

Tax Credits for Electric Vehicles



Please note that this document is not a replacement for professional tax advice. AEP strongly recommends that before you make a tax related decision, you contact a certified tax professional or the Internal Revenue Service (IRS) directly at 800-829-1040.

IRA – Passenger Electric Vehicles	Description	Tax Credits on eligible purchases of electric vehicles range from \$1,000-\$40,000. The Inflation Reduction Act of 2022 expanded eligibility for tax credits on the purchase of electric vehicles. It also increased the amount of the credit for both new and used vehicles. In October 2023, the IRS proposed point-of-sale federal tax credits for EVs, beginning January 1, 2024. This means you would be able to receive the credit immediately after purchasing an EV, rather than waiting to file taxes.		
	Department/ Authority	Internal Revenue Service	Funding Mechanism	Tax Credit
	Timeline	2023-2032		

Tax Credit	Link to Tax Credit Homepage
Program Goals	<ul style="list-style-type: none">• Lower the upfront costs of electric vehicles• Reduce emissions from the transportation sector• Address public health and environmental impacts of surrounding communities
Funding Restrictions	The credit is nonrefundable, so you can't get back more than you owe in taxes. Businesses may carry the credits forward for up to 20 years. Personal vehicle credits must be claimed in the year in which the equipment is purchased and can not be carried forward.

Income eligibility guidelines for personal EV purchases	Adjusted gross income may not exceed: <ul style="list-style-type: none">• \$300,000 for married couples filing jointly• \$225,000 for heads of household• \$150,000 for all other filers
Business Eligibility	Businesses must purchase the vehicles for use in the United States and cannot claim the credit for vehicles used primarily for personal use. Businesses should consult with tax professionals to ensure they meet the specific eligibility criteria for the commercial EV tax credit.
Eligible Uses	<ul style="list-style-type: none">• Personal or business use• Use primarily in U.S.

New Light Duty Vehicles

Individuals and businesses can claim a tax credit of up to \$7,500 for the purchase of a new light duty electric vehicle (EV). The amount of the credit is based on the battery capacity of the vehicle, with a base credit of \$2,500 and an additional \$417 for each kilowatt-hour of battery capacity above 5 kilowatt-hours.

To qualify for the credit, the EV must meet the following requirements:

- It must be a new vehicle, meaning it has never been purchased or leased before.
- It must be a light duty vehicle, which is defined as a vehicle with a gross vehicle weight rating of less than 14,000 pounds.
- It must be a plug-in EV or fuel cell electric vehicle (FCEV).
- It must be manufactured by a qualified automaker.

You can learn more check to see if the light duty EV you're considering qualify for the credits here: [Tax Incentives \(fuelconomy.gov\)](#)

Commercial Vehicles

Businesses and tax-exempt organizations that buy a qualified commercial clean vehicle may qualify for a clean vehicle tax credit of up to \$40,000 under Internal Revenue Code (IRC) 45W. The credit equals the lesser of:

- 15% of your basis in the vehicle (30% if the vehicle is not powered by gas or diesel)
- The incremental cost of the vehicle

The maximum credit is \$7,500 for qualified vehicles with gross vehicle weight ratings (GVWRs) of under 14,000 pounds and \$40,000 for all other vehicles.

To qualify for the credit, the commercial EV must meet the following requirements:

- It must be a new vehicle, meaning it has never been purchased or leased before.
- It must be a commercial vehicle, which is defined as a vehicle with a GVWR of at least 14,000 pounds.
- It must be a plug-in EV or FCEV.
- It must be manufactured by a [qualified automaker](#).

For personal vehicles, income caps apply. If your modified adjusted gross income (AGI) exceeds the applicable income cap, you will not be eligible for the EV tax credit.