

2023 Electric Car (Clean Vehicle) Credit

This enhanced credit form 2023 is calculated for individuals on [IRS Form 8936](#) from [IRS Sec. 30D](#).

Business credits are [IRS Sec. 45W](#).

Invoice

Always get a copy of the invoice from the client. We need the VIN (Vehicle identification number) and the MSRP to determine if the vehicle is a qualified vehicle for the credit. The manufacturer will determine whether the vehicle meets the “assembled in US” rule, the electric motor” rule and the “US component rule”, and this information ties to the VIN. The VIN is entered on line 2 of the form. If you want to verify that a vehicle qualifies, and how much go to www.fueleconomy.gov.

We also need to verify the date placed in service, which is usually noted on the invoice.

Additionally, the seller (dealer) must provide a report containing taxpayer and vehicle information to the taxpayer and to the IRS including dealer’s name and TIN and vehicle VIN, battery capacity, and relevant sale dates and maximum credit by the purchase date.

Qualified Vehicles

The individual credit requires that the vehicle have 4 wheels and be manufactured primarily for highway use, with a GVW less than 14,000 pounds. It must have been placed in service on or after 1/1/2023 (a late 2022 order may qualify in 2023 if placed in service in 2023) as a new vehicle that is not for resale. A demo is not considered a new vehicle, but test drives by potential buyers prior to purchase are allowed.

The credit amount is either \$0, \$3,750 or \$7,500 or an odd number if placed in service early in 2023. Again, the VIN will determine the amount.

The Credit

The individual credit is not refundable and does not carry-forward. Although the business credit does carry forward. In the case of a return made within 30 days of placing the vehicle in service, the purchaser may not claim a clean vehicle credit with respect to the vehicle.

The AGI Test (Individual credit only)

The AGI test disallows the individual credit if modified AGI (add back foreign earned income exclusion) exceeds:

- Married filing jointly or filing as a qualifying surviving spouse or a qualifying widow(er) - \$300,000
 - Head of household - \$225,000
 - All other taxpayers - \$150,00
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The Vehicle MSRP test (individual credit only)

The MSRP may not exceed \$80,000 for vans, SUV's or pickups or \$55,000 for cars. The actual price paid does not matter, nor does sales tax, trade-ins, destination charges, dealer or manufacturer incentives or dealer options, and the credit does not phase-out, it is all or none.

Dealer applied credit

A taxpayer buying a qualified vehicle after 12/31/2024 may elect to have the credit applied by the dealer to the purchase price. Any excess credit applied by the dealer when the taxpayer does not qualify because of income tax limits does not have to be repaid by the taxpayer or dealer!

The taxpayer must attest to the dealer that they qualify for the credit based on prior year AGI or estimated current year AGI, and that a tax return will be filed by the taxpayer by the return's due date. Any excess credit received by the taxpayer because of AGI limits must be repaid by the taxpayer to the IRS with their return for the year of purchase.

Up to 2 credits may be taken in one year on dealer transfers, but the dealer transfer is all or none. The transfer election is final, but the credit is not treated as income to the taxpayer.