

# IRA Incentives, Leases, and Batteries

## EV Manufacturers/Dealers Offering Consumer EV Leases, Incentives Included

This is a follow up to a [post](#) from January 5, when we first published about a surprising turn of events with respect to eligibility for the electric vehicle (EV) incentives that are part of the Inflation Reduction Act.

As we have written [here](#) and other places, while the Inflation Reduction Act, IRA, has a lot to recommend it, the design of the consumer EV incentive is overly complicated and confusing with numerous restrictions on which cars and individuals qualify.

In a counter-intuitive twist, the complex became simple, at least for leasing customers. While there are all sorts of restrictions around whether a vehicle or a purchaser qualifies for the tax credit, the IRS issued guidance on 12/29/22 that a consumer *lease* should be considered a *commercial* transaction. The commercial EV incentive has none of the restrictions that apply to a consumer purchase. Whatever the vehicle cost, wherever it is made, no matter the body style, it qualifies for the \$7500 maximum incentive. (If you want to know the details of those consumer restrictions, see our [incentives page](#).)

The IRS logic here is that the dealer or manufacturer sells the vehicle to the finance company which holds the title. This is a commercial transaction. The fact that the finance company then executes a lease with a consumer is beside the point. As

such, it falls under the rules for commercial incentives, which are governed by a separate provision in the law that does not impose the consumer restrictions.

We are now seeing examples of this in the marketplace. The photo at the top of the post is of an ad for a Lucid EV. A recent entrant as an EV-only startup, Lucid makes ultra high-end EVs that, judging by the reviews, are pretty great. [Car and Driver](#) described its “unbeatable range and great performance.” However, the Lucid far exceeds the price caps imposed on the EV incentives in the IRA. But with a lease, voila, no MSRP cap. I received similar information from a CT dealership company that sells Hyundai and Genesis vehicles, that they have received new lease pricing that reflects the incentive. Both of those vehicles are manufactured in South Korea and thus run afoul of the North American final assembly rules if purchased.

## **Delay in Battery Rules**

For buyers there is another loophole, for want of a better word, that gives the consumer a break, albeit temporarily. The IRS has not finished writing the regulations for the battery mineral sourcing/refining and manufacturing requirements. As a result, the incentive defaults to the old battery rules until the IRS issues these new regulations. They have said this will happen in March. In the meantime, we are now in a period where incentives are likely to be higher for most, if not all, EVs than they will be in a few months. Buy now, but be sure to take physical possession of the vehicle before the battery rules take effect or risk losing the incentive.

## **Manchin Agonistes**

It has been widely reported that Senator Joe Manchin is not happy about either of these two developments. As reported in [The Verge](#), he has introduced legislation to delay the

implementation of the incentives until the IRS finishes its rule making, and to claw back incentives that may have been granted under the IRS interim rules.

Manchin is also not pleased about the IRS interpretation of leasing as a commercial transaction and may try and correct that legislatively as well.

I doubt Manchin's legislative proposal(s) will become law. The House is too preoccupied getting its house in order. And what appetite will the Senate have to revisit this hard-fought reconciliation-passed bill? Nobody else in either chamber seems to be all that concerned about either of these developments, at least not on the record.

I think Manchin genuinely wants to bring manufacturing back America. I'm not so sure he cares about people buying EVs. The threat of a retroactive restriction and claw back only punctuates this. Part of the cleverness of the IRA is that it strikes a balance of both supply side and demand side incentives. But when it comes to EVs, the design of the consumer EV incentive is so perversely self-defeating, that with respect to Senator Manchin, this feels like karma.

**Update:** As reported in [Reuters](#), Manchin tried to get his bill passed on January 26th by unanimous consent, but it was blocked by Sen. Debbie Stabenow of Michigan. She is quoted saying, "It is not unreasonable what Treasury is doing ... they have been given an incredibly complicated task to try to figure out how this consumer credit will work." Separately, she also noted the inherent unfairness of this bill to consumers in that it "would literally take away credits from people who are buying cars today ... Fundamentally, (Manchin) is not a fan of EVs."

The usual disclosure: This information is accurate to the best of our knowledge. Always check with an accountant when it comes to tax matters.

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# Single Family Residential Charging Incentives

Post by Barry Kresch

## Charging Incentives Via The Utilities

The incentives drafted by the Public Utilities Regulatory Authority that will be made available through Eversource and United Illuminating (commonly referred to as utilities, but in regulatory parlance known as EDCs or electric distribution companies) have been mostly finalized. There are a number of parts to them and we will be writing about them periodically over the next few weeks. There are subsidies for residential, commercial, municipal, and fleets. The residential charging program includes incentives for multi-unit dwellings (MUD) as well as single family. Incentives include subsidized charging stations, installation, make-ready, discounts on electricity, and demand charge mitigation.

The grid at the top and the explanation below cover the incentives for single family residences, which became effective on January 1, 2022.

The incentives for charging stations require the purchase of utility approved hardware. Incentives are not retroactive. **The list of approved chargers will be published on January 20, 2022.** Approved chargers will be smart chargers. Taking the subsidy requires enrollment in the demand-response charging program.

# Residential Single Family Incentives

- Up to a \$500 incentive for purchase of a level 2 smart charging station. Smart = WiFi connected at a minimum of 25 MBPS or cellular service, 4G minimum.
- Up to a \$500 incentive to bring a 240 volt line to the garage, if needed.
- Owners give the utility permission to see charging data.
- Up to \$200 per year for participating in demand-response charging events. Two year commitment required.

It is possible to get charging incentives for a non-networked (i.e. dumb) charging station that may have been previously installed or even for one that is bought new. In this case the charging information can be obtained either via vehicle telematics (if the vehicle has that capability), or the utility can send a device that will enable a dumb charger to access WiFi. There will be no charge for this device. The EDCs will be publishing a list of which vehicles qualify for telematics.

A \$100 enrollment incentive is offered to people who participate using either telematics or a charger upgrade device.

- An owner buying a new dumb charger is not eligible for the hardware subsidy, but is eligible for the installation subsidy.

The managed charging program in year one is limited to a demand response program. **EV owners can get up to \$200 per year** (\$50/month over 4 months) for their participation, whether that participation comes via a smart charger, telematics, or upgraded dumb charger. The demand response program is in effect from June 1 through September 30. During high demand periods, the utilities are permitted to reduce the rate of charge going to your vehicle. The vehicle will charge at roughly the rate of a level 1 charger during these periods.

Typically, an event will last up to 3 hours and occur between 3:00 – 9:00 PM. There can be up to 15 events per month. Customers will be notified in advance of these events and be permitted to opt-out. If a customer opts out of 2 or fewer events and is plugged in at least once per month, they still qualify for the \$50 monthly incentive. A 2-year commitment is required. Event notifications are to be communicated via smartphone app, web portal, email, or text message, usually the day before the event, but sometimes the day of the event. If you are not home and therefore not plugged in during an event, and have not opted-out, that counts as participation.

The demand-response incentives will be paid off-bill after the end of September.

There is no incentive for those who trickle-charge (level 1).

If a home does not have enough space in its panel to accommodate an EV charger and wishes to upgrade electric service, that is out of scope of the program. Service upgrades can run \$5000 or more. Before doing that, it may pay to find out how much room you have or whether you can share a circuit. Perhaps you can install a lower-powered unit than you originally planned.

An Advanced Managed Charging program will be offered beginning in 2023. Details have not yet been finalized.

If someone uses the hardware and installation incentives, but then does not allow the demand-response throttling, and therefore will not collect any of the \$200 incentive, it is not known if the EDC will try to claw back the hardware and installation incentives.

Note: Eversource is maintaining its Connected Solutions branding and migrating existing customers into the new program.

We are planning a virtual meeting for January 25th at 7:00 PM,

which will include speakers from PURA and UI.

This is the Eversource [splash page](#) with links to apply for the incentives. This is the [UI page](#). There is still being work done on the back end and the application portals will be open by the end of Q1 2022.

Incentives available to Eversource and UI customers only.

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## **Free EV Charging Stations Through CT Green Bank C-PACE Program**

### **The CT Green Bank Financing Program for Commercial Properties Offers Free Charging Stations**

### **Get your energy-saving upgrades with a side of charging station.**

The CT Green Bank offers a 100% financing program for energy-saving upgrades to commercial buildings that goes by the acronym C-PACE. They have introduced an offer that, depending upon how much is financed, includes free charging stations. A minimum financing amount of \$150,000 will get you one free

charging station. The maximum number available through this offer is 3. This is the [link](#) to the program page on the Green Bank Website. This is an [article](#) in the New Haven Business Journal with a more detailed description.

Those interested must apply for C-PACE financing by May 15 in order to qualify for the charging station promotion.

C-Pace financing offers a number of advantages, including off-balance sheet treatment for the property holder and no inter-creditor agreements, among others.

If you are interested in this financing, do not contact the Green Bank. It is necessary to work through an underwriter. We happen to have one who is a club-member: CounterpointeSRE. Contact Marshall Breines at [mbreines@csre-corr.com](mailto:mbreines@csre-corr.com)

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## **A Cheaper CHEAPR**

# **CHEAPR lowers incentives for BEVs and PHEVs, Changes MSRP Cap**

After this blog put up a detailed [update on CHEAPR](#) 2 weeks ago, the date at which the replenishment of funds mandated by the legislature took effect, we have learned that incentive levels and criteria have changed as of today (Oct. 15).

The max MRSP has been lowered to \$42,000 from \$50,000 for PHEVs and BEVs. The max MSRP for FCEVs (fuel cell) has been



raised to \$60,000. This resolves the conflict created by the earlier, poorly thought out, cap in that there are virtually no FCEVs available under \$50K.

Incentives for PHEVs are now \$500, no matter the electric range. Previously, PHEVs with 45+ miles of electric range were eligible for \$1000.

There are now 2 categories of BEV incentive, down from 3. These are 200+ miles and <200 miles. They are eligible for \$1500 and \$500, respectively. The old categories were 200+ (\$2000), 120 – 199 miles (\$1500), and <120 miles (\$500).

The incentive for FCEV remains at \$5000 irrespective of range (and the range across these vehicles varies quite a lot).

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## **Nissan Leaf Manufacturer Discount for CT Residents**

**Turn Over a New Leaf: Get up to 47% off MSRP With This Offer**

**Update posted Oct 2 – offer extended through Dec 31, 2019**

## (Further note – CHEAPR incentive levels [have been revised](#))

There is a discount available for the purchase of a new Nissan Leaf of either \$2500 or \$5000, depending upon which model of the Leaf is being purchased. Basically, the older, shorter range models, are eligible for the higher incentive, while the longer range Leaf Plus will get you \$2500.

This incentive comes from Nissan corporate and it was negotiated by the CT Green Bank. It has nothing to do with the Federal EV Tax Credit or the CT CHEAPR incentive, both of which apply to this car. The 47% comes from applying the \$5000 discount, the \$7500 Federal Tax Credit, and a rebate of \$1500 from CHEAPR against the base price of \$29,990 for the least expensive Leaf.

September 30 of this year is the final date to obtain this discount. It has been extended several times in the past, and may be again, but we have no specific knowledge regarding whether that will happen.

These incentives are a mix of discounts, tax credits and rebates. In order to get the full benefit of the \$7500 Federal credit, one has to have \$7500 of tax liability, excluding FICA taxes, in the year that the vehicle was purchased. There is no carry-forward. And it is a tax *credit*, not a tax deduction, a point which many of the folks we speak to at our EV showcases do not realize.

The newest generation Leaf Plus has a battery pack of 62 kWh, translating to a range of 226 miles, close to the range of the Chevy Bolt (238). Even though the Nissan incentive is lower for this vehicle, it is partially offset by a higher CHEAPR rebate of \$2000. CHEAPR rebates are based on the range of the vehicle and the larger battery packs will qualify for a higher rebate. The funding pool had been in danger of running out,

but in the recently passed state budget, it was replenished. The funding mechanism is a clean-air fee added to the cost of an internal combustion vehicle registration.

## Consumer and Dealer Awareness

This discount has not been widely publicized and most people that we speak to are not aware of it. The parameters of the offer have changed over time, which hasn't helped. That is why we are working with the Green Bank to help get the word out. Unlike earlier versions of this incentive, which were limited to certain categories of individuals, it is now open to *anyone*. Also, importantly, there have been reports of dealers not being aware of this! This is a corporate discount, and not every dealer pays close attention to EV promotions. But it is a bona fide offer, whether or not the dealer knows anything about it. We recommend you print the page with the offer code and bring it with you.

The picture is murkier with a new vehicle lease. The dealer enters into the equation in terms of how much monthly payments may be decreased or the residual buy-out cost. We are not able to say what the exact savings will be.

This discount does not apply to the purchase of a used vehicle.

## CT Green Bank

This incentive comes via a deal that was made between Nissan and the CT Green Bank (CGB). The CGB has approached other manufacturers as well, but to this point only Nissan has participated. This is the link to the page on the CGB website that [explains the offer](#) in more detail and maps which level of incentive applies to each of the five available models/trim levels. If you want to skip the fine print and go directly to the page with the offer code, here you go:

<http://bit.ly/LeafDiscount>

## Dealers

Many dealers are interconnected with the state regarding the administration of the paperwork for the CHEAPR incentive. This enables them to easily handle the paperwork on your behalf. Then the rebate becomes, in effect, a discount, and you don't have to file for it after the fact. And, by the way, when a consumer uses a CHEAPR rebate, the dealer gets a little bonus from the state as well. The state understands that many dealers don't make an effort to sell EVs and so they are incentivizing the seller as well as the buyer.

EVs are more economical to operate and own than ICE vehicles. Putting in some extra effort to navigate the incentives can make them cheaper to acquire as well!

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## CHEAPR Replenishment

## CHEAPR Update

Connecticut Hydrogen and Electric Automobile Purchase Rebate, in case you were wondering, is what the acronym stands for. CHEAPR has been with us for a while now. It was passed in 2015 and has handed out 5267 rebates (through August 31), totaling over \$10 million for the purchase of fuel-efficient EVs. (There were 10,797 EVs registered in the state as of July 1, so it sure seems like it has been a factor.)

If you go on the program's website today (Oct. 1), it indicates that there is only \$60,958 in remaining funds. But HB 7205, passed in the 2019 legislative session, authorizes a replenishment due to take effect today, which will hopefully be reflected soon, and which funds the program through 2025.

Keep in mind, CHEAPR is a rebate. It is not a tax-credit like the Federal incentive, and there are no manufacturer sales caps. The rebate is more consumer-friendly in our view.

## Current Incentive Levels

CHEAPR standards have changed over time. The basic idea of the rebate size being driven by zero-emissions range is still present, but as cars have changed, so have the criteria. This is the current incentive breakdown:

Incentive Amount	EPA Rated Electric Range
\$5,000	Any fuel cell electric vehicle
\$2,000	BEV: 200 Miles or Greater
\$1,500	BEV: 120-199 Miles
\$1,000	PHEV: 45 Miles or Greater
\$500	BEV: Less 120 Miles PHEV: Less than 45 Miles

As the chart indicates, incentives are available for plug-in hybrid vehicles (PHEV), battery electric vehicles (BEV), and fuel-cell electric vehicles (FCEV). The implication is that FCEVs have much greater range than a BEV. That isn't entirely the case. A Tesla Model 3 has up to a 310-mile range, Chevy Bolt gets 238 miles, Hyundai Kona is rated at 258. There are two FCEVs currently registered in the state. Both are Toyota Mirais, rated 312 miles. The other two FCEVs that we are aware of are the Hyundai Tucson (265 miles), and the FCEV version of the Honda Clarity (366 miles). There were no rebates given for either of the FCEVs. (It is also hard to find one within the price cap.) We're not entirely sure about the consistency

here, but range is the stated principle.

The amount of incentive given for a lease may not be as straightforward as it gets folded into the mathematics of the lease payment calculation by the dealer. As the saying goes, your mileage may vary.

Many CT dealers are interconnected with the DMV/CHEAPR and will handle the paperwork. They often just take the incentive off the price of the vehicle they deliver. It saves the work of filing for the rebate, but we recommend carefully reviewing the invoice with the dealer in order to accurately set expectations regarding the price.

## **Price Cap**

There are other requirements associated with CHEAPR. Eligible vehicles must have an MSRP below \$50,000. (Originally, the cap was set at \$60,000.) This makes ineligible a number of expensive EV entrants such as the Tesla Models S and X, Jaguar i-Pace, Audi e-Tron, and others. The Tesla Model 3 is eligible for the lower trim levels. It is possible to get the long-range (310-mile) Model 3 for under \$50,000. We expect there to be trim levels of the forthcoming Model Y that will also be eligible, based upon what we see on the Tesla website. With respect to the FCEVs, the Honda Clarity base trim price is \$59,365, Toyota Mirai is \$59,430, Hyundai Tucson – \$50,875 (FCEV base prices are from Car and Driver). Based on these MSRPs, it would appear they would all be too expensive to qualify, but they are listed as eligible on the CHEAPR website. We are only aware of the availability of these vehicles via lease. If you're going that route, it seems prudent to verify the eligibility before concluding the transaction.

## Once Only

Unlike the Federal tax credit, which is associated with each vehicle, the CHEAPR rebate is tied to the person receiving it. This rebate can be claimed *one time only*. It can be used for multiple vehicles if different (licensed) members of the household are the registrant. Pro-tip: Don't co-sign for a vehicle because you will both get dinged for the use of the rebate.

## Where Can You Buy It

In order to be eligible, it is required that the vehicle be purchased from a dealer doing business in CT. (The dealer gets a little taste, too.) If you buy that Chevy Bolt from a dealer out of state and transfer the registration, you will not get the rebate. The exception to this is Tesla, which does not have dealers, and which has been barred by CT law from opening stores in the state. But the Model 3 trim levels that are below the price cap are eligible and Tesla will work with you on the admin.

## New vs Used

This incentive applies to the purchase or lease of a new vehicle only. There is language in HB 7205 (line 142) authorizing DEEP to set income and incentive thresholds for purchases of used vehicles. We contacted DEEP for clarification and were advised that the rules as stated on their website are what govern eligibility, and these rules state, specifically, new vehicles only.

This is the link to the [CHEAPR website](#). It lists all of the eligible vehicles as well as the rules and program stats.

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# Charging Up Consumers To Drive EVs

## How to Sell an Electric Vehicle

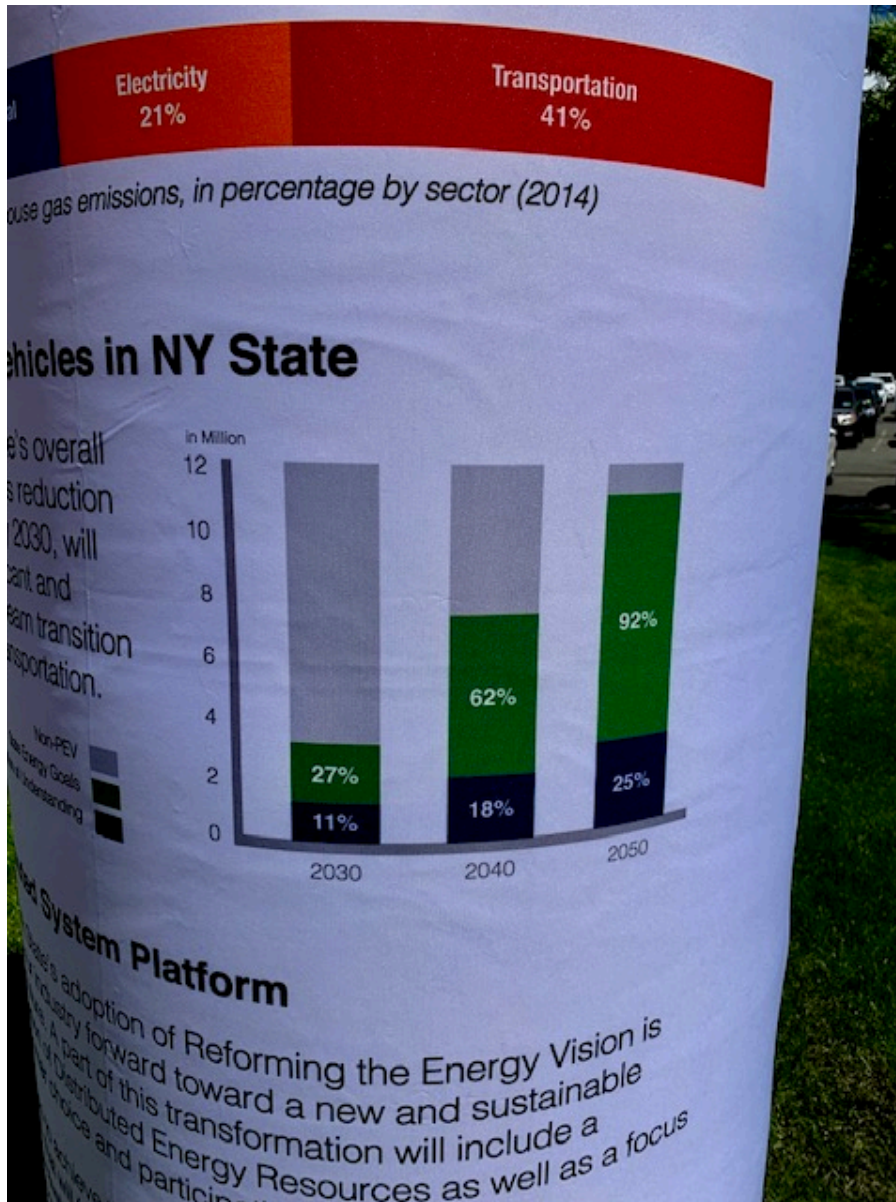
One of the local automobile dealers once told me that the best way to sell an EV was to take it one customer at a time. Let the prospective customer take it for a test drive that might last a day or even a weekend. De-mystify the vehicle and the experience of charging. The most important thing is to let the driving experience speak for itself. Until people actually use them, they don't realize how much fun they are to drive and how easy they are to use.

Of course, for this test drive scenario to happen, the customer has to already be at the dealership. But taking this concept a step further is the strategy behind the national series of Electric Car Guest Drive events staged by the publisher of Electric Car Insider to extend the reach of EV sampling to a larger public. In these events, EV owners allow members of the public to take a short test drive of their vehicle with the owner in the passenger seat. It allows for a free-flowing, informal, and friendly discussion about how to drive the car, the ins and outs of charging, and the EV driving experience in general.



# Electric Vehicle Guest Drive

The EV Club of CT participated in one of these Electric Car Guest Drive events on May 16th and 18th. The 2-day event was held in Pearl River, NY at the offices of Orange and Rockland Utilities, which sponsored it. (Utilities realize that they are the new “gas stations.”)



Orange and Rockland Signage Photo: Barry Kresch

Approximately 500 people attended over the two days with about half of them taking test drives. There were 12-15 cars available each day with drives conducted on a 1.3-mile pre-

planned course. The vehicle makes represented included Tesla, Chevrolet, BMW, Mitsubishi, Mercedes Benz, and Audi. There were both battery electric vehicle and plug-in hybrid models. Based on my informal observation, the vehicle that got the most attention was the Tesla Model 3.



Rider Changeover Lane Photo: Barry Kresch

## Personal Experience

As an owner and a newbie at this guest-drive thing, I admittedly approached the event with a little trepidation over allowing strangers to use my vehicle. Every other EV showcase I have attended (and I will cop to the fact that there have been way too many) either did not involve test drives (most of them), or had test drives offered by a limited number of participating dealers or Tesla reps. Given that this format has no sales pressure and a lot of EV owners present, there were many more people able to get behind the wheel.

I have been plugging in since 2012 and have lots to say about driving electric. Even 10 or so years into the modern EV era, we're still considered early adopters and tend to be an enthusiastic bunch, champing at the bit for EV sales to get moving up that S-Curve. I had to restrain myself so that the test drivers could ask questions and I could get a sense of what they knew and what their pre-conceptions were. With respect to the Chevy Volt I was driving, many people still don't understand the concept of a plug-in series hybrid. They were surprised at how much gas it saves and that its ride is closer to a Tesla than a Prius. These interactions turned out to be a lot of fun, and I get to opine on which options I think are worthwhile without having to worry about a sales manager looking over my shoulder. Interestingly, I also fielded a number of questions about buying a used EV, an important component of market growth.

## **Does It Work?**

All of which leads to the big question: do these events accelerate adoption? Apparently, they do. In a big way. According to ECI publisher, Chris Alan, 30% of those taking a test drive purchase an EV within 6 months. (We're not saying what we put in the lemonade.)

There will be more of these events coming to a city near you. Stay tuned!

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# **Tri-Town Teachers Federal Credit Union Welcomes Members**

# From Westport Electric Car Club

## Tri-Town Teachers Credit Union

Members of the Westport Electric Car Club are now eligible to join the Tri-Town Teachers Federal Credit Union and receive the full array of banking and insurance services offered at rates generally below standard bank rates.

The National Credit Union Association has modified its regulations to allow community organizations to become members. The partnership between the TTTCU and WECC is a particularly good fit in light of the credit union's Go Green Initiatives, which include the installation of solar panels on the roof of their historic 1882 carriage house location at 61 Jessup Road in downtown Westport. In addition to generating clean electricity for the building, they also power two Level 2 EV charging stations which are open to the public for no charge, and which were installed courtesy of a contribution from Karl Chevrolet.

The TTTCU also offers discounted auto loans to purchasers of plug-in vehicles.

To quote from the credit union:

"We hope to find other like-minded organizations whose members are interested in maintaining the rich historic heritage of our area and that support green initiatives to preserve the beauty and environmental health of our planet."