayers or vehicles to qualify for the credit for new clean vehicles change? (added December 29, 2022)**

A1. Yes, after August 16, 2022, a new clean vehicle must have had its final assembly in North America to be eligible for the credit. There is a [transition rule for vehicles purchased before August 16, 2022](#). Additional changes begin January 1, 2023.

### **Q2. What additional changes to the credit apply for vehicles placed in service on or after January 1, 2023? (updated March 31, 2023)**

A2. The most significant changes to the credit for vehicles delivered on or after January 1, 2023, include:

- The minimum battery capacity is increased to 7 kilowatt hours
- Vehicles must be made by a qualified manufacturer (see Topic A, [FAQ 9](#) for more detail)
- MSRP limitations apply, based on the type of vehicle (see Topic B, [FAQs 3](#) and [6](#) for more detail)
- Income limits apply to taxpayers (see Topic B, [FAQs 1 and 2](#) for more detail)
- The taxpayer must report the vehicle identification number (VIN) of the vehicle on the taxpayer's income tax return
- Sellers must provide reports to the taxpayer and the IRS regarding the sale of the vehicle

### **Q3. Does the "phase-out period" that limited or eliminated the credit for vehicles sold by certain manufacturers that had sold more than 200,000 vehicles still apply for vehicles sold after January 1, 2023? (added December 29, 2022)**

A3. No, for vehicles sold on or after January 1, 2023, the prior sales volume limitations no longer apply. The prior sales volume limitations apply to vehicles sold before January 1, 2023.

### **Q4. When do the new critical mineral and battery components requirements apply? (updated March 31, 2023)**

A4. April 18, 2023. The critical mineral and battery components requirements of the new clean vehicle credit apply to vehicles placed in service on or after April 18, 2023, the day after the applicable Notice of Proposed Rulemaking is issued in the Federal Register.

Vehicles ordered or purchased prior to but placed in service on or after April 18, 2023 will be subject to the critical mineral and battery component requirements.

### **Q5. If I order a new clean vehicle in one year and don't receive it until a subsequent year, when do I claim the credit? (updated March 31, 2023)**

A5. For vehicles purchased on or after August 16, 2022, the new clean vehicle credit is claimed in the tax year that the vehicle is placed in service, meaning the date the taxpayer takes delivery of the vehicle. For vehicles that are placed in service after they are ordered, a vehicle's eligibility for the new clean vehicle credit may change as certain eligibility criteria vary based on when the taxpayer takes delivery of the vehicle. For more [information](#), see [FAQ 7](#).

However, if you entered into a written binding contract to buy a new clean vehicle after December 31, 2021, and before August 16, 2022, but took possession on or after August 16, 2022, you must claim the credit on a tax return for tax year 2022. Depending on the date the vehicle is delivered, you can claim the credit on your original, superseding, or amended 2022 tax return. For more information, see [FAQ 8](#)



**Q6: If I order (or purchase) an eligible new clean vehicle on or after August 16, 2022, but don't take delivery until after Treasury issues proposed guidance on the critical mineral and battery component requirements, will my vehicle still be eligible? (updated March 31, 2023)**

A6: The vehicle may or may not be eligible depending on whether it meets the critical mineral and battery component requirements. A vehicle's eligibility for the new clean vehicle credit is generally based on the rules that apply as of the date a vehicle is placed in service, meaning the date the taxpayer takes delivery of the vehicle. New clean vehicles placed in service on or after April 18, 2023 are subject to the critical mineral and battery component requirements even if the vehicle was ordered or purchased before April 18, 2023.

For vehicles purchased prior to August 16, 2022, see [Credits for New Electric Vehicles Purchased in 2022 or Before](#).

**Q7: If I purchase a new clean vehicle in 2022 on or after August 16, 2022, but take delivery of the vehicle in 2023, do the income and MSRP limitations apply? (updated February 3, 2023)**

A7: Yes, the income and MSRP limitations apply to any vehicle that is placed in service (delivered to the taxpayer) in 2023.

**Q8: If I purchased or entered into a written binding contract to purchase my new clean vehicle after December 31, 2021, and before August 16, 2022, and placed it in service after December 31, 2022, what requirements apply and what tax year's return can I claim the new clean vehicle credit on (added March 31, 2023)?**

A8: If you purchased or entered into a written binding contract to purchase a new clean vehicle after December 31, 2021, and before August 16, 2022, but took possession on or after August 16, 2022, you may claim the credit based on the requirements for the credit that applied on August 15, 2022, the day before the IRA was enacted. To do so, you are required to claim the credit on a tax return for tax year 2022. Depending on the date the vehicle is placed in service, you may claim the credit on an original, superseding, or amended return for tax year 2022.

Taxpayers may not claim the credit before they take possession of the vehicle. While taxpayers should file when they are ready, they should avoid filing prematurely. If you have not received the vehicle before your original tax filing deadline and you have the option, consider applying for an automatic extension of time to file your return.

If you have not yet filed your tax return for tax year 2022 at the time you take possession of your new clean vehicle, you may claim the credit on your original 2022 tax return. If you have already filed your tax return for tax year 2022 at the time you take possession of the new clean vehicle, you may file an amended tax return for tax year 2022 and claim the credit. Generally, taxpayers must file an amended return within 3 years after the date the original return was filed or within two years after the date they paid the tax, whichever is later.

**Q9: If I purchase a new clean vehicle in 2022 that was made by a manufacturer that had already reached the manufacturer sales cap but it is not delivered until 2023, does the manufacturer sales cap still apply? (added December 29, 2022)**

A9: Yes, the sales cap of 200,000 vehicles applies to vehicles **sold** before January 1, 2023. If you purchased a vehicle that is subject to the sales cap, it is not eligible for the credit regardless of when you place it in service.

## Topic D: Eligibility Rules for the Previously owned Clean Vehicles Credit

**Q1. What is the previously owned clean vehicles credit under § 25E? (added December 29, 2022)**

A1. The previously owned clean vehicles credit is a credit of up to \$4,000 for the purchase of an eligible previously owned

clean vehicle with a sale price of \$25,000 or less that is placed in service during a tax year by a qualified buyer. To claim the credit, a qualified buyer must meet certain income requirements (see [Topic E FAQ 1](#)) and it must be the vehicle's first qualified sale to a qualified





buyer since August 16, 2022, other than to the original owner.

## **Q2. What is a previously owned clean vehicle for the purpose of the previously owned clean vehicles credit? (added December 29, 2022)**

A2. A previously owned clean vehicle is a motor vehicle that meets the following requirements:

- The model year of the vehicle is at least two years earlier than the calendar year in which a taxpayer acquires the vehicle
- The purchasing taxpayer is not the original user of the vehicle
- The vehicle was acquired for a sales price of \$25,000 or less from a dealer and the purchasing taxpayer is the first qualified buyer (see [FAQ 4](#)) to claim the credit since August 16, 2022, other than its original user
- And such motor vehicle is a:
  - Qualified fuel cell motor vehicle with a gross vehicle weight rating of less than 14,000 pounds, or
  - A vehicle made by a qualified manufacturer (see [Topic A FAQ 9](#)) that meets the definition of a motor vehicle under Title II of the Clean Air Act, has a gross vehicle weight rating of less than 14,000 pounds, is powered to a significant extent by an electric motor with a battery capacity of seven kilowatt hours or more, and is capable of being recharged from an external source of electricity.

The dealer selling the previously owned clean vehicle must provide a report containing purchaser and vehicle information to the purchasing taxpayer and to the IRS.

## **Q3. How will I know if a previously owned clean vehicle may be eligible for a credit? (added December 29, 2022)**

A3. Please see the following list [Used Electric Vehicle Credit](#) list about vehicle eligibility. In addition, qualified buyers will want to ensure their income does not exceed certain thresholds (see [Topic E FAQ 1](#)) and check the sales history of the vehicle to ensure that their purchase will qualify as the first transfer of the previously owned vehicle to a qualified buyer (see [FAQ 4, 7](#)) other than the person who was the original user of the vehicle.

## **Q4. Who is eligible to claim the previously owned clean vehicle credit? (updated February 3, 2023)**

A4. Only individuals who meet the following requirements can claim the previously owned clean vehicle credit:

- The taxpayer purchases the vehicle for use and not for resale.
- The taxpayer cannot be claimed as a dependent on another taxpayer's tax return.
- The taxpayer has not been allowed another previously owned clean vehicle credit in the three-year period prior to the date the previously owned clean vehicle is purchased.
- The taxpayer's income level cannot exceed certain thresholds. (see [Topic E FAQ 1](#))

## **Q5. What is the amount of the previously owned clean vehicle credit? (added December 29, 2022)**

A5. The previously owned clean vehicle credit is the lesser of \$4,000 or an amount equal to thirty (30) percent of the sales price of the vehicle purchased.

## **Q6. What is "original use" of a previously owned clean vehicle? (added December 29, 2022)**

A6. Original use occurs the first time an individual or business places a vehicle in service for personal or business purposes.



## **Q7. What is the first transfer since the date of enactment of a previously owned clean vehicle? (added December 29, 2022)**

A7. It is the first transfer of the vehicle after August 16, 2022, to a qualified buyer of the previously owned clean vehicle credit other than the person who was the original user of the vehicle. See [FAQ 4](#) information on individuals eligible to claim the previously owned clean vehicle credit.

## **Q8. Can a business entity (e.g., a corporation or a partnership) purchase a previously owned clean vehicle and claim the previously owned clean vehicle credit? (added December 29, 2022)**

A8. No. Only individuals are eligible for the previously owned clean vehicle credit.

## **Q9. Can I buy a previously owned clean vehicle from a person who isn't a dealer and still qualify for the previously owned clean vehicle credit? (added December 29, 2022)**

A9. No. To qualify for the credit, the previously owned clean vehicle must be purchased from a dealer. A dealer is a person licensed to engage in the sale of motor vehicles in a State, the District of Columbia, the Commonwealth of Puerto Rico, any other territory or possession of the United States, an Indian tribal government, or any Alaska Native Corporation.

## **Q10: If I order or purchase a previously owned clean vehicle in 2022 but take delivery of the vehicle in 2023, can the vehicle qualify for the previously owned clean vehicle credit? (added December 29, 2022)**

A10: Yes, if all other eligibility criteria are met.

## **Topic E: Income and Price Limitations for Previously owned Clean Vehicles**

### **Q1. Could my income level prevent me from taking the previously owned clean vehicle credit? (added December 29, 2022)**

A1. Yes. You may not claim the credit if your modified adjusted gross income (AGI) exceeds certain thresholds. This limitation is based on the lesser of your modified AGI for the year that the previously owned clean vehicle was placed in service or for the preceding year. The relevant modified AGI thresholds are as follows:

- Married filing jointly or filing as a qualifying surviving spouse or a qualifying widow(er) - \$150,000
- Head of household - \$112,500
- All other filers - \$75,000

Your modified AGI is the amount from line 11 of your Form 1040 plus:

- Any amount on line 45 or line 50 of Form 2555, Foreign Earned Income.
- Any amount excluded from gross income because it was received from sources in Puerto Rico or American Samoa.

### **Q2. Is there a price limitation on a previously owned clean vehicles eligible for the credit? (added December 29, 2022)**

A2. If the sales price exceeds the \$25,000 limitation for previously owned clean vehicle, the vehicle is not eligible for the previously owned clean vehicle credit.



## Topic F: Claiming the Previously owned Clean Vehicles Credit

### Q1. What information does a dealer have to provide to a taxpayer purchasing a previously owned clean vehicle to allow the taxpayer to claim the previously owned clean vehicle credit? (added December 29, 2022)

A1. A dealer must provide the following information on a report to the taxpayer and to the IRS:

- Name and taxpayer identification number of the dealer
- Name and taxpayer identification number of the taxpayer
- Vehicle identification number of the vehicle
- Battery capacity of the vehicle
- The date of the sale and the sales price of the vehicle
- Maximum credit allowable for the vehicle being sold
- For sales after December 31, 2023, the amount of any transfer credit applied to purchase
- A declaration under penalties of perjury from the dealer

The dealer must provide the report to the taxpayer not later than the date the vehicle is purchased. For further details on dealer reporting see Topic B, [FAQs 7- 9](#) and [Revenue Procedure 2022-42](#).

### Q2. Do I have to report the vehicle identification number on my return to claim the previously owned clean vehicles credit? (updated March 31, 2023)

A2. Yes. The vehicle identification number of the previously owned clean vehicle is required to be included on [Form 8936](#).

### Q3. Is the previously owned clean vehicle credit refundable or able to be carried forward? (added December 29, 2022)

A3. No. The previously owned clean vehicle credit may only be used by a taxpayer to the extent the taxpayer has a reported tax due. The credit cannot be carried forward and the excess is not refundable.

## Topic G: Qualified Commercial Clean Vehicles Credit

### Q1. Who is eligible to claim a credit under § 45W of the Code for purchasing a qualified commercial clean vehicle (qualified commercial clean vehicles credit)? (added December 29, 2022)

A1. A taxpayer can claim a qualified commercial clean vehicles credit for purchasing and placing in service in the taxpayer's business a "qualified commercial clean vehicle" during the taxable year. The taxpayer must use the vehicle for a "business use." See [FAQ 9](#).

### Q2. What is a "qualified commercial clean vehicle"? (added December 29, 2022)

A2. A "qualified commercial clean vehicle" is defined as any vehicle of a character subject to the allowance for depreciation that:

- Is made by a qualified manufacturer (See [Topic A FAQ 9](#))
- Is acquired for use or lease by the taxpayer and not for resale,
- Is treated as a motor vehicle for purposes of title II of the Clean Air Act and is manufactured primarily for use on public streets, roads, and highways (not including a vehicle operated exclusively on a rail or rails), or is mobile machinery, as



defined in § 4053(8) of the Code, and

- Is propelled to a significant extent by an electric motor which draws electricity from a battery that has a capacity of not less than 15 kilowatt hours (or, in the case of a vehicle that has a gross vehicle weight rating of less than 14,000 pounds, 7 kilowatt hours) and is capable of being recharged from an external source of electricity, or satisfies the requirements under § 30B(b)(3)(A) and (B) of the Code for being a new qualified fuel cell motor vehicle.

### **Q3. What is the amount of the qualified commercial clean vehicle credit a taxpayer can claim? (added December 29, 2022)**

A3. The amount of the qualified commercial clean vehicle credit is the lesser of (1) 15 percent of the taxpayer's tax basis in the vehicle (30 percent in the case of a vehicle not powered by a gasoline or diesel internal combustion engine), or (2) the incremental cost of the vehicle.

The credit is limited to \$7,500 in the case of a vehicle that has a gross vehicle weight rating of less than 14,000 pounds, and \$40,000 for all other vehicles.

### **Q4. How is "incremental cost" determined? (added December 29, 2022)**

A4. The incremental cost is the excess of the purchase price of a qualified commercial clean vehicle over the price of a comparable vehicle. A comparable vehicle is a vehicle powered solely by a gasoline or diesel internal combustion engine that is comparable in size and use to the qualified commercial clean vehicle. For a safe harbor to determine incremental cost for taxable year 2023, see [Notice 2023-9](#).

### **Q5. Is a taxpayer that leases clean vehicles to customers as its business eligible to claim the qualified commercial clean vehicle credit? (added December 29, 2022)**

A5. Whether a taxpayer can claim the qualified commercial clean vehicle credit in its business depends on who is the owner of the vehicle for federal income tax purposes. The owner of the vehicle is determined based on whether the lease is respected as a lease or recharacterized as a sale for federal income tax purposes.

### **Q6. What factors are used to determine if a transaction is a "lease" for tax purposes? (updated February 3, 2023)**

A6. Based on longstanding tax principles, the determination whether a transaction constitutes a sale or a lease of a vehicle for tax purposes is a question of fact. Features of a vehicle lease agreement that would make it more likely to be recharacterized as a sale of the vehicle for tax purposes include, but are not limited to:

- A lease term that covers more than 80% to 90% of the economic useful life of the vehicle
- A bargain purchase option at the end of the lease term (that is, the ability to purchase the vehicle at less than its fair market value at the end of the term) or other terms/provisions in the lease that economically compel the lessee to acquire the vehicle at the end of the lease term
- Terms that result in the lessor transferring ownership risk to the lessee, for example, a terminal rental adjustment clause (TRAC) that requires the lessee to pay the difference between the actual and expected value of the vehicle at the end of the lease. (Note that special rules exist under § 7701(h) for qualified motor vehicle operating agreements that contains a TRAC.)

### **Q7. What happens if the clean vehicle lease agreement is recharacterized as a sale for tax purposes? (added December 29, 2022)**

A7. In the event the clean vehicle lease is recharacterized as a sale, the lessee would need to determine if they are eligible to claim either a clean vehicle credit or a qualified commercial vehicle credit. The lessor would not be eligible to claim either credit because they would have engaged in a resale of the vehicle.





**Q8. What does "of a character subject to the allowance for depreciation" mean for purposes of the qualified commercial clean vehicle credit? (added December 29, 2022)**

A8. In general, property is subject to the allowance for depreciation if it is used in a trade or business of the taxpayer or for the production of income (business use).

**Q9. How does a taxpayer determine if a vehicle is used in a "business use"? (added December 29, 2022)**

A9. Generally, the term business use means any use in a trade or business of the taxpayer. IRS-FAQ

**Q10. Can I claim a qualified commercial clean vehicle credit for a vehicle for which I or another taxpayer claimed a new clean vehicle credit? (added March 31, 2023)**

A10. No. A qualified commercial clean vehicle credit is not allowed with respect to a vehicle for which a new clean vehicle credit was allowed.

IRS--FAQ