

Electric Vehicle Credit

Cross References

- Notice 2018-96
- IRC §30D

IRC section 30D provides for a credit for certain new qualified plug-in electric drive motor vehicles. The base amount of the credit is \$2,500. The credit is increased by \$417 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours, limited to \$5,000. Thus, the maximum credit for the purchase of a new electric powered vehicle is \$7,500.

The credit begins to phase out in the second calendar quarter after the calendar quarter in which at least 200,000 of a manufacturer's vehicles that qualify for the credit have been sold. Taxpayers purchasing the manufacturer's vehicles during the first two calendar quarters of the phase-out period may claim 50% of the credit, and 25% of the credit during the third and fourth calendar quarter. After the last day of the fourth calendar quarter of the phase-out period, the credit is zero. The IRS issues a Notice when a particular make and model of an electric vehicle reaches 200,000 in total sales and thus begins to be subject to the phase-out period.

The IRS has announced that Tesla, Inc. has cumulative sales of qualified electric vehicles that have reached the 200,000 limit during the calendar quarter ending September 30, 2018. Accordingly, Tesla electric vehicles sold after January 1, 2019 are subject to the credit phase-out. The following chart identifies the amount of credit available for the purchase of a new Tesla electric vehicle depending upon its purchase date.

<i>Qualifying Vehicle</i>	<i>Full credit: purchased before 1/1/2019</i>	<i>50% of credit: purchased from 1/1/2019 through 6/30/2019</i>	<i>25% of credit: purchased from 7/1/2019 through 12/31/2019</i>	<i>No credit: purchased after 12/31/2019</i>
All Tesla Vehicles	\$7,500	\$3,750	\$1,875	\$0