

# Are You Ready for a Transfer?

## IRA Incentive Update – Transfer Provision Goes Into Effect in January

### A Tax Credit Becomes a Point of Sale Rebate

The transfer provision of the federal IRA EV incentive is scheduled to go into effect in January. This provision meaningfully improves upon a tax credit:

- The incentive becomes a point of purchase rebate.
- It can be used by people even if they don't have the tax liability to be able to use a tax credit.

The IRS published a draft of its rulemaking on October 6 and plans to issue final rules shortly. Much of the rulemaking has to do with implementation details. This is a summary:

- The IRS will be launching a new website called IRS Energy Credits Online and dealers must register with this site to participate. Consumers can only obtain the incentive from a registered dealer.
- Participating dealers will use the site to verify a vehicle's incentive eligibility, register the sale, and indicate whether (or not) the buyer elected the transfer option.
- For buyers choosing to transfer the credit to the seller, the dealer must reduce the invoice amount by the full amount of the available incentive.
- Dealers must provide written documentation to the customer regarding the vehicle's incentive eligibility.
- Once the sale is registered, the IRS will issue payment

to the dealer within 72 hours. (When the transfer was initially announced, dealers were concerned about the potential to incur significant carrying charges.)

- Dealers get repaid whether or not they have tax liability to absorb a tax credit.
- Consumers must attest in writing that they are eligible for the incentive. This mainly applies to the income caps. A buyer must fall within the caps for either the year they make the purchase or the prior year. If that turns out not to be the case, the consumer must repay the incentive to the IRS.
- Incentive payments do not count as income for either the dealer or the consumer.

This is a link to the IRS [press release](#).

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## **IRA EV Incentive – Alllll The Details**

### **An Opportunity to Walk Through the Incentive Details**

This blog has written a number of posts about the new EV incentive since the legislation was enacted in August of 2022. We are now in the implementation phase with IRS rule-making in progress. While we have a detailed description on our [Incentives](#) page, the law is complicated enough that we decided to devote a meeting to walking through the details and answer questions.

This is a Zoom meeting, scheduled for Thursday, March 2nd, at

7 PM. We are planning for one hour, but if there are a lot of questions, we can hang out a bit longer. Anyone is welcome to attend. Registration is free at this [link](#).

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## **It's January 2023 – Do You Know Where Your EV Incentives Are?**

### **Inflation Reduction Act Incentives Officially Begin – But Which Cars Qualify?**

It is anticipated that consumer confusion will ensue with the advent of the new incentives. Not only have they become a lot more complicated, but many manufacturers have yet to finish the registration process that certifies vehicles. Also, the IRS, which was handed the Herculean task of crafting all of the implementation rule-making in the span of about 4 months, unsurprisingly, is not yet finished. The Department of the Treasury has announced a 3 month delay. This most particularly affects the rules concerning batteries. The incentive provisions are, therefore, being phased in.

### **No More Manufacturer Cap**

The manufacturer unit sales cap is now gone. That means that Tesla and General Motors are no longer excluded on that basis. Toyota, Ford, Nissan, and Hyundai/Kia had also either surpassed or were close to reaching the 200,000 unit

threshold, which will now not apply to them either. (Toyota and Hyundai/Kia are presently disqualified due to final assembly not occurring in North America.)

## **Delay in Battery Rules Means 3 Months Without Them**

The biggest challenge for the automakers will be to source the required percentage of critical minerals, either domestically or from countries with whom we have a free trade agreement. A somewhat lesser challenge will be to have battery assembly located in North America. But for this 3-month window before the rules are complete, they simply don't apply. **This is, in effect, Treasury's "Buy Now" sale!** Incentives for most BEVs will almost certainly decline when the new provisions get implemented as this degree of supply-chain reorganization will take some time, but for now, enjoy the full \$7500 incentive. **Note:** The buyer must be in possession of the vehicle prior to the implementation of the new battery rules to take advantage of the full incentive if the new rules would cause the vehicle to lose all or some of it.

Absent the new battery rules, PHEVs are subject to the battery pack size rules that existed before the IRA. When the new rules kick in, PHEVs will be eligible for the same incentives as BEVs.

## **Which Cars Are Eligible?**

Good question, and not exactly straightforward. This is the page on the [IRS website](#) that lists the manufacturers and specific vehicles. A number of manufacturers, namely Kia, Mazda, Mercedes, and Subaru are listed as having entered into an agreement to become a "qualified manufacturer," but have not submitted specific vehicles. Other manufacturers are missing from the page altogether. Specific vehicle models are

listed for Audi, Ford, GM, Nissan, Rivian, Stellantis, Tesla, Volkswagen, and Volvo. For the vehicle models that are listed, eligibility is not guaranteed (see MSRP cap below). The IRS advises this page will be updated on an ongoing basis.

## MSRP Cap

Treasury is defining MSRP as the manufacturer's suggested retail price, including options, accessories, and trim (but not destination charges). This may be different than what you pay for the vehicle. For example, if a dealer either discounts or surcharges the price, it is still the price as suggested by the manufacturer that rules.

**How a vehicle is classified with respect to body type determines which MSRP cap applies.** Vans, SUVs, and pickups have an \$80,000 cap. All other vehicles have a \$55,000 cap. And it looks like the IRS is being persnickety about this classification insofar as crossovers, which in the marketplace are direct competitors to SUVs, are not classified as SUVs and are subject to the lower cap. Some examples are the Ford Mustang Mach-E, the 5-seat version of the Tesla Model Y (the 7-seat version is classified as an SUV), all of the non-AWD versions of the VW ID.4. It doesn't make a lot of sense to me either. Unfortunately, we foresaw this problem and included it as part of our [comments to the IRS](#). It is a sneaky thing that ends up overweighting the incentives toward PHEVs.

**Just because a vehicle is listed on the IRS web page does not mean that there is a trim level that falls under the cap.** The cheapest Tesla Model Y, for example, is \$65,990 (long range, non-performance, 5-seat configuration), obviously more than the \$55,000 cap.

## Other rules

Personal income rules are in effect – \$300K for joint filers,

\$225K for head of house, \$150K for a single filer. You can use current (purchase) year or prior year income to make this determination.

The incentive is in the form of a tax credit for when you file your 2023 taxes. The transfer option doesn't take effect until 2024. Yes, you can use a tax credit if you use the standard deduction. The credit is good insofar as you have the tax liability to burn it off. To the extent the credit isn't used, it goes away – no carry forward. Leasing the vehicle is a way to utilize the credit if you don't have the tax liability.

The used EV incentive is now in effect.

North American final assembly rules have been in effect since the legislation was signed by President Biden on August 16th. The Department of Energy has a VIN decoder on [this page](#), which you can use to make sure. Unfortunately, a VIN is not available until late in the sales cycle if you custom order, though it is available for a car on the lot.

The seller is required to send to the IRS the vehicle VIN and the purchaser's tax ID. The purchaser is required to include the VIN when filing for the credit.

For a more complete description of how the new incentives work, please see our [incentives page](#).

Note: All incentive advice is to the best of our knowledge and cannot be guaranteed. Also, IRS rule-making may subsequently change things.

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# Webinar – EV Purchase incentives and Free Charging

## EV Purchase Incentives, EVSE (charging equipment) Subsidies, Free Charging

This past Tuesday, July 27th, the EV Club presented a webinar jointly sponsored with Sustainne, LLC, Sustainable Westport, and the Town of Westport on how to save money when buying and charging an EV.

The speakers were Analiese Paik, CEO of Sustainne, Paul Vosper, CEO of JuiceBar, and Barry Kresch, President of the EV Club. These were the areas we covered:

- Latest changes to CT CHEAPR program of EV purchase incentives
- Update: There is a recent change to the CHEAPR program not reflected in the webinar. EV buyers can now receive 2 rebates beginning with June 2021, meaning if you had previously received a rebate, you can receive 2 more. They must be spaced at least 24 months apart.
- Federal purchase incentive
- Newly release EV Rate Design from the Public Utilities Regulatory Authority (PURA) that directs the utilities to offer a range of subsidies for residential, Multiple Dwelling Units, commercial, fleets, and municipalities. These include subsidies for the purchase and installation of level 2 or level 3 chargers and discounts on electric rates.
- Many automakers offer some level of free charging with the purchase or lease of a new EV. They vary a lot and are either miles or time-limited. There are also

numerous options for free level 2 public charging.

A written summary of the PURA program is [here](#).

Link to the blog post with the latest CHEAPR rebates is [here](#).

We have been receiving positive feedback. The webinar was recorded and is now available on our YouTube channel.