

# Federal Energy Credits for Individuals

## MST Program's Fall Webinar

Annette Nellen, CPA, CGMA, Esq.

Professor

San José State University

<https://www.sjsu.edu/people/annette.nellen/>

<http://www.21stcenturytaxation.com/>

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## Learning Objectives

- Explain the qualifications for residential and vehicle tax credits available to individuals
- Identify IRS guidance and information available to assist in claiming these credits
- Identify due diligence and planning considerations relevant to IRA 2022 new and modified energy credits

# Overview to IRA 2022 Energy Credits



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## Lots of New and Revised Energy Credits Mostly Through 2032

- 20+ credit additions/changes in IRA 2022
  - Lots of complexity.
  - Significant work for IRS!
  - Most in the law through 2032.
- Common theme for several energy credits:
  - Domestic content or production focused
    - Also true for §30D, Clean Vehicle Credit.
  - Prevailing wage and apprenticeship requirements
    - Either to qualify the credit or for higher credit.
  - Some focused on low-income communities
    - See chart on following slides.

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# Chart summarizing IRA energy credits

| Code Section                                                                                                                                 | IRA SEC. | New section? | Domestic content req? | Prevailing Wage and Apprenticeship Req? <sup>1</sup> | Transferable per \$6418? SEC. 13801 | Guidance / Other Information                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------|--------------|-----------------------|------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Clean Electricity and Reducing Carbon Emissions</b>                                                                                       |          |              |                       |                                                      |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| §45, Electricity produced from certain renewable resources, etc.                                                                             | 13101    | No           | X                     | X                                                    | X                                   | <a href="#">Notice 2023-29</a> (4/4/23) pre-reg guidance on rules to qualify for energy community bonus credit under §§ 45, 45Y, 48, and 48E. Also see <a href="#">IR-2023-69</a> (4/4/23). See modifications by <a href="#">Notice 2023-45</a> and <a href="#">Notice 2023-47</a> . Also see <a href="#">IR-2023-118</a> (6/15/23) and <a href="#">FAQs</a> .<br><a href="#">Notice 2023-38</a> on pre-reg guidance on domestic content bonus application. |
| §48, Energy credit                                                                                                                           | 13102    | No           | X                     | X                                                    | X                                   | <a href="#">Notice 2023-29</a> (4/4/23) pre-reg guidance on rules to qualify for energy community bonus credit under §§ 45, 45Y, 48, and 48E. Also see <a href="#">IR-2023-69</a> (4/4/23).<br><a href="#">Notice 2023-38</a> on pre-reg guidance on domestic content bonus application.<br><a href="#">REG-110412-23</a> (6/1/23)                                                                                                                          |
| §48(e), Energy credit<br>(e) Special rules for certain solar and wind facilities placed in service in connection with low-income communities | 13103    | (e) added    |                       |                                                      |                                     | <a href="#">Notice 2023-17</a> (2/13/23)<br><a href="#">IR-2023-26</a> (2/13/23)<br><a href="#">Notice 2023-18</a> (2/13/23)<br><a href="#">Rev. Proc. 2023-27</a> (8/10/23) issued along with final regs ( <a href="#">TD 9979</a> (8/15/23)). <a href="#">IR-2023-145</a><br>Final regs - <a href="#">TD 9979</a> (8/15/23)                                                                                                                               |
| §45Q, Credit for carbon oxide sequestration                                                                                                  | 13104    | No           |                       | X                                                    | X                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| §45U, Zero-emission nuclear power production credit                                                                                          | 13105    | Yes          |                       | Wage requirement only                                | X                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

# Chart summarizing IRA energy credits

| Code Section                                      | IRA SEC. | New section? | Domestic content req? | Prevailing Wage and Apprenticeship Req? <sup>1</sup> | Transferable per \$6418? SEC. 13801 | Guidance / Other Information                                                                                                                                                                                  |
|---------------------------------------------------|----------|--------------|-----------------------|------------------------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Clean Fuels</b>                                |          |              |                       |                                                      |                                     |                                                                                                                                                                                                               |
| §40A, Biodiesel and renewable diesel used as fuel | 13201    | No           |                       |                                                      |                                     |                                                                                                                                                                                                               |
| §40, Alcohol, etc., used as fuel                  | 13202    | No           |                       |                                                      |                                     |                                                                                                                                                                                                               |
| §40B, Sustainable aviation fuel credit            | 13203    | Yes          | X                     | X                                                    |                                     |                                                                                                                                                                                                               |
| §45V, Credit for production of clean hydrogen     | 13204    | Yes          | X                     | X                                                    | X                                   | Also adds §45(e)(13), Special rule for electricity used at a qualified clean hydrogen production facility<br>Also adds §48(a)(15), Election to treat clean hydrogen production facilities as energy property. |

# Chart summarizing IRA energy credits

| Code Section                                                  | IRA SEC. | New section?    | Domestic content req? | Prevailing Wage and Apprenticeship Req? <sup>1</sup> | Transferable per §6418? SEC. 13801 | Guidance / Other Information                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------|----------|-----------------|-----------------------|------------------------------------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Clean Energy and Efficiency Incentives for Individuals</b> |          |                 |                       |                                                      |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>§25C, Energy efficient home improvement credit</b>         | 13301    | No <sup>2</sup> |                       |                                                      |                                    | Expires after 2032.<br>Numerous changes made to earlier version of §25C entitled Nonbusiness Energy Property Credit. See track changes <a href="#">here</a> .<br><a href="#">Form 5695</a><br>IRS Fact Sheet ( <a href="#">FS-2022-40</a> ; Dec. 2022); <a href="#">IR-2022-225</a> (12/22/22).<br><a href="#">Notice 2023-59</a> (8/4/23) and <a href="#">IR-2023-140</a> (8/4/23) - announces forthcoming proposed regs and provides interim guidance regarding Home Energy Audits. |
| <b>§25D, Residential clean energy credit</b>                  | 13302    | No <sup>2</sup> |                       |                                                      |                                    | Expires after 2034.<br>Several changes made to earlier version of §25D entitled Residential Energy Efficient Property Credit. See track changes <a href="#">here</a> .<br>IRS <a href="#">website</a> .<br><a href="#">Form 5695</a><br>IRS Fact Sheet ( <a href="#">FS-2022-40</a> ; Dec. 2022); <a href="#">IR-2022-225</a> (12/22/22).                                                                                                                                             |

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# Chart summarizing IRA energy credits

| Code Section                                                                  | IRA SEC. | New section? | Domestic content req? | Prevailing Wage and Apprenticeship Req? <sup>1</sup> | Transferable per §6418? SEC. 13801 | Guidance / Other Information                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------|----------|--------------|-----------------------|------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><a href="#">§179D, Energy efficient commercial buildings deduction</a></b> | 13303    | No           |                       | X                                                    |                                    | Numerous changes made. See track changes <a href="#">here</a> .<br>Announcement <a href="#">2023-01</a> (12/23/22)<br><a href="#">Form 7205</a> , Energy Efficient Commercial Buildings Deduction – new form (starting for 2022 version of this deduction)! |
| <b>§45L, New energy efficient home credit (for eligible builders)</b>         | 13304    | No           |                       | Wage requirement only                                |                                    | Extended to 12/31/32<br><a href="#">IRS Tax Tip 2023-113</a> (9/20/23)<br><a href="#">Notice 2023-65</a> & <a href="#">IR-2023-180</a> (9/27/23)                                                                                                            |

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# Chart summarizing IRA energy credits

| Code Section                                                                  | IRA SEC. | New section? | Domestic content req? | Guidance / Other Information                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------|----------|--------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CLEAN VEHICLES</b>                                                         |          |              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| §30D, Clean Vehicle Credit                                                    | 13401    | No           | X                     | <p>Significant changes made to earlier version of §30D, New Qualified Plug-in Electric Drive Motor Vehicles Credit. <a href="#">FS-2023-08</a> released in <a href="#">IR-2023-64</a> (3/31/23) – Guidance on new clean vehicle critical minerals and battery component requirements under §30D.</p> <p>Requirement for assembly in North America effective after 8/16/22.</p> <p>Expires for vehicles placed in service after 2032.</p> <p>See track changes <a href="#">here</a>.</p> <p><a href="#">Rev. Proc. 2022-42</a> (12/12/22) info for qualified manufacturers and sellers.</p> <p>12/19/22 <a href="#">Treasury press release</a> that likely won't see proposed regs on critical minerals and battery components until March 2023.</p> <p><a href="#">FS-2022-42</a> with numerous FAQs released in <a href="#">IR-2022-231</a> (12/29/22). Superseded by FS-20230-4 (2/3/23) which was superseded by <a href="#">FS-2023-08</a> (3/31/23)</p> <p><a href="#">Notice 2023-1</a> – Definitions of (1) final assembly, (2) North America, (3) MSRP, (4) vehicle classifications, and (5) placed in service. Future proposed regs will cover these terms. Updated by <a href="#">Notice 2023-16</a> (2/3/23) and obsoleted by REG-120080-22 (4/17/23).</p> <p><a href="#">Treasury White Paper</a> (12/29/22) on expected direction of guidance on critical minerals and battery components for forthcoming proposed regulations.</p> <p><a href="#">IRS Pub 5724-A</a> (brief summary)</p> <p>Prop regs (<a href="#">REG-120080-22</a>; 4/17/23) – includes that §30D available to taxpayers other than individuals despite MAGI rule in IRC; 1.30D-4(f)</p> <p><a href="#">IRS Tax Tip 2023-49</a> (4/12/23)</p> <p><a href="#">IR-2023-160</a> (9/1/23) – IRS Reminders in Buying a Clean Vehicle</p> <p><a href="#">Website</a>: Clean Vehicle Tax Credits</p> |
| §30B, Alternative Motor Vehicle Credit<br>[minor modifications by Sec. 13401] |          |              |                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

# Chart summarizing IRA energy credits

| Code Section                                                             | IRA SEC. | New section? | Domestic content req? | Prevailing Wage and Apprenticeship Req? <sup>1</sup> | Transferable per §6418? SEC. 13801 | Guidance / Other Information                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------|----------|--------------|-----------------------|------------------------------------------------------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Clean Vehicles</b>                                                    |          |              |                       |                                                      |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <a href="#">§25E, Previously-owned clean vehicles</a>                    | 13402    | Yes          |                       |                                                      |                                    | <p>Expires for vehicles acquired after 2032.</p> <p>See text at page 18 <a href="#">here</a>.</p> <p><a href="#">Rev. Proc. 2022-42</a> (12/12/22) info for qualified manufacturers and sellers.</p> <p><a href="#">FS-2022-42</a> with numerous FAQs released in <a href="#">IR-2022-231</a> (12/29/22).</p> <p><a href="#">FS-2023-08</a> released in <a href="#">IR-2023-64</a> (3/31/23) – Guidance on new clean vehicle critical minerals and battery component requirements under §30D + info for §25E credit.</p> <p><a href="#">IRS Pub 5724</a></p> <p><a href="#">Website</a>: Clean Vehicle Tax Credits</p>                                                                                                                                                                                                 |
| <a href="#">§45W, Qualified commercial clean vehicle credit</a>          | 13403    | Yes          |                       |                                                      |                                    | <p>Expires for vehicles acquired after 12/31/32.</p> <p>See text at page 20 <a href="#">here</a>.</p> <p><a href="#">Rev. Proc. 2022-42</a> (12/12/22) info for qualified manufacturers and sellers.</p> <p><a href="#">FS-2022-42</a> with numerous FAQs released in <a href="#">IR-2022-231</a> (12/29/22).</p> <p><a href="#">FS-2023-08</a> released in <a href="#">IR-2023-64</a> (3/31/23) – Guidance on new clean vehicle critical minerals and battery component requirements under §30D + items for §45W.</p> <p><a href="#">Notice 2023-9</a> (12/29/22) - provides a safe harbor regarding the incremental cost of certain qualified commercial clean vehicles placed in service in calendar year 2023.</p> <p><a href="#">IRS Pub 5724-B</a></p> <p><a href="#">Website</a>: Clean Vehicle Tax Credits</p> |
| <a href="#">§30C, Alternative fuel vehicle refueling property credit</a> | 13404    | No           |                       | X<br>For businesses                                  | X                                  | <p>Extended to 12/31/32.</p> <p>See track changes <a href="#">here</a>.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

## Chart summarizing IRA energy credits

| Code Section                                                        | IRA SEC. | New section ? | Domestic content req? | Prevailing Wage and Apprenticeship Req? <sup>1</sup> | Transferable per §6418? SEC. 13801 | Guidance / Other Information                                                                                       |
|---------------------------------------------------------------------|----------|---------------|-----------------------|------------------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| <b>Investment in Clean Energy Manufacturing and Energy Security</b> |          |               |                       |                                                      |                                    |                                                                                                                    |
| §48C, Qualifying advanced energy project credit                     | 13501    | No            |                       | X                                                    | X                                  | <a href="#">Notice 2023-18</a><br><a href="#">IR-2023-27</a> (2/13/23)<br><a href="#">Notice 2023-44</a> (5/31/23) |
| §45X, Advanced manufacturing production credit                      | 13502    | Yes           | X                     |                                                      | X                                  | <a href="#">Notice 2023-44</a>                                                                                     |

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## Chart summarizing IRA energy credits

| Code Section                                                     | IRA SEC. | New section? | Domestic content req? | Prevailing Wage and Apprenticeship Req? <sup>1</sup> | Transferable per §6418? SEC. 13801 | Guidance / Other Information                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------|----------|--------------|-----------------------|------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Incentives for Clean Electricity and Clean Transportation</b> |          |              |                       |                                                      |                                    |                                                                                                                                                                                                                                                                                                                                                                                                 |
| §45Y, Clean electricity production credit                        | 13701    | Yes          | X                     | X                                                    | X                                  | Conforming change to §168(e)(3) (SEC. 13703).<br><a href="#">Notice 2023-29</a> (4/4/23) pre-reg guidance on rules to qualify for energy community bonus credit under §§ 45, 45Y, 48, and 48E. Also see <a href="#">IR-2023-69</a> (4/4/23). Modified by <a href="#">Notice 2023-45</a> (6/15/23).<br><a href="#">Notice 2023-38</a> on pre-reg guidance on domestic content bonus application. |
| §48E, Clean electricity investment credit                        | 13702    | Yes          | X                     | X                                                    | X                                  | Conforming change to §168(e)(3) (SEC. 13703).<br><a href="#">Notice 2023-29</a> (4/4/23) pre-reg guidance on rules to qualify for energy community bonus credit under §§ 45, 45Y, 48, and 48E. Also see <a href="#">IR-2023-69</a> (4/4/23). Modified by <a href="#">Notice 2023-45</a> (6/15/23).<br><a href="#">Notice 2023-38</a> on pre-reg guidance on domestic content bonus application. |
| §45Z, Clean fuel production credit                               | 13704    | Yes          | X                     | X                                                    | X                                  |                                                                                                                                                                                                                                                                                                                                                                                                 |

IRS links to IRA credits: <https://www.irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022>

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## Add'l Info for Chart summarizing IRA energy credits

- There are other clean energy, fuel and production credits in the law that were not changed by IRA 2022, including:
  - §45H, Credit for production of low sulfur diesel fuel
  - §45J, Credit for production of advanced nuclear power facilities
  - §45K, Credit for producing fuel from a nonconventional source
- <sup>1</sup> Guidance issued by IRS on prevailing wage and apprenticeship requirements plus setting effective date as 60 days after publication on 11/30/22 in the Federal Register. See
- Proposed regulations - [REG-100908-23](#) (8/30/23)
- [Notice 2022-61](#) “This notice affects facilities the construction of which began, or certain property the installation of which began, on or after January 30, 2023.” Despite this statement in the preamble in the Federal Register, it appears that the 60<sup>th</sup> day is actually January 29 (this is also the date noted on the [Dept. of Labor website](#) and in a [later correction](#)).
- [11/30/22 in Fed Register](#)
- [Correction 12/7/22](#)
- [IR-2022-208](#) (11/29/22)
- [ApprenticeshipUSA.gov](#)
- [Prevailing Wage and the Inflation Reduction Act information](#) from the U.S. Dept. of Labor

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## Add'l Info for Chart summarizing IRA energy credits

<sup>2</sup> §25D, §25E and §30C added by Energy Policy Act of 2005 ([P.L.109-58](#) (8/8/05)), effective for 2006 and 2007. IRC §30C began with a longer life, effective for property placed in service after 2005, terminating after 2009 unless related to hydrogen, then terminating after 2014.

§30B was added by the Energy Tax Incentives Act ([P.L.109-58](#) (8/10/05)), effective for 2006 through 2009, longer for certain qualifying vehicles. IRC §30D was added by the Emergency Economic Stabilization Act of 2008 (P.L. 110-343, 10/3/08), effective for tax years beginning after 12/31/08 and terminating after 12/31/14 (or earlier for vehicles where the manufacturer sold more than the specified quantity (originally 250,000, later lowered to 200,000)). §30D was amended by the American Recovery and Reinvestment Act of 2009 ([P.L. 111-5](#)).

Subsequent legislation generally continued to extend these provisions (and sometimes modify them) for one to two years at a time.

While the current code sections go back to 2005, §44C, Residential Energy Credit, was added by the Energy Tax Act of 1978, [P.L. 95-618](#) (11/9/78) effective for tax years ending on or after 4/20/1977 through 12/31/1985. By 1984, it was §23, Residential Energy Credit, as it was designated when some general individual credit ordering changes were made in 1984 (P.L. 98-369, Deficit Reduction Act (7/18/84)). The credit lapsed for 1986 through 2005 when reinstated and revised by the Energy Tax Incentive Act (see above).

For more on the history, see Congressional Research Service (CRS), [Residential Energy Tax Credits: Overview and Analysis](#), 4/9/18.

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## Residential Energy Credits and Energy Rebate Programs in IRA



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## Basics of Residential Energy Credits

- Two Code Sections:
  - §25C, Energy Efficient Home Improvement Credit
    - Several changes from pre-2023 version.
  - §25D, Residential Clean Energy Credit
    - Very few changes from pre-2023 version.
- Key:
  - Precise definitions and limitations
    - Usually scattered throughout the section.
    - Complexity due to definitions, varied certifications, and exceptions to stated limitations
- Some similarities and differences:
  - See chart on later slide.

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## Extension, increase, and modifications of nonbusiness energy property credit (sunset 12/31/32) - §25C

- Name changed from Nonbusiness Energy Property to **Energy Efficient Home Improvement Credit**
- 30% (increased from 10%) of amount paid for:
  - 1) qualified energy efficiency improvements installed,
  - 2) residential energy property expenditures, and
  - 3) home energy audits (new category limited to \$150 annual credit).
- Limit of \$1,200 credit per year, BUT add'l limits specified for above three categories, \$2,000 limit for certain heat pumps and biomass stoves and boilers (category 2 above).
  - \$500 lifetime limit of prior version ends.
  - [IRS Fact Sheet 2022-40](#) (12/22/22) FAQ-2 – “\$1,200 aggregate yearly tax credit maximum for all building envelope components, home energy audits, and energy property. Electric or natural gas heat pump water heaters, electric or natural gas heat pumps, and biomass stoves and biomass boilers have a separate aggregate yearly credit limit of \$2,000. Thus, the maximum total yearly energy efficient home improvement credit amount may be up to \$3,200.”

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## §25C, Energy Efficient Home Improvement Credit – more

- Changes include allowing credit for second home if used by taxpayer as residence but only for residential energy property expenditures (§25C(a)(2) category).
- Generally effective for property placed in service after 12/31/22.
  - Extension to 12/31/32 (rather than 12/31/21) effective for property placed in service after 12/31/21
    - So, retroactively renewed for 2022.
  - ID # required for certain property placed in service after 12/31/24 (§25C(h)(4)).
- FS-2022-40 (12/22/22) with helpful examples
  - <https://www.irs.gov/pub/taxpros/fs-2022-40.pdf>
- Track changes version & effective date info:
  - [https://www.sjsu.edu/people/annette.nellen/25C\\_AmendedBy\\_IRA\\_Aug2022.pdf](https://www.sjsu.edu/people/annette.nellen/25C_AmendedBy_IRA_Aug2022.pdf)

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## §25C, Energy Efficient Home Improvement Credit - Outline

- (a) Allowance of Credit - 30% of sum of
  - (1) **qualified energy efficiency improvements** installed [defined at §25C(c)]
    - For all exterior windows and skylights for the year, credit limited to \$600 ((b)(3)).
    - Limited to \$250/year/ exterior door; and limited to \$500 aggregate for all exterior doors ((b)(4)).
  - (2) **residential energy property expenditures** [defined at §25C(d)]
    - Limited to \$600/year for any item of qualified energy property ((b)(2)).
    - Limited to \$2,000/year for amounts paid for heat pump and heat pump water heaters; biomass stoves and boilers as described in (d)(2)(A)(i) & (ii) and (d)(2)(B) (regardless of limits at (b)(1) & (b)(2)) ((b)(5)).
  - (3) **home energy audits** [defined at §25C(e)]
    - Limited to \$150 per year; must include on return info required by IRS ((b)(6)).
- (b) Limitations
  - (1) In General - \$1,200 per tax year
  - (2) to (6) limitations for categories (a)(1), (2) and (3) (see above)

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## §25C – Outline - continued

- (c) **Qualified Energy Efficiency Improvements**
  - (1) In General – term means any **energy efficient building envelope component**, if
    - (A) installed in or on **dwelling unit** in U.S., **owned and used by taxpayer as principal residence per §121**,
    - (B) original use begins with taxpayer, and
    - (C) component reasonably expected to remain in use at least 5 years.
  - (2) **Energy Efficient Building Envelope Component** – **building envelope component** which meets—
    - (A) if exterior window or skylight, Energy Star most efficient certification requirements,
    - (B) if exterior door, applicable Energy Star requirements, and
    - (C) other components, prescriptive criteria by most recent International Energy Conservation Code in effect at beginning of calendar year which is 2 years prior to calendar year component is placed in service.
  - (3) **Building Envelope Component** –
    - (A) – (C) – see details for insulation material or system, air sealing material or system, exterior windows (including skylights) and exterior doors
  - (4) **Manufactured Homes Included** – **“dwelling unit”** includes manufactured home conforming to Federal Manufactured Home Construction and Safety Standards.

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## §25C – Outline - continued

- (d) Residential Energy Property Expenditures
  - (1) In General – means expenditures for *qualified energy property* which is—
    - (A) installed on or in connection with **dwelling unit in U.S. used as a residence** and
    - (B) originally placed in service by taxpayer.
      - Includes expenditures for labor costs allocable to onsite prep, assembly or original installation of property.
  - (2) **Qualified Energy Property** – means any of the following:
    - (A), (B), (C) and (D) – see §25C(d)(2) for details of heaters, air conditioners, stoves, boilers, furnaces, panelboards, sub-panelboards, branch circuits, and feeders, and standards of the Consortium for Energy Efficiency or other specified standard they must meet.
  - (3) Eligible Fuel – defines this term used at §25C(d)(2).
- (e) **Home Energy Audits** – means inspection and written report for dwelling unit located in U.S., **owned or used by taxpayer as principal residence per §121**, which
  - (1) identifies most significant and cost-effective energy efficiency improvements for the unit including estimate of energy and cost savings for each improvement, and
  - (2) is conducted and prepared by home energy auditor that meets certification or other requirement specified by IRS no later than 365 days after 8/16/22.

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## §25C – Outline - concluded

- (f) Special Rules
  - (1) Rules similar to rules at §25D(e)(4), (5), (6), (7) & (8) shall apply.
  - (2) Joint Ownership of Energy Items - generally, expenditures not disqualified if made for two or more dwelling units; limits applied separately (see details at (f)).
  - (3) Property Financed by Subsidized Energy Financing – do not include expenditures made from subsidized energy financing as defined at §48(a)(4)(C).
- (g) Basis Adjustments – if credit relates to property, reduce basis by credit amount.
- (h) Product Identification Number Requirement
  - (1) In General – no credit allowed for any item of *specified property placed in service after 2024* unless produced by *qualified manufacturer*, and taxpayer includes *qualified product identification number* on return.
  - (2) Qualified Product Identification Number
  - (3) Qualified Manufacturer
  - (4) Specified Property – any property described at §25C(c)(3)(B) or (C) [exterior windows and exterior doors that are building envelope components under §25C(a)(1) and (c)].
- (i) Termination – no credit for property placed in service after 12/31/32.

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## Home Energy Audit Preliminary Guidance for §25C, Energy Efficient Home Improvement Credit – Notice 2023-59 (8/4/23)

- §25C includes 30% credit for “home energy audits”
  - This expenditure added by IRA 2022.
  - Limited to \$150 credit (so \$500 maximum cost)
  - §25C(b)(6)(B) “Substantiation requirement. No credit shall be allowed under this section by reason of subsection (a)(3) unless taxpayer includes with taxpayer’s return of tax such information or documentation as Secretary may require.
  - Details at §25C(e) [next slide]
- <https://www.irs.gov/pub/irs-drop/n-23-59.pdf>
- <https://www.irs.gov/credits-deductions/home-energy-tax-credits>

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## Home Energy Audit Preliminary Guidance for §25C, Energy Efficient Home Improvement Credit – Notice 2023-59 (8/4/23) – IRC definition

(e) HOME ENERGY AUDITS— For purposes of this section, the term ‘home energy audit’ means an inspection and written report with respect to a dwelling unit located in the United States and owned or used by the taxpayer as the taxpayer’s principal residence (within the meaning of section 121) which—

(1) identifies the most significant and cost-effective energy efficiency improvements with respect to such dwelling unit, including an estimate of the energy and cost savings with respect to each such improvement, and

(2) is conducted and prepared by a home energy auditor that meets the certification or other requirements specified by the Secretary in regulations or other guidance (as prescribed by the Secretary not later than 365 days after the date of the enactment of this subsection).

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## Home Energy Audit Preliminary Guidance for §25C, Energy Efficient Home Improvement Credit – Before Notice 2023-59 (8/4/23)

- **FS2022-40, released in IR-2022-225 (12/22/22) – so “authority”**

### **Q5. What are the requirements for a home energy audit to qualify for the Energy Efficient Home Improvement Credit? (added December 22, 2022)**

A5. The audit must include an inspection of a dwelling, including condominiums and certain manufactured homes, located in the United States that is owned or used by the taxpayer as the taxpayer's principal residence. The home energy auditor must provide a written report (to the taxpayer) that identifies the most significant and cost-effective energy efficiency improvements for that dwelling, including an estimate of the energy and cost savings for each such improvement. The auditor must meet the certification or other requirements specified by the Department of the Treasury and the Internal Revenue Service in forthcoming guidance.

- <https://www.irs.gov/pub/taxpros/fs-2022-40.pdf>

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## Home Energy Audit Preliminary Guidance for §25C, Energy Efficient Home Improvement Credit – Notice 2023-59 (8/4/23)

- Defines
  - Home Energy Audit – inspection and written report (audit) for dwelling in U.S. owned and used by taxpayer as their principal residence AND meets all of following:
    1. identifies most significant and cost-effective energy efficiency improvements for the dwelling unit, including an estimate of energy and cost savings for each improvement,
    2. inspection conducted either by Qualified Home Energy Auditor or under supervision of a Qualified Home Energy Auditor,
    3. written report prepared and signed by a Qualified Home Energy Auditor, and
    4. audit consistent with most recent Dept of Energy-led and industry-validated Jobs Task Analysis

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## Home Energy Audit Preliminary Guidance for §25C, Energy Efficient Home Improvement Credit – Notice 2023-59 (8/4/23)

- Future proposed regs will provide:
  - Auditor must include in written report:
    - Their name and EIN or other ID per Reg. 301.6109-1(a)(1)
    - Attestation that they are certified by Qualified Certification Program [defined in notice]
    - Name of that Program
  - List of Qualified Certification Programs:
    - <https://www.energy.gov/eere/buildings/us-department-energy-recognized-home-energy-auditor-qualified-certification-programs>
  - Maintain written report per §6001 and regs
  - Comply with Form 5695 instructions
  - **Transition: 2023 – auditor not required to be Qualified Home Energy Auditor**

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## Home Energy Assessment Information from Dept. of Energy



A home energy assessment, also known as a home energy audit, can help you understand the whole picture of your home's energy use, comfort, and safety. An assessment can help you determine how much energy your home uses, where your home is inefficient, and which problem areas and fixes you should prioritize to save energy and improve the comfort of your home. A home energy assessment should be your first step before making energy-saving home improvements, as well as before adding a renewable energy system to your home.

### Professional Home Energy Assessments

A professional home energy assessment will provide a thorough analysis of your home's energy use. In addition to a room-by-room examination of the home, a home energy professional may use equipment such as blower doors, infrared cameras, gas leak and carbon monoxide detectors, moisture meters, and non-toxic smoke pens. Learn more about [professional home energy assessments >>](#)

<https://www.energy.gov/energysaver/home-energy-assessments>

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## Extension and modification of the residential energy efficient property credit (sunset 12/31/34) - **§25D**

- Name changed from Residential Energy Efficient Property to **Residential Clean Energy Credit**
- Removes qualified biomass fuel property and replaces with qualified battery storage technology
  - Must have capacity not less than 3 kilowatt hours
- Generally effective for expenditures made after 12/31/21 except battery storage change effective for expenditures after 12/31/22.
- Percentages and phasedown of credit modified (30% for 2022-2032; 26% in 2033; 22% in 2034).
- FS-2022-40 (12/22/22) FAQs on §25C and §25D credits
  - <https://www.irs.gov/pub/taxpros/fs-2022-40.pdf>
- Track changes version & effective date info:
  - [https://www.sjsu.edu/people/annette.nellen/25D\\_AmendedBy\\_IRA\\_Aug2022.pdf](https://www.sjsu.edu/people/annette.nellen/25D_AmendedBy_IRA_Aug2022.pdf)

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## §25D, Residential Clean Energy Credit - Outline

- (a) Allowance of Credit
- (b) Limitations
  - (1) Maximum Credit for Fuel Cells
  - (2) **Certification** of Solar Water Heating Property
- (c) Carryforward of Unused Credit
- (d) Definitions
  - (1) Qualified Solar Water Heating Property Expenditure
  - (2) Qualified Solar Electric Property Expenditure
  - (3) Qualified Fuel Cell Property Expenditure
  - (4) Qualified Small Wind Energy Property Expenditure
  - (5) Qualified Geothermal Heat Pump Property Expenditure
  - (6) Qualified Battery Storage Technology Expenditure

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## §25D – Outline - continued

- (e) Special Rules
  - (1) LABOR COSTS
  - (2) SOLAR PANELS
  - (3) SWIMMING POOLS, ETC., USED AS STORAGE MEDIUM
  - (4) FUEL CELL EXPENDITURE LIMITATIONS IN CASE OF JOINT OCCUPANCY
  - (5) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION
  - (6) CONDOMINIUMS
  - (7) ALLOCATION IN CERTAIN CASES
  - (8) WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE
- (f) Basis Adjustments
- (g) Applicable Percentage
- (h) Termination – no credit for property placed in service after 2034.

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## Similarities & Differences for Residential Energy Credits

| Factor                                                | §25C, Energy Efficient Home Improvement Credit                                                    | §25D, Residential Clean Energy Credit                                                |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Rate                                                  | 30%                                                                                               | 30%                                                                                  |
| Expiration                                            | After 2032                                                                                        | Starts to phasedown after 2032, expires after 2034                                   |
| Annual maximum                                        | \$1,200 (with exceptions)                                                                         | None<br>Other than for fuel cell property expenditures.                              |
| Any lifetime limits on credits?                       | No                                                                                                | No                                                                                   |
| Taxpayer AGI limits                                   | None                                                                                              | None                                                                                 |
| Energy efficiency standards                           | Various                                                                                           | Various                                                                              |
| Use as residence requirement (not use as a landlord)? | Yes. But for residential energy property expenditures (§25C(d)), need not be principal residence. | Yes. For fuel cell property expenditures, home must be used as a principal residence |

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# Similarities & Differences for Residential Energy Credits

| Factor                                       | §25C, Energy Efficient Home Improvement Credit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | §25D, Residential Clean Energy Credit                      |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Must taxpayer own the home?                  | <p>Depends on the particular expenditure category (§25C(c), (d) or (e)):</p> <ul style="list-style-type: none"> <li>• Qualified energy efficiency improvements (§25C(c)) - must own and use as principal residence.</li> <li>• Residential energy property expenditures (§25C(d)) - home must be used as a residence (so ok for tenant to make these expenditures and claim credit, ok if vacation home (not rental)).</li> <li>• Home energy audits (§25C(e)) - home must be owned OR used as a principal residence (so ok for tenant to claim).</li> </ul> | No. Credit available to tenants using home as a residence. |
| What about partial business use of the home? | <p>Per §25D(e)(7) which is also applicable for §25C (per §25C(f)(1)): "If less than 80 percent of the use of an item is for nonbusiness purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness purposes shall be taken into account."<br/>If business use is not more than 20%, can claim full credit.</p>                                                                                                                                                                                         |                                                            |

# Similarities & Differences for Residential Energy Credits

| Factor                                               | §25C, Energy Efficient Home Improvement Credit                                                                                | §25D, Residential Clean Energy Credit                                                                                                   |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Must property be new (original use by the taxpayer)? | Yes, per §25C and <a href="#">FS-2022-40</a> (12/22/22)                                                                       | No specification of original use in §25D, but IRS says in <a href="#">FS-2022-40</a> that used property is not eligible for the credit. |
| Available for newly constructed home?                | No                                                                                                                            | Yes. Also see §25D(e)(8) on when expenditure considered made.                                                                           |
| Labor costs included?                                | Yes, but only for certain costs for residential energy property expenditures ((a)(2) and (d)); not for (a)(1) or (a)(2) items | Yes; see (e)(1) for specifics.                                                                                                          |
| Must home be in U.S.?                                | Yes                                                                                                                           | Yes                                                                                                                                     |
| When to claim?                                       | When paid and installed                                                                                                       | When paid and installed                                                                                                                 |
| Refundable?                                          | No                                                                                                                            | No                                                                                                                                      |

# Similarities & Differences for Residential Energy Credits

| Factor                                       | §25C, Energy Efficient Home Improvement Credit                                                                                                                                                                                                                                                                                                                                                                                                  | §25D, Residential Clean Energy Credit |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| Does unused credit carryforward?             | No                                                                                                                                                                                                                                                                                                                                                                                                                                              | Yes                                   |
| Is the credit usable against AMT?            | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                             | Yes                                   |
| Basis adjustment required?                   | Yes. Where property basis increased for the expenditure qualifying for the credit, reduce basis by credit amount; §25C(g), §25D(f), and §1016(a)(33) & (34).<br>Check if state conforms to this basis adjustment.                                                                                                                                                                                                                               |                                       |
| Recordkeeping and documentation              | Keep all receipts, installation plans and any documentation of how the property or expenditure qualifies for the credit and the amount. Also keep records of expenditures that affect the basis of the home as long as the home is owned. This includes records of expenditures that increase basis and any credits claimed that require reduction in the basis of the home (see above) (keep tax returns for years when credits were claimed). |                                       |
| When originally enacted; legislative history | Energy Tax Incentives Act (P.L. 109-58 (8/10/05)), effective for 2006 and 2007; later laws extended and sometimes modified the credits.*                                                                                                                                                                                                                                                                                                        |                                       |

\*While the current code sections go back to 2005, section 44C, Residential Energy Credit, was added by the Energy Tax Act of 1978, [P.L. 95-618](#) (11/9/78) effective for tax years ending on or after 4/20/1977 through 12/31/1985. By 1984, it was section 23, Residential Energy Credit, as it was designated when some general individual credit ordering changes were made in 1984 (P.L. 98-369, Deficit Reduction Act (7/18/84)). The credit lapsed for 1986 through 2005 when reinstated and revised by the Energy Tax Incentive Act (see above). For more on the history, see Congressional Research Service (CRS), [Residential Energy Tax Credits: Overview and Analysis](#), 4/9/18.

## Example 1 – Amy’s plan for her home improvements; annual tax liability usually exceeds \$9,000

Amy plans to spend for her home (and install):

- 2023:
  - \$600 home energy audit [§25C(a)(3) and (e)]
  - \$1,600 for 4 new Energy Star certified windows [§25C(a)(1), (b)(3) and (c) – building envelope item]
- 2024
  - \$4,600 central air conditioner installed that meets highest efficiency tier per Consortium for Energy Efficiency [§25C(a)(2), (b)(2) and (d)]

Energy Efficient Home Improvement Credit (§25C)

- **2023 = \$630** (below \$1,200 limit)
  - \$150 for energy audit ( $\$600 \times 30\% = \$180$ ; limited to \$150)
  - \$480 for windows ( $\$1,600 \times 30\%$  which is below \$600 annual maximum for windows)
- **2024 = \$600** (below \$1,200 limit)
  - $\$4,600 \times 30\% = \$1,380$ ; limited to \$600 per item per §25C(b)(2)

## Example 2 – from FS 2022-20 (12/22/22)

- T purchases and installs:
  - 2 exterior doors at \$1,000 each
    - $30\% \times \$1,000 = \$300$ , but limited to \$250 each
    - Total is **\$500** (maximum allowed for doors)
  - Windows and skylights total \$2,200
    - $30\% \times \$2,200 = \$660$ , but limited to **\$600**
  - Central air conditioner cost of \$5,000
    - $30\% \times \$5,000 = \$1,500$  but limited to **\$600**
  - Total credit = \$1,700 but limited to **\$1,200**
- Modification: Electric heat pump rather than AC
  - Separate limit up to \$2,000 for heat pump
  - Total credit = **\$2,600** (\$500 + \$600 + \$1,500)

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## Home Energy Performance-Based, Whole-House Rebates [IRA SEC. 50121]

- Appropriates for FY 2022, \$4,300,000,000, to remain available through September 30, 2031, to carry out a program to award grants to State energy offices to develop and implement a HOMES rebate program.
- State energy office seeking a grant must submit application with a plan to implement a HOMES rebate program
- And award grants to State energy offices to develop and implement a high-efficiency electric home rebate program
- And award grants for training and education for contractors involved in above grant work.
- LOTS of special terms and definitions.
- *Observations: Watch for more from states that apply for these programs.*
- Tax effect – since from gov't, IRC §136, Energy conservation subsidies provided by public utilities, seems n/a.
- CRS, *The Inflation Reduction Act: Financial Incentives for Residential Energy Efficiency and Electrification Projects*, 11/28/22 <https://crsreports.congress.gov/product/pdf/IF/IF12258>

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# IRA Residential Energy Rebates - more

- IRA also includes:
  - High-Efficiency Electric Home Rebate Program [SEC. 50122]
  - State-Based Home Energy Efficiency Contractor Training Grants [Sec. 50123]
    - \$200 million
- CRS, The Inflation Reduction Act: Financial Incentives for Residential Energy Efficiency and Electrification Projects, August 2, 2023 ---→
  - <https://sgp.fas.org/crs/misc/IF12258.pdf>

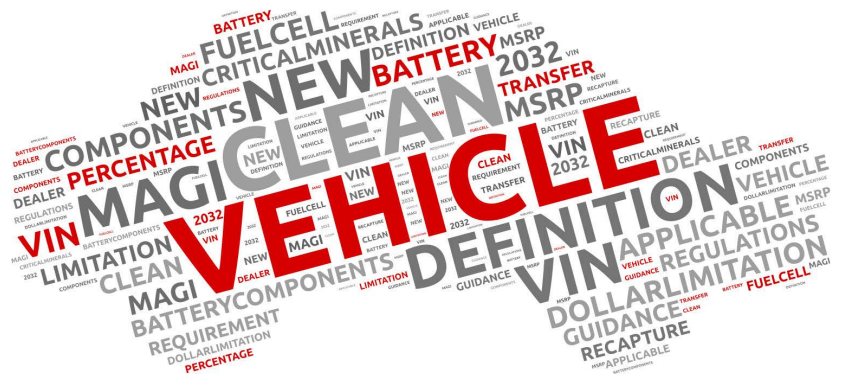
## How Rebates Will Be Made Available

On November 2, 2022, DOE announced its allocations to states according to a statutory allocation formula. The IRA allocated \$225 million to Indian tribes. DOE issued an “Early Administrative Funds” Administrative and Legal Requirements Document (ALRD) on March 23, 2023, to allow SEOs “to begin to hire and conduct a minimum set of planning and administration activities.” On July 27, 2023, DOE released its ALRD for the program and application instructions. Once grants are awarded, the SEOs will issue the rebates to individual applicants under their own timelines and the approved procedures.

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Clean Vehicle  
Credits and  
Refueling  
Property  
Credit

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## 3 EV Credits

- §30D, Clean Vehicle Credit
  - Modified from pre-TCJA version
  - Some terminology here applicable to other 2 credits
- §25E, Previously-owned Clean Vehicle
  - New
- §45W, Credit for Qualified Commercial Clean Vehicles
  - New

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## Clean vehicle credit (sunset 12/31/32) - **§30D** amended and extended

- Name changed from New Qualified Plug-In Electric Drive Motor Vehicles to **Clean Vehicle Credit**
- 2 possible \$3,750 credits for total of \$7,500
  - Critical minerals requirement (§30D(e)(1)(A))
  - Battery components requirement (§30D(e)(2)(A))
- Applies to vehicles placed in service after IRS issues proposed guidance; deadline to issue is 12/31/22.
- Final assembly must occur in North America – **effective after 8/16/22**
  - IRS and Treasury guidance on next slide ---→
- Clean vehicle defined (following slides) and includes “new qualified fuel cell motor vehicle” (as defined in §30B(b)(3)) that meets requirements at §30D(d)(1)(G) and (H))
- New §30D(g) on transfer of credit – taxpayer can elect to transfer to dealer
  - Effective for vehicles placed in service after 12/31/23. See §30D(g) – lots of details!
- Track changes version with effective date info + info from Treasury, IRS and Energy Dept.: [https://www.sjsu.edu/people/annette.nellen/30D\\_TrackChanges\\_25E\\_45W\\_IRA2022.pdf](https://www.sjsu.edu/people/annette.nellen/30D_TrackChanges_25E_45W_IRA2022.pdf)

*These requirements include sourcing rules (later slides).*

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## §30D, Clean Vehicle Credit – Final Assembly in North America – **effective after 8/16/22**

- Treasury and IRS guidance released 8/16/22:
  - Transition rule - If after 12/31/21 and before 8/16/22, taxpayer purchased, or entered into written binding contract to purchase, a new qualified plugin electric drive motor vehicles (per §30D(d)(1) as in effect before IRA changes, and placed that vehicle in service on or after 8/16/22, taxpayer may elect (per IRS guidance) to treat such vehicle as having been placed in service on the day before enactment date.
  - Links below include how to know where car was assembled + IRS explanation on “written binding contract” possibly relevant for vehicles purchased after 8/16/22 if there was such a contract before enactment date.
  - <https://home.treasury.gov/system/files/136/EV-Tax-Credit-FAQs.pdf>
  - <https://www.irs.gov/businesses/plug-in-electric-vehicle-credit-irc-30-and-irc-30d>

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## §30D Clean Vehicle Means (§30D(d)(1)) ...

- (A) original use begins with taxpayer,
- (B) acquired for use or lease by taxpayer and not for resale,
- (C) made by a *qualified manufacturer*, [See Rev. Proc. 2022-42 (12/12/22)]
- (D) treated as a motor vehicle for purposes of title II of Clean Air Act,
- (E) has a gross vehicle weight rating of less than 14,000 pounds,
- (F) is propelled to a significant extent by electric motor which draws electricity from a battery which (i) has a capacity of not less than 7 kilowatt hours, and (ii) is capable of being recharged from an external source of electricity,
- (G) final assembly occurs within North America, and
- (H) for which seller furnishes a report to taxpayer and IRS, at time and in manner as IRS shall provide, containing— [See Rev. Proc. 2022-42 (12/12/22) <https://www.irs.gov/pub/irs-drop/rp-22-42.pdf>]
  - i. Taxpayer name and TIN,
  - ii. VIN,
  - iii. Battery capacity of vehicle,
  - iv. Verification of original use,
  - v. Maximum credit amount (apparently confirmation that critical minerals and/or battery components req met), and
  - vi. Add'l info if credit transferred to dealer per §30D(g) ((g) effective after 2023).

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## §30D – “Foreign Entity of Concern” Limitation – part of definition of new clean vehicle

- §30D(d)(7) – part of definition - “new clean vehicle” excludes any vehicle:
  - If placed in service after 2024 and “any of the applicable critical minerals contained in the battery of such vehicle (as described in subsection (e)(1)(A)) were extracted, processed, or recycled by a foreign entity of concern (as defined in section 40207(a)(5) of the Infrastructure Investment and Jobs Act (42 U.S.C. 18741(a)(5))”
  - If placed in service after 2023 and “any of the components contained in the battery of such vehicle (as described in subsection (e)(2)(A)) were manufactured or assembled by a foreign entity of concern (as so defined).”

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## Critical minerals requirement (§30D(e)(1)(A))

- If met, \$3,750 credit.
- IRS to issue guidance on this including recordkeeping and info reporting requirements by 12/31/22.
- Percentage of the value of applicable critical minerals (per §45X(c)(6)) in battery that were:
  - i) extracted or processed in U.S. or any country with which U.S. has free trade agreement in effect, or
  - ii) recycled in North America
- Must equal or exceed “applicable percentage” (as certified by qualified manufacturer per IRS instructions)
- Applicable percentages vary by year:

| Year Vehicle Placed in Service | Applicable Percentage |
|--------------------------------|-----------------------|
| 2023                           | 40%                   |
| 2024                           | 50%                   |
| 2025                           | 60%                   |
| 2026                           | 70%                   |
| After 2026                     | 80%                   |

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## Battery components requirement (§30D(e)(2)(A))

- If met, \$3,750 credit.
- IRS to issue guidance on this including recordkeeping and info reporting requirements by 12/31/22.
- For battery, percentage of value of its components manufactured or assembled in North America must equal or exceed “applicable percentage” (as certified by qualified manufacturer per IRS instructions).
- Applicable percentages vary by year:

| Year Vehicle Placed in Service | Applicable Percentage |
|--------------------------------|-----------------------|
| 2023                           | 50%                   |
| 2024 or 2025                   | 60%                   |
| 2026                           | 70%                   |
| 2027                           | 80%                   |
| 2028                           | 90%                   |
| After 2028                     | 100%                  |

## §30D, Clean Vehicle Credit – Vehicle MSRP and MAGI Limitations

### • §30D(f)(11) Manufacturer’s Suggested Retail Price Limitation

- To get credit, MSRP must not exceed:
  - Vans, SUVs and pickup trucks - \$80,000
  - Sedans, others - \$55,000
- *Observation:* No definition of MSRP provided.

**No inflation adjustments.**

### • §30D(f)(10) MAGI limitations

- MAGI = AGI + §911, §931 and §933 exclusion amounts
- No credit if lesser of MAGI in current or preceding tax year exceeds these thresholds:
  - MFJ \$300,000
  - HH \$225,000
  - Single or MFS \$150,000
- *Observation:* These are cliffs rather than phaseouts, but helpful to be able to use MAGI of preceding year.



# Guidance for §30D, Clean Vehicle Credit

- Not refundable; no carryforward (same with §25E credit).
- Claimed in year vehicle placed in service.
  - Notice 2023-1 (replaced by prop regs 4/17/23) – *considered placed in service when buyer takes possession.*
    - <https://www.irs.gov/pub/irs-drop/n-23-01.pdf>
- MSRP – “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.”
  - “reported on the label that is affixed to the windshield or side window of the vehicle”
  - Topic B, FAQ-2 (FS-2022-42; 12/29/22) AND Notice 2023-1 (12/29/22)
  - FAQ-5 – if price charged is less than MSRP, MSRP is still the qualifying factor
- **IRS delayed in getting guidance out by 12/31/22 as required**
  - **Result:** Transition period for credit amount and qualifications until IRS issued guidance on critical minerals and battery components – covered on web and some FAQs.
    - First in FS-2022-42 (12/29/22), then FS-2023-04 (Feb 2023) and then [FS-2023-08](#) (March 2023)
      - At 10/23/23, the FAQs are in FS-2023-22 (10/6/23) - <https://www.irs.gov/pub/taxpros/fs-2023-22.pdf>

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## §30D FAQs on credit calculation depending on if placed in service 1/1/23 through 4/17/23 or after

- **FS-2023-22, Topic C: When the New Requirements Apply to the New Clean Vehicle Credit**
  - <https://www.irs.gov/pub/taxpros/fs-2023-22.pdf>

### **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.

### **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.

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## Terminology for §30D Clean Vehicle Credit – Prop. Reg. 1.30D-2

Defines:

1. Final Assembly – “process by which a manufacturer produces a new clean vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer or importer with all component parts necessary for the mechanical operation of the vehicle included with the vehicle, whether or not the component parts are permanently installed in or on the vehicle.”
2. North America – “territory of the United States, Canada, and Mexico as defined in 19 C.F.R. part 182, Appendix A, § 1(1).”
3. Manufacturer’s Suggested Retail Price – retail price suggested by manufacturer + retail delivered price for each accessory attached to vehicle when delivered to dealer; shown on label affixed to vehicle window.
4. Vehicle Classifications for vans, sport utility vehicles, pickup trucks – “determined consistent with the rules and definitions provided in 40 CFR 600.315-08. See 1.30D-2(g).
  - Modification from Notice 2023-1 definition made some vehicles SUVs rather than “other vehicle”
5. Placed in service – date the customer takes possession

REG-120080-22 (4/17/23)

<https://www.govinfo.gov/content/pkg/FR-2023-04-17/pdf/2023-06822.pdf>

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## Clean Vehicle Credit (§30D) Prop. Regs and FAQs

- Prop regs released by IRS 3/31/23
  - Treasury said earlier, would be out in March
  - But **not in Federal Register until 4/17/23 which is relevant to effective date** (although prop regs not effective until finalized).
  - <https://www.govinfo.gov/content/pkg/FR-2023-04-17/pdf/2023-06822.pdf>
- Fact Sheet 2023-08 FAQs [13 pages] – at 10/23/23 is FS-2023-22
  - Reliance FAQs
  - Supersedes FAQs in FS-2023-04 (2/3/23)
  - <https://www.irs.gov/pub/taxpros/fs-2023-22.pdf>
- Caution: If bought clean vehicle but didn’t take delivery until 4/18/23 or later, only get credit if battery meets critical minerals (\$3,750) and battery components (\$3,750)

1.30D-0 Table of contents.  
 1.30D-1 Credit for new clean vehicles.  
 1.30D-2 Definitions for purposes of section 30D.  
 1.30D-3 Critical mineral and battery component requirements.  
 1.30D-4 Special rules.

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## Reg. 1.30D-0 Table of Contents

### § 1.30D-1 Credit for new clean vehicles.

- (a) In general.
- (b) Treatment of credit.
  - (1) Business credit treated as part of general business credit.
  - (2) Apportionment of section 30D credit. [for depreciable vehicle with < 50% business use; business use treated as general business credit]
  - (3) Personal credit limited based on tax liability.
- (c) Severability.
- (d) Applicability date.

### § 1.30D-2 Definitions for purposes of section 30D.

- (a) In general.
- (b) Final assembly.
- (c) Manufacturer's suggested retail price.
- (d) North America.
- (e) Placed in service.
- (f) Section 30D regulations.
- (g) Vehicle classifications.
  - (i) Van.
  - (ii) Sport utility vehicle.
  - (iii) Pickup truck.
  - (iv) Other vehicle.
- (h) Severability.
- (i) Applicability date.

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## Reg. 1.30D-0 Table of Contents - continued

### § 1.30D-3 Critical mineral and battery component requirements.

- (a) Critical minerals requirement.
  - (1) In general.
  - (2) Applicable critical minerals percentage
  - (3) Determining qualifying critical mineral content.
    - (i) In general.
    - (ii) Separate determinations required for each procurement chain.
    - (iii) Time for determining value.
    - (iv) Application of qualifying critical mineral content to vehicles.
      - (b) Battery components requirement.
        - (1) In general.
        - (2) Applicable battery components percentage.
        - (3) Determining qualifying battery component content.
          - (i) In general.
          - (ii) Time for determining value.
          - (iii) Application of qualifying battery component content to vehicles.
        - (c) Definitions.
          - (1) Applicable critical mineral.
          - (2) Assembly.
          - (3) Battery.
            - (4) Battery cell.
            - (5) Battery component.
            - (6) Constituent materials.
            - (7) Country with which the United States has a free trade agreement in effect.
            - (8) Extraction.
          - (9) Incremental value.
          - (10) Manufacturing.
          - (11) North America.
          - (12) North American battery component.
          - (13) Processing
          - (14) Procurement chain.
          - (15) Qualified manufacturer.
          - (16) Qualifying battery component content.
          - (17) Qualifying critical mineral.
          - (18) Qualifying critical mineral content.
          - (19) Recycling.
          - (20) Total incremental value of North American battery components.
          - (21) Total incremental value of battery components.
          - (22) Total value of critical minerals.
          - (23) Total value of qualifying critical minerals.
          - (24) Value.
          - (25) Value added.
        - (d) Excluded entities.
        - (e) Severability.
        - (f) Applicability date.

### § 1.30D-4 Special rules

- (a) No double benefit.
  - (1) In general.
  - (2) Application to credit for previously-owned clean vehicles under section 25E.
  - (3) Application to credit for qualified clean vehicles under section 45W.
    - (b) Limitation based on modified adjusted gross income.
      - (1) In general.
      - (2) Threshold amount.
      - (3) Modified adjusted gross income.
      - (4) Special rule for change in filing status.
      - (5) Application to taxpayers other than individuals.
        - (i) In general.
        - (ii) Application to passthrough entities.
        - (c) Multiple owners and passthrough entity ownership of a single vehicle.
          - (1) In general.
          - (2) Passthrough entities.
          - (3) Seller Reporting.
            - (i) In general.
            - (ii) Passthrough entities.
            - (4) Example.
            - (d) Severability.
            - (e) Applicability date.

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## Clean Vehicle Credit (§30D) Prop. Regs – Key points on how to qualify for §30D credit – Manufacturer to do this

Per [Treasury Dept press release 3/31/23](#):

- 3-step process to know if vehicle meets required % of value of critical minerals in battery:
  - 1) determine procurement chains,
  - 2) identify qualifying critical minerals, and
  - 3) calculate qualifying critical mineral content.
- 4-step process to know if meet battery component requirement:
  - 1) identify battery components that are manufactured or assembled in North America,
  - 2) determine incremental value of each battery component, including North American battery components,
  - 3) determine total incremental value of battery components, and
  - 4) calculate qualifying battery component content by dividing total incremental value of North American battery components by total incremental value of all battery components.

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## Clean Vehicle Credit (§30D) Prop. Regs – Treasury Dept. Release 3/31/23

- Prop. regs “provides clarity and certainty to manufacturers on the Inflation Reduction Act requirements that vehicles eligible for the clean vehicle credit ... Building on the anticipated approach detailed in a white paper released in December, the NPRM also explains how manufacturers may satisfy the critical mineral and battery component requirements under the Inflation Reduction Act.”
- Reminds the “free trade agreement” that is part of critical minerals requirement is not defined in statute and “could include newly negotiated critical minerals agreements.”
  - “Agreements would be considered based on whether they reduce or eliminate trade barriers on a preferential basis, commit the parties to refrain from imposing new trade barriers, establish high-standard disciplines in key areas affecting trade, and reduce or eliminate restrictions on exports or commit the parties to refrain from imposing such restrictions on exports, including for trade in the critical minerals contained in electric vehicle batteries.”
  - Some controversy with this...
- IRS and DOE websites help identify qualifying vehicles [next slide]

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## §30D Guidance – qualifying vehicles at 4/18/23 and later

- IRS website refers users to following DOE website for details on qualifying vehicles.
  - <https://www.irs.gov/credits-deductions/credits-for-new-clean-vehicles-purchased-in-2023-or-after>
- US Dept of Energy has look up table at for
  - 1/1/23 to 4/17/23 AND 4/18/23 to 12/31/23
  - <https://fueleconomy.gov/feg/tax2023.shtml>
- On 10/20/23,
  - 26 vehicles qualified for \$7,500
  - 10 qualified for \$3,750
- Also helps with §25E used clean vehicle credit
  - <https://fueleconomy.gov/feg/taxused.shtml>
- Note: Website doesn't remind users about the MAGI limitations for these credits.

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## “Direction” of Critical Minerals Requirement – May take broad view of “free trade agreement”

*Free trade agreement.* The term “free trade agreement” is not defined in the Inflation Reduction Act (or in any other statute). Treasury and the IRS expect to seek comment in the proposed guidance on what criteria should be used to identify free trade agreements for the purposes of the critical minerals requirement and expect to propose that these criteria include whether an agreement reduces or eliminates trade barriers on a preferential basis, commits the parties to refrain from imposing new trade barriers, establishes high-standard disciplines in key areas affecting trade (such as core labor and environmental protections), and/or reduces or eliminates restrictions on exports or commits the parties to refrain from imposing such restrictions, including for the critical minerals contained in electric vehicle batteries. Treasury and the IRS also expect to propose that the term encompasses, at minimum, the comprehensive trade agreements of the United States with the following countries: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, South Korea, Mexico, Morocco, Nicaragua, Oman, Panama, Peru and Singapore. Further, Treasury and the IRS expect to propose that the Secretary may identify additional free trade agreements for purposes of the critical minerals requirement going forward and will evaluate any newly negotiated agreements for proposed inclusion during the pendency of the rulemaking process or inclusion after finalization of the rulemaking.

Senator Manchin objects: IRA intent “was clear - bring our energy and manufacturing supply chains onshore to protect our national security, reduce our dependence on foreign adversaries and create jobs right here in the United States. The information released today from the Treasury Department outlining how they will be implementing the commercial and consumer EV tax credits bends to the desires of the companies looking for loopholes and is clearly inconsistent with the intent of the law. It only serves to weaken our ability to become a more energy secure nation.”

<https://www.energy.senate.gov/2022/12/manchin-urges-treasury-to-pause-implementation-of-ev-tax-credits>

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# Clean Vehicle Credit Controversy Over Free Trade Agreement Meaning (3/28/23)

- §30D(e)(1) Critical Minerals Requirement
  - If meet and all other requirements met, \$3,750 credit
    - Requires that x% of value of applicable critical minerals in battery were (i) extracted or processed in US or any country US has free trade agreement in effect, or (ii) recycled in North America
      - No definition of free trade agreement
- 3/28/23 – Office of US Trade Representative announces US and Japan sign critical minerals agreement
  - “will strengthen and diversify critical minerals supply chains and promote the adoption of electric vehicle battery technologies”
  - <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/march/united-states-and-japan-sign-critical-minerals-agreement>

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## Claiming §30D Credit - Example



<https://www.cadillac.com/electric/lyriq>

Make: Cadillac

Model: <https://fueleconomy.gov/feg/tax2023.shtml>

LYRIQ

Vehicle Type:
   
 All-Electric EV
   
 Plug-in Hybrids PHEV
   
 All

Federal Tax Credits for Plug-in Electric and Fuel Cell Electric Vehicles Placed in Service in 2023 or After  
(Vehicles placed in service on or after April 18, 2023)

| Make     | Model | Model Year | Vehicle Type | Credit Amount | MSRP Limit | Assembled in N. America |
|----------|-------|------------|--------------|---------------|------------|-------------------------|
| Cadillac | LYRIQ | 2023–2024  | EV           | \$7,500       | \$80,000   | ✓                       |

Updated 9/05/2023  
Source: Internal Revenue Service

Query: Isn't that a sedan with MSRP limit of \$55,000?

No, it's an SUV with MSRP limit of \$80,000

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# Claiming §30D Credit - Example



<https://www.cadillac.com/electric/lyriq>

## & Check buyer's MAGI

MAGI may not exceed:

- \$300,000 for married couples filing jointly
- \$225,000 for heads of households
- \$150,000 for all other filers

LYRIQ MAY BE ELIGIBLE FOR UP TO  
**\$7,500 CLEAN VEHICLE FEDERAL TAX CREDIT**

LYRIQ purchases may be eligible for a Clean Vehicle Federal Tax Credit of up to \$7,500. Consult your tax, legal or accounting professional for personal eligibility based on household income. Credit amount is subject to change.

See if your LYRIQ qualifies for the New Vehicle Purchase Federal Tax Credit.

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## Credit for previously-owned clean vehicles (sunset 12/31/32) - **\$25E** added

- “Qualified buyer” can get credit equal to lesser of:
  - \$4,000 or
  - 30% of sales price
- Model year must be at least 2 years earlier than year acquired & meet certain requirements at §30D.
- Price can't exceed \$25,000
- Gross vehicle weight rating of less than 14,000 pounds
- VIN reported on return
- Original use was with a person other than taxpayer
- Made by qualified manufacturer per §30D(d)(C) with battery capacity of at least 7 kilowatt hours
- Need not be assembled in North America
- **Must acquire from dealer defined at §30D(g)(8) (licensed to engage in sale of vehicles)**
- Must be the first sale after 8/16/22 to qualified buyer (so apparently to prevent credit on continued sales of the used vehicle).
  - FAQ 3 on §25E credit: “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.”

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## Credit for previously-owned clean vehicles (sunset 12/31/32) - §25E added

- §25E(b) MAGI limitations
  - MAGI = AGI + §911, §931 and §933 exclusion amounts
  - No credit if MAGI in current or preceding tax year exceeds these thresholds:
    - MFJ \$150,000
    - HH \$112,500
    - Single or MFS \$75,000
  - *Observation:* These are cliffs rather than phaseouts, but helpful to be able to use MAGI of preceding year. **No inflation adjustments.**

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## Credit for previously-owned clean vehicles – IRC §25E - more

- §25E(c)(3) QUALIFIED BUYER =
  - (A) individual,
  - (B) purchases such vehicle for use and not for resale,
  - (C) with respect to whom no deduction is allowable with respect to another taxpayer under section 151, and
  - (D) who has not been allowed a credit under this section for any sale during 3-year period ending on date of the sale of such vehicle.
  - & meets MAGI requirements in preceding year or current year (of purchase)
- Credit transfer rules similar to §30D(g) apply.
- Applies for 2023 through 2032.
- Text near end of this document:
  - [https://www.sjsu.edu/people/annette.nellen/30D\\_TrackChanges\\_25E\\_45W\\_IRA2022.pdf](https://www.sjsu.edu/people/annette.nellen/30D_TrackChanges_25E_45W_IRA2022.pdf)

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## §25D, Previously-Owned Clean Vehicle Credit – FS2023-22 FAQs added 10/6/23

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

- Model year at least 2 years earlier than calendar year of purchase of used vehicle.
- Acquired for sales price of \$25K or less, from a dealer, and buyer is first qualified buyer to claim credit since 8/16/22, other than original buyer
- Dealer/seller must provide report to buyer with info required by IRS (Rev. Proc. 2022-42)
- Qualifying vehicles:
  - <https://fueleconomy.gov/feg/taxused.shtml>

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## §25D, Previously-Owned Clean Vehicle Credit – FS2023-22 FAQs added 10/6/23 - more

### Topic E: Income and Price Limitations for Previously-Owned Clean Vehicles

- FAQ – 2 – determining sales price (can't exceed \$25K)
  - Total price agreed to by buyer and seller in written contract at time of sale
  - Includes any delivery charges
  - Determined after applying any incentives
  - Excludes separately-stated taxes and fees required under state or local law
  - Determined before application of any trade-in value
  - Excludes separate financing, extended warranties and insurance.

<https://www.irs.gov/pub/taxpros/fs-2023-22.pdf>

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## Example – Mary with only wage income of \$70,000 for 2023

- Purchases 2020 used electric car with battery capacity of 7 kilowatt hours or more from dealer for price of \$21,000.
- Credit:
  - $\$21,000 \times 30\% = \$6,300$ , but limited to **\$4,000**
  - Mary reports VIN on 2023 return

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Prop. Regs and Other Guidance on Transfer of §25E and §30D Credit to Dealer - REG–113064–23 (10/10/23), Rev. Proc. 2023-33, and FS 2023-22 (10/6/23)

- Guidance on provisions in these credits effective starting 2024 to help buyers by allowing them to transfer credit to dealer to apply immediately to purchase price.
- Prop. Regs. - REG–113064–23 (10/10/23) - Transfer of Clean Vehicle Credits Under Section 25E and Section 30D
  - <https://www.govinfo.gov/content/pkg/FR-2023-10-10/pdf/2023-22353.pdf>
- Rev. Proc. 2023-22 (10/6/23)
  - <https://www.irs.gov/pub/irs-drop/rp-23-33.pdf>
- FS-2023-22 (10/6/23)
  - Replaces FS-2023-08 (3/31/23)
  - <https://www.irs.gov/pub/taxpros/fs-2023-22.pdf>

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## Transfer of Clean Vehicle Credits Under Sections 25E and 30D – outline of IRC provisions

Code provisions fairly complex, lengthy (excerpt):

- §30D(g) TRANSFER OF CREDIT—
  - (1) IN GENERAL
  - (2) ELIGIBLE ENTITY
  - (3) TIMING
  - (4) REVOCATION OF REGISTRATION
  - (5) TAX TREATMENT OF PAYMENTS
  - (6) APPLICATION OF CERTAIN OTHER REQUIREMENTS
  - (7) ADVANCE PAYMENT TO REGISTERED DEALERS
  - (8) DEALER
  - (9) INDIAN TRIBAL GOVERNMENT
  - (10) RECAPTURE
- §25E(f) TRANSFER OF CREDIT.—Rules similar to the rules of section 30D(g) shall apply.

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## Transfer of Clean Vehicle Credits Under Sections 25E and 30D – basics of proposed regs and FS-2023-22

- Buyer must be eligible based on MAGI of prior or current year.
  - If turns out not eligible, buyer must add to tax liability (to repay it).
- If buyer would not be eligible for full credit because is higher than tax liability, full credit still allowed without recapture.
  - FS-2023-2022, FAQ 4 in Topic H:

**Q4: What if a buyer has insufficient tax liability to fully use a transferred credit? (added October 6, 2023)**

A4. The amount of the credit that the electing taxpayer elects to transfer to the eligible entity may exceed the electing taxpayer's regular tax liability for the taxable year in which the sale occurs, and the excess, if any, is not subject to recapture from the dealer or the buyer.

- Prop. Reg. 1.25E-3(e)(1)(I), 1.30D-5(d)(1)(i), examples
- Not treated as income to buyer
- Must transfer entire credit.
- Limited to 2 credit transfers per year by buyer (but only one can be 25E credit)

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## Transfer of Clean Vehicle Credits Under Sections 25E and 30D – transfer of info ...

### Q5. What information does a registered dealer need to provide a buyer and when? (added October 6, 2023)

#### Topic H

A5. Not later than the time of sale, the registered dealer must provide the buyer with a written disclosure containing the following information under penalty of perjury:

- The MSRP of the new clean vehicle or the sale price of the previously-owned clean vehicle.
- The maximum amount of the credit allowable and any other incentive available for the purchase of such vehicle.
- The amount provided by the dealer to you as a condition of you making the transfer election.
- The modified AGI limitations provided in section 30D(f)(10) (in the case of a new clean vehicle) or section 25E(b)(2) (in the case of a previously-owned clean vehicle), as applicable. See [Topic B FAQ 1](#) and [Topic E FAQ 1](#).
- For previously-owned clean vehicles, certification that:
  - the model year of the vehicle is at least two years prior to the calendar year of sale; and
  - that the transfer is the first transfer of the vehicle since August 16, 2022, to a person other than the person with whom the original use of such vehicle commenced.

Not later than the time of sale, the registered dealer must also provide you a copy of the seller report submitted for the vehicle, see [Topic B FAQ 9](#) and [Topic D FAQ 2](#), and confirmation of the successful submission of the report through IRS Energy Credits Online.

To assist dealers with their disclosure obligations, the IRS will publish a sample disclosure form prior to January 1, 2024.

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## Transfer of Clean Vehicle Credits Under Sections 25E and 30D – transfer of info ...

### Q6. What information do I need to provide to the registered dealer and when? (added October 6, 2023)

#### Topic H

A6. Not later than the time of sale, you must provide the registered dealer with the following:

- Date of the transfer election.
- Your taxpayer identification number.
- A photocopy of your valid, government-issued photo identification document.
- An attestation, that either:
  - Your prior year modified AGI did not exceed the modified AGI limitation, or, if not known, to the best of your knowledge and belief, your prior year modified AGI did not exceed such limitation, or
  - To the best of your knowledge and belief, your current year modified AGI will not exceed the modified AGI limitation. See [Topic B FAQ 1](#) and [Topic E FAQ 1](#).
- For new clean vehicles, an attestation that the vehicle will be used predominantly for personal use.
- For previously-owned clean vehicles, an attestation (or declaration) that you are a qualified buyer. See [Topic D FAQ 4](#).
- An attestation that you will file an income tax return for the taxable year in which the vehicle is placed in service on or before the due date of the return (including extensions), reporting your eligibility for the new clean vehicle credit or previously-owned clean vehicle credit, as applicable, including the vehicle's VIN, and your election to transfer the credit to the dealer and repaying any credit amounts subject to recapture (if applicable).
- An attestation that you are making this election prior to placing the vehicle in service and this is the first or second transfer election you have made during the taxable year.
- An attestation that in the event you exceed the applicable modified AGI limitations, you will repay the amount received as an addition to tax for the tax year the vehicle was placed in service.
- An attestation that you have voluntarily elected to transfer the credit.

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## Credit for qualified commercial clean vehicles - **\$45W**

### Credit per vehicle equal to lesser of:

(A) 15% of basis of such vehicle (30% if vehicle not powered by a gasoline or diesel internal combustion engine), or

(B) incremental cost of such vehicle (excess of purchase price for such vehicle over such price of a comparable vehicle (“any vehicle which is powered solely by a gasoline or diesel internal combustion engine and which is comparable in size and use to such vehicle”).

### Maximum credit per vehicle:

If gross vehicle weight rating of less than 14,000 pounds: \$7,500

Otherwise: \$40,000.

### Text at end of this document:

[https://www.sjsu.edu/people/annette.nellen/30D\\_TrackChanges\\_25E\\_45W\\_IRA2022.pdf](https://www.sjsu.edu/people/annette.nellen/30D_TrackChanges_25E_45W_IRA2022.pdf)



[Notice 2023-9](#) (12/29/22) - provides a safe harbor regarding the incremental cost of certain qualified commercial clean vehicles placed in service in calendar year 2023. [next slide]

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## EV Terminology

Some abbreviations show up in guidance from IRS and the Dept. of Energy, and in car articles. Such as:

- EV – electric vehicle
- BEV – battery-powered electric vehicle
- HEV – hybrid electric vehicle
- PHEV – plug-in hybrid electric vehicle
- FCEV – fuel cell electric vehicle
  
- DOE – Department of Energy
- ICE - internal combustion engine

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## New §45W, Credit for Qualified Commercial Clean Vehicles - continued

- Qualified commercial clean vehicle
  - Specific definition
  - Some reference to §30D terms, such as made by *qualified manufacturer*
  - No requirement for assembly in North America or the critical minerals or battery component requirement
  - Depreciable
  - See §45W for details, watch for more IRS guidance.
    - IRS Website - <https://www.irs.gov/credits-deductions/commercial-clean-vehicle-credit>
- Must report VIN on return
- §45W(d)(3) – no credit allowed if §30D credit already claimed for the vehicle.
  - *Observation:* Appears IRS will need to track VINs to be sure only one credit (§30D or §45W) claimed during the life of a vehicle + one §25E used vehicle credit.

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## Guidance on §45W, Commercial Clean Vehicle Credit – Safe Harbor – Notice 2023-9 (12/29/22)

- Per Treasury and IRS review of incremental cost of all street vehicles in 2023, such cost for vehicles with gross weight rating of < 14,000 pounds will be greater than \$7,500 in calendar year 2023 so will not limit available credit amount.
  - Exception: compact car PHEV is \$7,000
- For compact car plug-in electric hybrids for which incremental cost calculated to be  $\leq$  \$7,500, Treasury and IRS will accept for vehicles placed in service during calendar year 2023 a taxpayer's use, in calculating the credit amount, of the incremental cost published by Department of Energy.
- For vehicles with weight of 14,000 pounds or more, use the DOE Analysis of incremental cost.
  - <https://www.energy.gov/eere/vehicles/articles/2022-incremental-purchase-cost-methodology-and-results-clean-vehicles>
  - Next slide -->
- <https://www.irs.gov/pub/irs-drop/n-23-09.pdf>

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# DOE, 2022 Incremental Purchase Cost Methodology and Results for Clean Vehicles (Dec. 2022)

*Explains incremental costs and reasons for the differences and likelihood that it will decrease as more EVs are manufactured and sold.*

- <https://www.energy.gov/eere/vehicles/articles/2022-incremental-purchase-cost-methodology-and-results-clean-vehicles>

Based upon these assumptions, the resulting incremental costs are shown in Table 5.

Table 5: Resulting Incremental Cost, Representative Vehicle Classes, 2022.

| Representative Vehicle Modeled | BEV       | PHEV      | FCEV      |
|--------------------------------|-----------|-----------|-----------|
| Compact Car                    | \$7,500   | \$7,000   | \$11,000  |
| Midsize Car                    | \$8,500   | \$8,000   | \$15,000  |
| Midsize SUV                    | \$14,000  | \$9,500   | \$19,000  |
| Pickup Truck                   | \$19,500  | \$14,000  | \$35,500  |
| Class 4-6 Box                  | \$34,500  | \$28,000  | \$41,000  |
| Class 7 Daycab                 | \$93,500  | \$66,000  | \$80,500  |
| Class 8 Longhaul               | \$297,500 | \$164,000 | \$105,500 |

Table 2: Modeled Representative Vehicle Cost, 2022, rounded to the nearest \$500.

| Representative Vehicle Modeled | Conv     | BEV      | PHEV     | FCEV     |
|--------------------------------|----------|----------|----------|----------|
| Compact Car                    | \$24,500 | \$32,000 | \$31,500 | \$35,500 |
| Midsize Car                    | \$28,500 | \$37,000 | \$36,500 | \$43,500 |
| Midsize SUV                    | \$33,500 | \$47,500 | \$43,000 | \$52,500 |
| Pickup Truck                   | \$36,000 | \$55,500 | \$50,000 | \$71,500 |

## §45W Examples

| Depreciable vehicle purchased < 14,000 pounds | Cost     | Credit % | (a) Cost x % | (b) Incremental cost over comparable | Lesser of (a) or (b) but not to exceed \$7,500 |
|-----------------------------------------------|----------|----------|--------------|--------------------------------------|------------------------------------------------|
| Compact Car BEV                               | \$32,000 | 30%      | \$9,600      | \$7,500                              | <b>\$7,500</b>                                 |
| Compact Car PHEV                              | \$31,500 | 15%      | \$4,725      | \$7,000                              | <b>\$4,725</b>                                 |
| Midsize SUV BEV                               | \$47,500 | 30%      | \$14,250     | \$14,000                             | <b>\$7,500</b>                                 |
| Midsize SUV PHEV                              | \$43,000 | 15%      | \$6,450      | \$9,500                              | <b>\$6,450</b>                                 |

## FAQs on §45W

**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.)

<https://www.irs.gov/pub/taxpros/fs-2023-08.pdf>

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## FAQs on §45W

**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.

<https://www.irs.gov/pub/taxpros/fs-2022-42.pdf>

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## Senator Manchin Raises Concerns with Treasury

- 12/31/22
  - Concerned that §45W will be applied too broadly including for vehicles he thinks fall under §30D which has the domestic sourcing critical minerals and battery component requirements.
  - “I have heard that some automakers and foreign governments are asking your agency for a broad interpretation of 45W that would allow rental cars, leased vehicles, and rideshare vehicles (such as those used for Uber and Lyft), a huge piece of the U.S. vehicle market, to be eligible for the full \$7,500 commercial vehicle credit as a way to bypass the strict sourcing requirements in the 30D Clean Vehicle Credit (30D)”
  - <https://www.manchin.senate.gov/newsroom/press-releases/manchin-calls-on-treasury-secretary-yellen-to-ensure-inflation-reduction-act-vehicle-tax-credits-strengthen-domestic-manufacturing-and-economic-security>

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## Guidance on IRA 2022 Vehicle Credits – Rev. Proc. 2022-42 (12/12/22)

- Procedures under §30D(d)(3) for qualified manufacturers to enter written agreement with IRS to agree to make periodic written reports to IRS to report VIN and other info related to each vehicle manufactured that is eligible for clean vehicle credit – §§25E, 30D and 45W.
- Lays out format and content for reports.
- **Manufacturer can't be “qualified” until written agreement is filed with IRS.**
  - Must file monthly by 15<sup>th</sup> (or more often)
- **Sellers must file reports per Sec. 5 of Rev. Proc. 2022-42 within 15 days after end of calendar year, per format and method required by IRS.** First reports from sellers due to IRS by 1/15/24.
  - Applicable for §30D and §25E credits.
  - Report to buyer by purchase date.
- IRS to still issue required guidance on critical minerals and battery components per §30D(e)(3)(B).
- <https://www.irs.gov/pub/irs-drop/rp-22-42.pdf>



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## Relevance of Rev. Proc. 2022-42 reports to buyers

- **Sec. 4.03 “Taxpayer’s Reliance.** A taxpayer who acquires a “new clean vehicle,” a “previously-owned clean vehicle” for which the seller provides a clean vehicle seller report, or a “qualified commercial clean vehicle” and places it in service may rely on the manufacturer’s certification concerning the manufacturer’s status as a qualified manufacturer (including in cases in which the certification is received by the IRS after the purchase of the vehicle). A taxpayer also may rely on the information and certifications contained in the qualified manufacturer’s written reports for the tax credit allowed under §§ 30D, 25E, and 45W.”

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## Rev. Proc. 2022-42 and erroneous written reports

- **Sec. 4.04 – *Erroneous Written Reports.*** Any acknowledgment that the IRS provides for a written report, including a qualified manufacturer’s certifications under §§ 30D, 45W, and 25E, is not a determination that a motor vehicle or mobile machinery qualifies for the credit under the respective Code sections.”
- ***Observation:*** Likely means that receipt of report alone doesn’t mean manufacturer’s vehicles meet the credit requirements.

<https://www.irs.gov/pub/irs-drop/rp-22-42.pdf>

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## Seller's Report Info for Buyers of New and Previously-Owned Clean Vehicle Tax Credits Beginning in 2024

Topic J of [FS-2023-22](#) (October 2023)

- Q1: What must buyer of clean vehicle provide a seller to purchase a new clean vehicle or previously-owned clean vehicle and claim applicable tax credit? (added October 6, 2023)
  - A1. buyer must provide seller information necessary, including name, taxpayer identification number (which may be a Social Security number), and valid identification, for seller to successfully submit a seller report to the IRS. See Topic H FAQ 6
- IRS website on §25E credit
  - <https://www.irs.gov/credits-deductions/used-clean-vehicle-credit>

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## Seller's Report Info for Buyers of New and Previously-Owned Clean Vehicle Tax Credits Beginning in 2024 - more

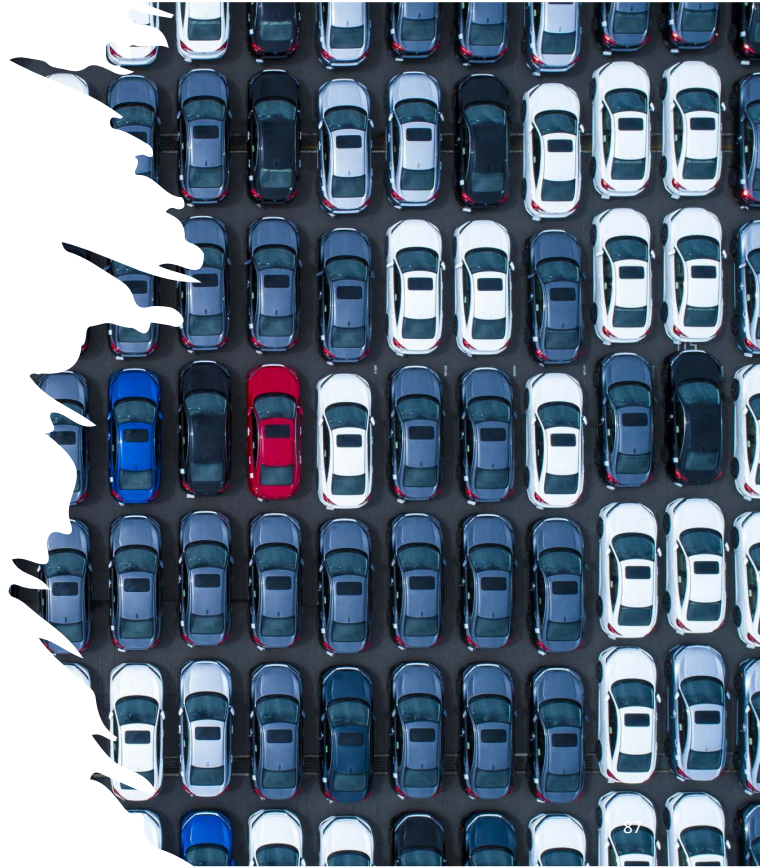
Topic J of [FS-2023-22](#) (October 2023)

- Q2: How can buyer confirm they will be able to claim a tax credit for new or previously-owned clean vehicle? (added October 6, 2023)
  - A2. For vehicles placed in service January 1, 2024 or after, sellers will submit seller reports electronically to IRS. IRS's acceptance of this seller report means a Qualified Manufacturer has submitted the VIN listed in the seller report to IRS as an eligible vehicle. For previously-owned clean vehicles, sellers will also provide sale price (which must be \$25,000 or less) and review vehicle history reports in making attestations regarding vehicle's eligibility. Eligible buyers can rely on a seller report that a seller has submitted electronically to the IRS, that IRS has accepted, and that seller has provided to buyer, as confirmation that vehicle is eligible. The buyer must still meet eligibility requirements, which are described in elsewhere in these FAQs to claim the credit or to transfer the credit to a dealer.
- Also see IRS eligibility checklists:
  - <https://www.irs.gov/clean-vehicle-tax-credits>

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# Helping Clients Understand Clean Vehicle Credits

- 3 possible credits
  - \$45W only if depreciable
- Lots of special rules regarding vehicle, seller, limitations, whether it carries forward, and more
- IRS Resources:
  - <https://www.irs.gov/clean-vehicle-tax-credits>
    - With links to lists of qualifying vehicles from Dept. of Energy
  - Depreciable - <https://www.irs.gov/credits-deductions/commercial-clean-vehicle-credit>
  - Latest FAQs in FS-2023-22 - <https://www.irs.gov/pub/taxpros/fs-2023-22.pdf>
  - Pubs:
    - §30D - <https://www.irs.gov/pub/irs-pdf/p5724a.pdf>
    - §25E - <https://www.irs.gov/pub/irs-pdf/p5724.pdf>
    - §45W - <https://www.irs.gov/pub/irs-pdf/p5724b.pdf>



# Additional IRA 2022 Energy Provisions for Individuals

## Credit for alternative fuel refueling property (sunset 12/31/32) - **§30C** modified and extended

- Several significant changes including
  - Extended through 2032 as modified
  - Retroactively extended in pre-IRA 2022 form for 2022
  - Max credit for single item of qualified depreciable property is \$100,000 at 30% rate
    - But only 6% if new wage and apprenticeship requirements not met.
    - \$1,000 maximum credit for any single item of non-depreciable property
  - Property required to be in eligible census tract
  - New rules for charging stations for certain 2- and 3-wheel vehicles
- Track changes [https://www.sjsu.edu/people/annette.nellen/30C\\_AmendedBy\\_IRA\\_Aug2022.pdf](https://www.sjsu.edu/people/annette.nellen/30C_AmendedBy_IRA_Aug2022.pdf)

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## Credit Monetization – Transfer of Certain Energy Credits – new IRC **§6418**

- §6418, Transfer of Certain Credits – transfer to unrelated party possible who is then treated as having the credit to use
- “(b) TREATMENT OF PAYMENTS MADE IN CONNECTION WITH TRANSFER.—With respect to any amount paid by a transferee taxpayer to an eligible taxpayer as consideration for a transfer described in subsection (a), such consideration—
  - (1) shall be required to be paid in cash,
  - (2) shall not be includible in gross income of the eligible taxpayer, and
  - (3) with respect to the transferee taxpayer, shall not be deductible under this title.
- Special rules for partnerships and S corporations.
- Applies to these credits:
 

|                                                      |                                              |
|------------------------------------------------------|----------------------------------------------|
| 1) 30C - alternative fuel vehicle refueling property | 7) 45Y - clean electricity production        |
| 2) 45 - renewable electricity production             | 8) 45Z - clean fuel production               |
| 3) 45Q - carbon oxide sequestration                  | 9) 48 – energy                               |
| 4) 45U - zero-emission nuclear power production      | 10) 48C - qualifying advanced energy project |
| 5) 45V - clean hydrogen production                   | 11) 48E - clean electricity investment       |
| 6) 45X - advanced manufacturing production           |                                              |

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# Proposed and Temporary Regs on Energy Credits §6417 and §6418

[IR-2023-116](#) (6/14/23)

## Basics:

- §6417: Includes a required IRS pre-filing process. Affect tax-exempt orgs, State and local governments, Indian tribal governments, Alaska Native Corporations, Tennessee Valley Authority, rural electric cooperatives, and, for 3 credits, certain taxpayers eligible for elective Title of Regulation Status Citation IRC Sections Additional Information payment of credit amounts in a tax year.
- §6418: election to transfer any of 11 specified energy credits including a required IRS pre-filing registration process. Affects eligible taxpayers that elect to transfer eligible credits in a tax year and transferee taxpayers to which eligible credits are transferred.”
- IRS website: <https://www.irs.gov/credits-deductions/elective-pay-and-transferability>

FAQs - <https://www.irs.gov/credits-deductions/elective-pay-and-transferability-frequently-asked-questions>

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More on  
§6418  
Proposed Regs  
& FAQs on  
Transfer of  
Certain  
Credits  
REG-101610-  
23 (6/21/23)

### **Q6. What is a transfer election statement and how do I file one? (added June 14, 2023)**

A. The form and substance of a transfer election statement is as described in the guidance and generally includes the following. name, address and taxpayer identification number for both the transferor and transferee, a description of the type and amount of the eligible tax credit transferred, the timing and amount of cash paid for the eligible tax credit transferred and the registration number related to the eligible credit property. The transfer election statement should also include certain statements and/or representations from the transferor and transferee as described in the guidance. The transfer election statement should be attached to the transferor's tax return for the year in which the transferor becomes entitled to the eligible credit. The transfer election statement should be attached to the transferee's tax return for the year in which the transferee takes the eligible credit into account.

### **Q7. Can I transfer only a portion of eligible tax credits generated from a single eligible credit property for a given tax year? Can I transfer eligible tax credits generated from a single eligible credit property to multiple unrelated parties in the same tax year? (added June 14, 2023)**

A. Eligible taxpayers may transfer all or a portion of an eligible credit generated from a single eligible credit property. They may also sell an eligible credit generated from a single eligible credit property to multiple unrelated parties in the same tax year.

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## More on §6418 Proposed Regs & FAQs on Transfer of Certain Credits REG-101610-23 (6/21/23)

- Taxpayer seeking to purchase eligible credit needs to find unrelated taxpayer with eligible credit.
- Transferor provides registration number of the credit property
- Transferee complete transfer election statement with transferor
  - Includes election statement and other info required per regs with transferee's return
- Transferee can include in estimated tax payments
- For any later recapture event for a credit under §§48, 48E, 48C or 45Q, transferee bears responsibility and transferor must notify transferee if a recapture event occurs.

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## More on §6418 Proposed Regs on Transfer of Certain Credits REG-101610-23 (6/21/23)

Prop Reg. 1.6418-2(f)(2) – no income to transferee even if pay less than value of the credit.

IRS seems to still be studying related effects such as treatment of costs to transfer the credits.

§6418(b)(3) says nothing deductible by transferee. Does this also apply to any loss under §165?

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## More on §6418 Proposed Regs on Transfer of Certain Credits REG-101610-23 (6/21/23) – Issue for most individuals ...

Preamble: for transferees subject to §469 – “such transferee taxpayer will be considered to earn eligible credits through the conduct of a trade or business related to the eligible credit but will not materially participate in such business for purposes of section 469. Thus, a transferee taxpayer subject to section 469 would be required to treat the credits making up the specified credit portion as passive activity credits (as defined in section 469(d)(2)) to the extent the specified credit portion exceeds passive tax liability. Treasury and IRS request comments on whether there are circumstances in which it would be appropriate to not apply the passive activity rules under section 469 to a transferee taxpayer or to attribute the participation of an eligible taxpayer to a transferee taxpayer.”

Prop Reg. 1.6418-2(f)(3)(ii)

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## More on §6418 Proposed Regs on Transfer of Certain Credits REG-101610-23 (6/21/23) – Issue for most individuals ...

- §469 treatment – correct?
- §6418(a) In General - In the case of an eligible taxpayer which elects to transfer all (or any portion specified in the election) of an eligible credit determined with respect to such taxpayer for any taxable year to a taxpayer (referred to in this section as the “transferee taxpayer”) which is not related (within the meaning of section 267(b) or 707(b)(1)) to the eligible taxpayer, the transferee taxpayer specified in such election (and not the eligible taxpayer) **shall be treated as the taxpayer for purposes of this title with respect to such credit (or such portion thereof).**
- What is meaning of highlighted portion above?
  - Might it mean if non-passive to credit generator, also non-passive to buyer? Not clear.

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Planning and Due Diligence Aspects of Credits Modified, Added and Extended by the Inflation Reduction Act of 2022



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## Energy Credit and Related Opportunities

- Reduce tax liabilities!
- Reduce carbon footprint.
- Possibly lower energy costs, meet ESG requirements, and meet state and/or local building requirements.
- IRA 2022 also provides funding for various energy grants for individuals to cover costs of certain improvements.
- New IRC §6418 allows taxpayers to sell and buy specified credits for cash.
  - Lots of special rules.
  - Prop. Regs says the credit is passive activity credit for individuals.
    - Let's see if any change in final regs.
  - Risks involved
- Also look for credits, rebates and grants from state and local gov't and utility companies.

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## Clean Vehicle Credits - §25E versus §30D versus §45W

- Regs on business claiming §30D credit
- § 25E and § 45W don't involve critical minerals and battery components and assembly in NA
  - “Loophole” – business buy car as lessor and claim 45W credit and use that credit savings to reduce lease payment by lessee.
    - Avoids strict requirements
    - Helps lessee with high MAGI or using vehicle with MSRP too high

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## IRS Reminders and Links on Buying a Clean Vehicle – IR-2023-160 (9/1/23)

- Reminders include:
  - All 3 EV credits – must purchase from qualified manufacturer.
    - List at <https://www.irs.gov/credits-deductions/manufacturers-for-qualified-commercial-clean-vehicle-credit>
    - Make and model info - <https://www.fueleconomy.gov/feg/taxcenter.shtml>
- <https://www.irs.gov/newsroom/irs-reminder-make-sure-to-understand-recent-changes-when-buying-a-clean-vehicle>

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## “Clean Vehicle” Definition Comparisons Per §30D(d)

| §30D(d) defining clean vehicle<br><br>Note: Also see §25E and §45W for requirements unique to these provisions.                                                                                                 | §30D, Clean Vehicle Credit | §25E, Previously-Owned Clean Vehicle | §45W, Commercial Clean Vehicle                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------|----------------------------------------------------------------|
| (d)(1)(A) Original use commences with taxpayer                                                                                                                                                                  | Yes                        | No                                   | No                                                             |
| (d)(1)(B) acquired for use or lease by taxpayer and not for resale                                                                                                                                              | Yes                        | No                                   | Yes                                                            |
| (d)(1)(C) made by qualified manufacturer (see (d)(3))                                                                                                                                                           | Yes                        | Yes                                  | Yes                                                            |
| (d)(1)(D) treated as motor vehicle ((d)(2)) per title II of Clean Air Act                                                                                                                                       | Yes                        | Yes                                  | Yes, limited exception                                         |
| (d)(1)(E) gross vehicle weight rating of less than 14,000 pounds                                                                                                                                                | Yes                        | Yes                                  |                                                                |
| (d)(1)(F) propelled to significant extent by electric motor drawing electricity from battery with capacity of at least 7 kilowatt hours(see (d)(4)) and capable of recharge from external source of electricity | Yes                        | Yes                                  | Yes (15 kilowatt if 14,000 pounds or more) or fuel cell option |
| (d)(1)(G) assembled in North America (see (d)(5))                                                                                                                                                               | Yes                        | No                                   | No                                                             |
| (d)(1)(H) buyer must get report from seller (see details at (H) & Rev. Proc. 2022-42                                                                                                                            | Yes                        | Yes (other than (H)(iv))             | No. Manufacturer reports to IRS.                               |
| (d)(6) special rule for new qualified fuel cell motor vehicle                                                                                                                                                   | Yes                        | Yes (used)                           | See 45W(c)(3)                                                  |
| (d)(7) foreign entity of concern limit for vehicles placed in service after 2023                                                                                                                                | Yes                        | No                                   | No                                                             |

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## Vehicle Credit Comparisons - More

|                                                                                             | §30D, Clean Vehicle Credit          | §25E, Previously-Owned Clean Vehicle | §45W, Commercial Clean Vehicle |
|---------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------|--------------------------------|
| MAGI limitation?                                                                            | For individuals, not for businesses | Yes                                  | No                             |
| MSRP limitation                                                                             | Yes                                 | No, but sales price limit            | No                             |
| Critical minerals and battery component requirements?                                       | Yes                                 | No                                   | No                             |
| Original use by buyer                                                                       | Yes                                 | No                                   | Not required                   |
| Transfer of credit to dealer possible §30D(g) for vehicles placed in service after 12/31/23 | Yes                                 | Yes                                  | No                             |
| Expires for any vehicle acquired after 12/31/32                                             | Yes                                 | Yes                                  | Yes                            |

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# Energy Credit and Rebate Cautions

- Complex provisions
  - Be sure clients know of the complexity and seek your assistance in advance.
  - Challenging for IRS to issue guidance.
- Most credits have incentives for producers which will take beyond 2023 to meet, so likely for credit for equipment, building components, vehicles, more items will be available each year after 2022.
- New planning:
  - §25C planning to maximize \$1,200 limit/year
  - Vehicle credits – watch MAGI limits for when to buy
- Residential credits
  - Some sellers/installers will scam people, especially when if have equity in their home!
  - Keep records for as long as own home as credit related to property reduces basis of home

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## Resources

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# Binding Guidance as of 9/12/23

- Vehicle credits

- §30D Proposed Regulations
  - REG-120080-22 (4/17/23) - <https://www.govinfo.gov/content/pkg/FR-2023-04-17/pdf/2023-06822.pdf>
- Rev. Proc. 2022-42
  - <https://www.irs.gov/pub/irs-drop/rp-22-42.pdf>
- Notice 2023-1 - §30D definitions
  - <https://www.irs.gov/pub/irs-drop/n-23-01.pdf>
- Notice 2023-16, modifies Notice 2023-1
  - <https://www.irs.gov/pub/irs-drop/n-23-16.pdf>
- Notice 2023-9 – §45W safe harbor
  - <https://www.irs.gov/pub/irs-drop/n-23-09.pdf>

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## Other ‘Authority’”



- FAQs

- Continue to change
- See links at <https://www.irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022>
- And for FAQ Fact Sheets
  - <https://www.sjsu.edu/people/annette.nellen/website/2023regs.html>
  - <https://www.irs.gov/newsroom/fact-sheets-for-frequently-asked-questions>

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## IRS Reminder on Going Green – IR-2023-97 (5/4/23)

- IRS reminder that certain home improvements may qualify for tax credits
- Explains basics of:
  - Energy Efficient Home Improvement Credit
  - Residential Clean Energy Credit
- Notes need for good recordkeeping
- Links to more info:
  - <https://www.irs.gov/credits-deductions/home-energy-tax-credits>
  - Energy.gov Credit Comparison Chart
    - <https://www.energy.gov/policy/articles/making-our-homes-more-efficient-clean-energy-tax-credits-consumers>
  - FS-2022-40 (Dec. 2022)
    - <https://www.irs.gov/pub/taxpros/fs-2022-40.pdf>
    - Caution: check for latest update

<https://www.irs.gov/newsroom/irs-going-green-could-help-taxpayers-qualify-for-expanded-home-energy-tax-credits>

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## IRS Reminders and Links on Buying a Clean Vehicle – IR-2023-160 (9/1/23)

- Reminders include:
  - All 3 EV credits – must purchase from qualified manufacturer.
    - List at <https://www.irs.gov/credits-deductions/manufacturers-for-qualified-commercial-clean-vehicle-credit>
    - Make and model info - <https://www.fueleconomy.gov/feg/taxcenter.shtml>
- <https://www.irs.gov/newsroom/irs-reminder-make-sure-to-understand-recent-changes-when-buying-a-clean-vehicle>

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## IRS Websites for IRA Created or Modified Vehicle Credits

|                                                     |                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| §30D, Clean Vehicle Credit                          | <ul style="list-style-type: none"> <li>• <a href="https://www.irs.gov/credits-deductions/credits-for-new-clean-vehicles-purchased-in-2023-or-after">https://www.irs.gov/credits-deductions/credits-for-new-clean-vehicles-purchased-in-2023-or-after</a></li> </ul> |
| §25E, Previously-owned Clean Vehicle Credit         | <ul style="list-style-type: none"> <li>• <a href="https://www.irs.gov/credits-deductions/used-clean-vehicle-credit">https://www.irs.gov/credits-deductions/used-clean-vehicle-credit</a></li> </ul>                                                                 |
| §45W, Credit for Qualified Commercial Clean Vehicle | <ul style="list-style-type: none"> <li>• <a href="https://www.irs.gov/credits-deductions/commercial-clean-vehicle-credit">https://www.irs.gov/credits-deductions/commercial-clean-vehicle-credit</a></li> </ul>                                                     |
| All IRA credits and deductions                      | <ul style="list-style-type: none"> <li>• <a href="https://www.irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022">https://www.irs.gov/credits-and-deductions-under-the-inflation-reduction-act-of-2022</a></li> </ul>                         |

## Track Changes of Select Credit Changes – Pre- and Post-IRA 2022 (from A. Nellen)

- IRC Sections:
  - [IRC §25C](#), Energy Efficient Home Improvement Credit
  - [IRC §25D](#), Residential Clean Energy
  - [IRC §30C](#), Alternative Fuel Vehicle Refueling Property Credit
  - [IRC §30D](#), Clean Vehicle Credit
  - [IRC §179D](#), Energy Efficient Commercial Buildings Deduction
  - <http://21stcenturytaxation.blogspot.com/2022/08/observations-on-inflation-reduction-act.html>

# Watch for Updated Tax Forms for 2023 (and perhaps some new ones)

- Form 5695, Residential Energy Credits
- Form 7205 being created for §179D deduction
  - <https://www.govinfo.gov/content/pkg/FR-2022-08-31/pdf/2022-18827.pdf>
- Form 8936, Clean Vehicle Credits
  - Draft 6/26/23 - <https://www.irs.gov/pub/irs-dft/f8936--dft.pdf>
  - Schedule A, Clean Vehicle Credit Amount
    - Draft 6/26/23 - <https://www.irs.gov/pub/irs-dft/f8936sa--dft.pdf>
  - Form 8936-A, Qualified Commercial Clean Vehicle Credit
    - Draft at 3/14/23 - <https://www.irs.gov/pub/irs-dft/f8936a--dft.pdf>
  - Schedule 1, Qualified Commercial Clean Vehicle Credit Amount
    - Draft at 3/14/23 - <https://www.irs.gov/pub/irs-dft/f8936a1--dft.pdf>
- Form 8911, Alternative Fuel Vehicle Refueling Property Credit
  - Draft form at 6/26/23 - <https://www.irs.gov/pub/irs-dft/f8911--dft.pdf>
- *Query:* other forms?

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## Draft 2023 Form 8936, Clean Vehicle Credits (6/26/23)

|                                                                                                                                                                                                                                                                                      |                                                                                                                                                 |                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| <b>Form 8936</b>                                                                                                                                                                                                                                                                     | <b>Clean Vehicle Credits</b>                                                                                                                    | OMB No. 1545-2137                            |
| Department of the Treasury<br>Internal Revenue Service                                                                                                                                                                                                                               | Attach to your tax return.<br>Go to <a href="http://www.irs.gov/Form8936">www.irs.gov/Form8936</a> for instructions and the latest information. | <b>2023</b><br>Attachment<br>Sequence No. 69 |
| Name(s) shown on return                                                                                                                                                                                                                                                              |                                                                                                                                                 | Identifying number                           |
| <b>Notes:</b> <ul style="list-style-type: none"> <li>• Complete a separate Schedule A (Form 8936) for each clean vehicle placed in service during the tax year.</li> <li>• Individuals completing Parts II, III, or IV, must also complete Part I. See "Note" text below.</li> </ul> |                                                                                                                                                 |                                              |
| <b>Part I Modified Adjusted Gross Income Amount</b>                                                                                                                                                                                                                                  |                                                                                                                                                 |                                              |
| <b>1a</b> Enter the amount from line 11 of your 2023 Form 1040, 1040-SR, or 1040-NR                                                                                                                                                                                                  | <b>1a</b>                                                                                                                                       |                                              |
| <b>b</b> Enter any income from Puerto Rico you excluded                                                                                                                                                                                                                              | <b>1b</b>                                                                                                                                       |                                              |
| <b>c</b> Enter any amount from Form 2555, line 45                                                                                                                                                                                                                                    | <b>1c</b>                                                                                                                                       |                                              |
| <b>d</b> Enter any amount from Form 2555, line 50                                                                                                                                                                                                                                    | <b>1d</b>                                                                                                                                       |                                              |
| <b>e</b> Enter any amount from Form 4563, line 15                                                                                                                                                                                                                                    | <b>1e</b>                                                                                                                                       |                                              |
| <b>2</b> Add lines 1a through 1e                                                                                                                                                                                                                                                     |                                                                                                                                                 | <b>2</b>                                     |
| <b>3a</b> Enter the amount from line 11 of your 2022 Form 1040, 1040-SR, or 1040-NR                                                                                                                                                                                                  | <b>3a</b>                                                                                                                                       |                                              |
| <b>b</b> Enter any income from Puerto Rico you excluded                                                                                                                                                                                                                              | <b>3b</b>                                                                                                                                       |                                              |
| <b>c</b> Enter any amount from Form 2555, line 45                                                                                                                                                                                                                                    | <b>3c</b>                                                                                                                                       |                                              |
| <b>d</b> Enter any amount from Form 2555, line 50                                                                                                                                                                                                                                    | <b>3d</b>                                                                                                                                       |                                              |
| <b>e</b> Enter any amount from Form 4563, line 15                                                                                                                                                                                                                                    | <b>3e</b>                                                                                                                                       |                                              |
| <b>4</b> Add lines 3a through 3e                                                                                                                                                                                                                                                     |                                                                                                                                                 | <b>4</b>                                     |
| <b>5</b> Enter the <b>smaller</b> of line 2 or line 4                                                                                                                                                                                                                                |                                                                                                                                                 | <b>5</b>                                     |

<https://www.irs.gov/pub/irs-dft/f8936--dft.pdf>

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# Draft 2023 Form 8936, Clean Vehicle Credits – cont'd

|                                                                                                                                                                                                           |                                                                                                                                                                                                                   |    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| <b>Part II Credit for Business/Investment Use Part of New Clean Vehicles</b>                                                                                                                              |                                                                                                                                                                                                                   |    |
| <b>Note:</b> Individuals can't claim a credit on line 6 if Part I, line 5, is more than \$150,000 (\$300,000 if married filing jointly or a qualifying surviving spouse; \$225,000 if head of household). |                                                                                                                                                                                                                   |    |
| 6                                                                                                                                                                                                         | Enter the total credit amount figured in Part II of Schedule(s) A (Form 8936)                                                                                                                                     | 6  |
| 7                                                                                                                                                                                                         | New clean vehicle credit from partnerships and S corporations (see instructions)                                                                                                                                  | 7  |
| 8                                                                                                                                                                                                         | <b>Business/investment use part of credit.</b> Add lines 6 and 7. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1y | 8  |
| <b>Part III Credit for Personal Use Part of New Clean Vehicles</b>                                                                                                                                        |                                                                                                                                                                                                                   |    |
| <b>Note:</b> You can't claim the Part III credit if Part I, line 5, is more than \$150,000 (\$300,000 if married filing jointly or a qualifying surviving spouse; \$225,000 if head of household).        |                                                                                                                                                                                                                   |    |
| 9                                                                                                                                                                                                         | Enter the total credit amount figured in Part III of Schedule(s) A (Form 8936)                                                                                                                                    | 9  |
| 10                                                                                                                                                                                                        | Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 18                                                                                                                                                     | 10 |
| 11                                                                                                                                                                                                        | Personal credits from Form 1040, 1040-SR, or 1040-NR (see instructions)                                                                                                                                           | 11 |
| 12                                                                                                                                                                                                        | Subtract line 11 from line 10. If zero or less, enter -0- and stop here. You can't claim the personal use part of the credit                                                                                      | 12 |
| 13                                                                                                                                                                                                        | <b>Personal use part of credit.</b> Enter the <b>smaller</b> of line 9 or line 12 here and on Schedule 3 (Form 1040), line 6f. If line 12 is smaller than line 9, see instructions                                | 13 |
| <b>Part IV Credit for Previously Owned Clean Vehicles</b>                                                                                                                                                 |                                                                                                                                                                                                                   |    |
| <b>Note:</b> You can't claim the Part IV credit if Part I, line 5, is more than \$75,000 (\$150,000 if married filing jointly or a qualifying surviving spouse; \$112,500 if head of household).          |                                                                                                                                                                                                                   |    |
| 14                                                                                                                                                                                                        | Enter the total credit amount figured in Part IV of Schedule(s) A (Form 8936)                                                                                                                                     | 14 |
| 15                                                                                                                                                                                                        | Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 18                                                                                                                                                     | 15 |
| 16                                                                                                                                                                                                        | Personal credits from Form 1040, 1040-SR, or 1040-NR (see instructions)                                                                                                                                           | 16 |
| 17                                                                                                                                                                                                        | Subtract line 16 from line 15. If zero or less, enter -0- and stop here. You can't claim the Part IV credit                                                                                                       | 17 |
| 18                                                                                                                                                                                                        | Enter the <b>smaller</b> of line 14 or line 17 here and on Schedule 3 (Form 1040), line 6m. If line 17 is smaller than line 14, see instructions                                                                  | 18 |
| <b>Part V Credit for Qualified Commercial Clean Vehicles</b>                                                                                                                                              |                                                                                                                                                                                                                   |    |
| 19                                                                                                                                                                                                        | Enter the total credit amount figured in Part V of Schedule(s) A (Form 8936)                                                                                                                                      | 19 |
| 20                                                                                                                                                                                                        | Qualified commercial clean vehicle credit from partnerships and S corporations (see instructions)                                                                                                                 | 20 |
| 21                                                                                                                                                                                                        | Add lines 19 and 20. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1aa                                             | 21 |

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 37751E Form 8936 (2023) 113

# Draft 2023 Form 8936, Clean Vehicle Credit Amount (6/26/23)

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                     |                                                      |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| <b>SCHEDULE A</b><br><b>(Form 8936)</b>                | <b>Clean Vehicle Credit Amount</b>                                                                                                                                                                                                                                                                                                                                                                  | OMB No. 1545-2137                                    |
| Department of the Treasury<br>Internal Revenue Service | Attach to your tax return.<br>Go to <a href="http://www.irs.gov/Form8936">www.irs.gov/Form8936</a> for instructions and the latest information.                                                                                                                                                                                                                                                     | <b>2023</b><br>Attachment<br>Sequence No. <b>69A</b> |
| Name(s) shown on return                                | Identifying number                                                                                                                                                                                                                                                                                                                                                                                  |                                                      |
| <b>Part I Vehicle Details</b>                          |                                                                                                                                                                                                                                                                                                                                                                                                     |                                                      |
| 1a                                                     | Year                                                                                                                                                                                                                                                                                                                                                                                                |                                                      |
| b                                                      | Make                                                                                                                                                                                                                                                                                                                                                                                                |                                                      |
| c                                                      | Model                                                                                                                                                                                                                                                                                                                                                                                               |                                                      |
| 2                                                      | Vehicle identification number (VIN) (see instructions)                                                                                                                                                                                                                                                                                                                                              | <input type="text"/>                                 |
| 3                                                      | Enter date vehicle was placed in service (MM/DD/YYYY)                                                                                                                                                                                                                                                                                                                                               | <input type="text"/>                                 |
| 4                                                      | Was the vehicle used primarily outside the United States? Answer "No" if it was but an exception applies. See instructions.<br><input type="checkbox"/> <b>Yes. Stop here.</b> You can't claim a credit amount for a vehicle used primarily outside the United States.<br><input type="checkbox"/> <b>No.</b>                                                                                       |                                                      |
| 5                                                      | Does the VIN entered on line 2 belong to a <b>new clean vehicle</b> placed in service during the tax year? See instructions for definitions.<br><input type="checkbox"/> <b>Yes.</b> Go to Part II.<br><input type="checkbox"/> <b>No.</b> Go to line 6.                                                                                                                                            |                                                      |
| 6                                                      | Does the VIN entered on line 2 belong to a <b>previously owned clean vehicle</b> acquired after 2022 and placed in service during the tax year? See instructions for definitions.<br><input type="checkbox"/> <b>Yes.</b> Go to Part IV.<br><input type="checkbox"/> <b>No.</b> Go to line 7.                                                                                                       |                                                      |
| 7                                                      | Does the VIN entered on line 2 belong to a <b>qualified commercial clean vehicle</b> acquired after 2022 and placed in service during the tax year? See instructions for definitions.<br><input type="checkbox"/> <b>Yes.</b> Go to Part V.<br><input type="checkbox"/> <b>No. Stop here.</b> You can't use this schedule to figure a credit amount for a vehicle not described on line 5, 6, or 7. |                                                      |

<https://www.irs.gov/pub/irs-dft/f8936sa--dft.pdf>

# Draft Form 8946, Schedule A - continued

**Part II Credit Amount for Business/Investment Use Part of New Clean Vehicle**

- 8 Did you acquire the vehicle for use or to lease to others, and not for resale? Answer "No" if you are leasing the vehicle from another person.  
 **Yes.**  
 **No. Stop here.** You can't claim a credit amount for a vehicle you didn't acquire for use or to lease to others, or acquired for resale.

|    |                                                                                                                                                                      |    |   |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---|
| 9  | Tentative credit amount (see instructions)                                                                                                                           | 9  |   |
| 10 | Business/investment use percentage (see instructions)                                                                                                                | 10 | % |
| 11 | Multiply line 9 by line 10. Include this credit amount on line 6 in Part II of Form 8936. If you entered 100% on line 10, stop here. Otherwise, go to Part III below | 11 |   |

**Part III Credit Amount for Personal Use Part of New Clean Vehicle**

|    |                                                                                                                      |    |  |
|----|----------------------------------------------------------------------------------------------------------------------|----|--|
| 12 | Subtract line 11 from line 9 in Part II. Stop here and include this credit amount on line 9 in Part III of Form 8936 | 12 |  |
|----|----------------------------------------------------------------------------------------------------------------------|----|--|

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Cat. No. 93602W

Schedule A (Form 8936) 2023

# Draft Form 8946, Schedule A – continued (page 2)

Schedule A (Form 8936) 2023

Page 2

**Part IV Credit Amount for Previously Owned Clean Vehicle**

- 13a Is the sales price of the vehicle more than \$25,000?  
 **Yes. Stop here.** The vehicle doesn't qualify for the Part IV credit.  
 **No.**
- b Did you acquire the vehicle for use and not for resale? Answer "No" if you are leasing the vehicle from another person.  
 **Yes.**  
 **No. Stop here.** You can't claim a credit amount for a vehicle you didn't acquire for use or acquired for resale.
- c Can you be claimed as a dependent on another person's tax return, such as your parent's return?  
 **Yes. Stop here.** You can't claim a credit amount if you can be claimed as a dependent.  
 **No.**
- d Is the vehicle a qualified fuel cell motor vehicle? See instructions.  
 **Yes.**  
 **No.**

|    |                                                                                                                      |    |         |
|----|----------------------------------------------------------------------------------------------------------------------|----|---------|
| 14 | Enter the sales price of the vehicle                                                                                 | 14 |         |
| 15 | Multiply line 14 by 30% (0.30)                                                                                       | 15 |         |
| 16 | Maximum vehicle credit amount                                                                                        | 16 | \$4,000 |
| 17 | Enter the smaller of line 15 or line 16. Stop here and include this credit amount on line 14 in Part IV of Form 8936 | 17 |         |

# Draft Form 8946, Schedule A – continued (page 2)

**Part V Credit Amount for Qualified Commercial Clean Vehicle**

**18a** Is the vehicle of a character subject to the allowance for depreciation? Answer "Yes" if the exception for certain tax-exempt entities discussed in the instructions applies.  
 **Yes.**  
 **No. Stop here.** The vehicle is not a qualified commercial clean vehicle unless the exception applies.

**b** Did you acquire the vehicle for use or to lease to others, and not for resale? Answer "No" if you are leasing the vehicle from another person.  
 **Yes.**  
 **No. Stop here.** You can't claim a credit amount for a vehicle you didn't acquire for use or to lease to others, or acquired for resale.

**c** Is the vehicle also powered by gas or diesel? See instructions.  
 **Yes.**  
 **No.**

|           |                                                                                                                                        |           |  |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------|-----------|--|
| <b>19</b> | Enter the cost or other basis of the vehicle. See instructions . . . . .                                                               | <b>19</b> |  |
| <b>20</b> | Section 179 expense deduction (see instructions) . . . . .                                                                             | <b>20</b> |  |
| <b>21</b> | Subtract line 20 from line 19 . . . . .                                                                                                | <b>21</b> |  |
| <b>22</b> | Multiply line 21 by 15% (0.15) [30% (0.30) if the answer on line 18c above is "No"] . . . . .                                          | <b>22</b> |  |
| <b>23</b> | Enter the incremental cost of the vehicle. See instructions . . . . .                                                                  | <b>23</b> |  |
| <b>24</b> | Enter the smaller of line 22 or line 23 . . . . .                                                                                      | <b>24</b> |  |
| <b>25</b> | <b>Maximum credit.</b> Enter \$7,500 (\$40,000 if the vehicle's gross vehicle weight rating (GVWR) is 14,000 pounds or more) . . . . . | <b>25</b> |  |
| <b>26</b> | Enter the smaller of line 24 or line 25. Include this credit amount on line 19 in Part V of Form 8936 . . . . .                        | <b>26</b> |  |

Schedule A (Form 8936) 2023

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## IRS Pubs on Vehicle Credits §30D

**Query:** Where is the part about critical minerals and battery components to qualify for the car to qualify for a credit?

Likely this pub will be updated once IRS issues proposed guidance on these terms.

<https://www.irs.gov/pub/irs-pdf/p5724a.pdf>



### What is the credit for new clean vehicles?

If you are interested in claiming the clean vehicle credit for purchasing a **new** clean vehicle after Aug. 16, 2022, a tax credit is available only for qualifying clean vehicles.



Here is what you should know:

- The maximum amount of the credit is \$7,500 per vehicle purchased that year.
  - The amount of the credit allowed can't exceed the amount of tax you owe.
- The credit is allowed for vehicles with manufacturer's suggested retail price less than or equal to:
  - \$80,000\* for vans, sport utility vehicles, pick-up trucks
  - \$55,000\* for other vehicles

\*Base retail price suggested by the manufacturer, plus the retail price suggested by the manufacturer for each accessory or item of optional equipment attached to the vehicle.

### What are the income limits for the credit?

You may be eligible for the credit if your modified adjusted gross income\* (MAGI) for the current year or prior year is less than or equal to:

- \$300,000 for married filing jointly or filing as a qualifying surviving spouse or a qualifying widow(er)
- \$225,000 for head of household
- \$150,000 for all other filers

\*Modified adjusted gross income means adjusted gross income increased by any amount excluded from gross income because it was received from a foreign source.

### What clean vehicles qualify for the credit?

- Final assembly
  - Final assembly must occur within North America (effective 08/17/2022).
  - To identify the manufacture location for a specific vehicle, please search the vehicle identification number (VIN) of the vehicle on the VIN Decoder website at [www.nhtsa.gov/vin-decoder](http://www.nhtsa.gov/vin-decoder).
- Manufacturer: The vehicle manufacturer must be a Qualified Manufacturer. Visit [FuelEconomy.gov](http://FuelEconomy.gov) for a list of qualified manufactures.
- Battery: The battery must have at least 7 kWh of capacity with external charging gross vehicle weight rating of less than 14,000 lbs.
- Vehicle type: The vehicle must be a plug-in, hybrid electric, or electric vehicle, or a hydrogen fuel cell vehicle.



Scan the QR code to watch a YouTube video

[WWW.IRS.GOV/CLEANVEHICLES](http://WWW.IRS.GOV/CLEANVEHICLES)

## IRS Pubs on Vehicle Credits §25E

Where is the info about  
made by a qualified  
manufacturer?

<https://www.irs.gov/pub/irs-pdf/p5724.pdf>

## IRS Pubs on Vehicle Credits §45W

Appears to be same as 5724-F

<https://www.irs.gov/pub/irs-pdf/p5724f.pdf>



## Used Clean Vehicle Credit

**What is the credit for used clean vehicles?**

If you are interested in claiming the clean vehicle credit for purchasing a **used clean vehicle** beginning in 2023, a tax credit is available only for qualifying clean vehicles.

Here is what you should know:

- The credit is available to all qualified buyers who are not claimed as a dependent on someone else's tax return.
- The maximum amount of the credit is: Lesser of \$4,000 or 30% of the sales price.
- Qualified buyers cannot claim the credit more than once every three years.
- The credit is allowed if the sale price is less than \$25,000.

**What are the income limits for the credit?**

You may be eligible for the credit if your modified adjusted gross income\* (MAGI) for the current year or prior year is less than or equal to:

- **\$150,000** for married filing jointly or filing as a qualifying surviving spouse or a qualifying widow(er)
- **\$112,500** for head of household
- **\$75,000** for all other filers

\* Modified adjusted gross income means adjusted gross income increased by any amount excluded from gross income because it was received from a foreign source.

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**What vehicles qualify for the credit?**

- The used vehicle has a model year at least 2 years earlier than the calendar year when you buy it. For example, a vehicle purchased in 2023 would need a model year of 2021 or older.
- The used vehicle transfer to the qualifying buyer must be the first transfer to a qualified buyer since August 16, 2022.
- The used vehicle must be purchased from a dealer and weigh less than 14,000 pounds.
- The used vehicle must be a plug-in hybrid electric, or electric vehicle, or a hydrogen fuel cell vehicle.



Scan the QR code to watch a YouTube video

[WWW.IRS.GOV/CLEANVEHICLES](http://WWW.IRS.GOV/CLEANVEHICLES)

Publication 5724 (Rev. 8-2023) Catalog Number 93610W Department of the Treasury Internal Revenue Service www.irs.gov



## Credit for Commercial Clean Vehicles

**What is the credit for commercial clean vehicles?**

If you are interested in claiming the commercial clean vehicle credit for purchasing a commercial clean vehicle or vehicles, beginning in 2023, a tax credit is available for each qualifying commercial clean vehicle purchased each year through Dec. 31, 2032.

Here is what you should know:

- The credit is available for businesses and certain tax-exempt entities; tax-exempt entities can receive the credit as an elective payment.
- There is no price limit on the cost of the commercial vehicle.
- No commercial clean vehicle credit will be allowed if a taxpayer already claimed the new clean vehicle credit for the same vehicle.
- The vehicle manufacturer must be a Qualified Manufacturer. A [Qualified Manufacturers list](#) is on IRS.gov.

**What is the amount of the credit?**

- The maximum credit amount is **\$7,500** per vehicle with a gross weight rating of less than 14,000 pounds or **\$40,000** for all other vehicles.
- The credit is limited to the lesser of 15% of the vehicle's cost (30% for vehicles not gasoline or diesel powered) or the incremental cost of the vehicle, as compared to vehicles powered with a gasoline or diesel internal combustion engine.

**What commercial vehicles qualify for the credit?**

To qualify, a vehicle must be subject to a depreciation allowance, with an exception for vehicles placed in service by a tax-exempt organization and not subject to a lease.

- **Vehicle Type:** Clean vehicles and mobile machinery
- **Battery:** Vehicles that have a battery capacity of at least 7 kilowatt hours or 15 kilowatt hours for vehicles with a gross vehicle weight rating of 14,000 pounds or more, or a fuel cell vehicle (hybrid vehicles).

[WWW.IRS.GOV/CLEANVEHICLES](http://WWW.IRS.GOV/CLEANVEHICLES)

Publication 5724-B (Rev. 2-2023) Catalog Number 93695T Department of the Treasury Internal Revenue Service www.irs.gov

# White House Promotion for Residential Energy Credits & Rebates for Families

## I want to install rooftop solar on my home

Installing rooftop solar will help families save hundreds of dollars per year on their energy bills.

Right Now +

Beginning Next Year -

Households will be able to receive a tax credit to cover 30% of the costs of installing rooftop solar.

- This credit will apply to solar systems that are paired with battery storage as well as standalone battery storage installed without solar.

[Learn more about how to install solar on your home and access other solar resources ↗](#)

<https://www.whitehouse.gov/cleanenergy/>

## I want to make my home and appliances more energy efficient

Households will have access to a tax credit to cover up to 30% of the costs for certain efficiency improvements.

- Families will be able to claim up to \$1,200 in credit each year for adding insulation or installing efficient windows and doors, with a special credit of as much as \$2,000 for electric heat pumps that provide super-efficient heating and cooling.
- To help determine the best home improvement options, families will be able to claim a credit of up to \$150 for a home energy audit conducted by an inspector. State programs will begin to offer rebates for electric appliances and home retrofits, which will reduce household energy bills each month.
  - All households will be able to access rebates of up to \$4,000, while low-income households could receive up to \$8,000 for home efficiency.
  - Low- and moderate-income households will be able to access rebates covering up to 100% of the costs of installing electric appliances like heat pump water heaters and clothes dryers.

[Learn how to weatherize your home ↗](#)

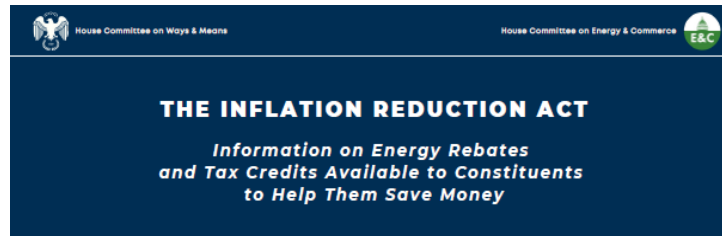
[Learn how to make energy efficiency improvements to your home ↗](#)

## Other Government Resources Watch for more including from Energy Dept.

- Congressional Research Service (CRS)
  - Clean Vehicle Tax Credits in the IRA of 2022, 8/24/22
    - <https://crsreports.congress.gov/product/pdf/IN/IN11996>
  - Residential Energy Tax Credits: Changes in 2023, 11/21/22
    - <https://crsreports.congress.gov/product/pdf/IN/IN12051>
  - The IRA: Financial Incentives for Residential Efficiency and Electrification Projects, 11/28/22
    - <https://crsreports.congress.gov/product/pdf/IF/IF12258>
- Treasury, Initial Information on Electric Vehicle Tax Credit Under Newly Enacted Inflation Reduction Act, 8/16/22; includes links to FAQs.
  - <https://home.treasury.gov/news/press-releases/jy0923>
- Dept. of Energy, Energy Rebate Program Allocations, 11/2/22
  - <https://www.energy.gov/articles/biden-harris-administration-announces-state-and-tribe-allocations-home-energy-rebate>



Fact Sheet on Energy Rebates and Tax Credits in IRA for Households from House Ways & Means and Energy & Commerce Committees, Info on Energy Rebates and Tax Credits for Constituents (7 pages)



Thanks to the newly enacted Inflation Reduction Act, families are eligible for hundreds of dollars a year in energy savings. The Inflation Reduction Act also includes direct savings for households to make crucial, cost-saving energy efficiency improvements to their home.

To get the most out of these savings, households can take advantage of various tax credits and rebates to help make their homes more efficient, power their homes with clean energy, and lower the cost of purchasing electric and hybrid cars.

The Inflation Reduction Act makes household savings available to our constituents, including:

- ✓ Up to 30 percent (capped at \$1,200 per year) in tax credits for energy efficient home improvements, including heat pumps;
- ✓ Rebates for residential efficiency retrofits, electrification projects including heat pumps, cooktops, and other appliances—as well as associated electrical upgrades;
- ✓ Up to 30 percent in tax credits for rooftop solar, batteries, geothermal heat pumps, and other property; and
- ✓ Up to \$7,500 in tax credits for new clean vehicles, and up to \$4,000 for used clean vehicles, depending on taxpayer income and other factors.

#### TAX CREDITS FOR RESIDENTIAL ENERGY EFFICIENCY IMPROVEMENTS

As a result of the Inflation Reduction Act, homeowners will have access to expanded tax credits for energy efficiency improvements, including certain onsite installation costs.

Starting in 2023, homeowners can receive up to 30 percent back through tax credits for

[https://larsen.house.gov/uploadedfiles/11.29.22\\_inflation\\_reduction\\_act\\_ira\\_energy\\_rebate\\_and\\_tax\\_credit\\_information\\_fact\\_sheet.pdf](https://larsen.house.gov/uploadedfiles/11.29.22_inflation_reduction_act_ira_energy_rebate_and_tax_credit_information_fact_sheet.pdf)

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## Annette Nellen, CPA, CGMA, Esq.

- Annette Nellen, CPA, CGMA, Esq., is a professor in and director of San José State University's graduate tax program (MST), teaching courses in tax research, accounting methods, property transactions, advanced individual taxation, employment tax, ethics, and tax policy.
- Annette serves on the AICPA Tax Practice and Procedure Committee and chairs the AICPA Virtual Currency/Digital Assets Tax Task Force. She formerly served on the AICPA Tax Executive Committee, including 2 ½ years as chair. She is a past member of the AICPA Tax Reform Task Force and Individual Taxation Technical Resource Panel. She was the lead author of the AICPA tax policy concept statement #1, Guiding Principles of Good Tax Policy: A Framework for Evaluating Tax Proposals (2001, updated 2017), still in use today. Annette serves on the Executive Committee of the Tax Section of the California Lawyers Association (CLA). She is a fellow with the American College of Tax Counsel. She is a research fellow with the Silicon Valley Institute for Regional Studies of Joint Venture Silicon Valley.
- In January 2023, Annette was appointed to the IRS Advisory Council (IRSAC); and in July was appointed vice chair.
- Annette is the recipient of the 2013 Arthur J. Dixon Memorial Award given by the Tax Division of the AICPA, the highest award given by the accounting profession in the area of taxation. In 2019, Annette was the recipient of the CLA's Benjamin F. Miller Award for outstanding achievement and contribution in the field of state and local taxation law.
- Annette is a regular contributor to State Tax Notes, authoring a column called Moving Forward? She is the author of Bloomberg BNA Tax Portfolio #533, Amortization of Intangibles. She is co-author and co-editor of four tax textbooks from Cengage. Annette has testified before the House Ways & Means Committee, Senate Finance Committee, California Assembly Revenue & Taxation Committee, and tax reform commissions and committees on various aspects of federal and state tax reform. She maintains the 21st Century Taxation website and blog ([www.21stcenturytaxation.com](http://www.21stcenturytaxation.com)), as well as several websites on tax reform, state tax nexus, and virtual currency taxation.
- Prior to joining SJSU in 1990, Annette was with Ernst & Young and the IRS.

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A 3.0 GPA or higher

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