



TaxNewsFlash

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Notice 2018-96: Credit phase-out, qualified plug-in electric vehicles (Tesla, Inc.)

The IRS today released an advance version of Notice 2018-96 announcing the section 30D credit phase-out schedule for new qualified plug-in electric drive motor vehicles sold by Tesla, Inc.

Background

Section 30D provides a credit of up to \$7,500 for new qualified plug-in electric drive motor vehicles sold after December 31, 2009. The qualified plug-in electric drive motor vehicle credit begins to phase out for a manufacturer's qualified plug-in electric drive motor vehicles in the second calendar quarter after the calendar quarter in which at least 200,000 of the manufacturer's vehicles that qualify for the credit have been sold for use or lease in the United States (determined on a cumulative basis for sales after December 31, 2009).

Section 30D provides the following schedule for phasing out the credit:

- Taxpayers purchasing the manufacturer's vehicles during the first two calendar quarters of the phase-out period may claim 50% of the otherwise allowable credit.
- Taxpayers purchasing the manufacturer's vehicles during the third and fourth calendar quarters of the phase-out period may claim 25% of the otherwise allowable credit.
- No credit is available for vehicles purchased after the last day of the fourth calendar quarter of the phase-out period.

Notice 2018-96

[Notice 2018-96](#) [PDF 16 KB] states that Tesla, Inc. submitted reports indicating that its cumulative sales of qualified vehicles reached the 200,000-vehicle limit during the calendar quarter ending September 30, 2018. Accordingly, the credit for all new qualified plug-in electric drive motor vehicles sold by Tesla, Inc. will begin to phase out January 1, 2019.

According to the IRS notice, for a new qualified plug-in electric drive motor vehicle sold by Tesla, Inc. (that is, purchased for use or lease in the United States), the allowable credit is:

- \$7,500 for vehicles purchased through December 31, 2018
- \$3,750 for vehicles purchased from January 1, 2019, and on or before June 30, 2019 (representing 50% of the otherwise allowable credit amount under section 30D(b))
- \$1,875 for vehicles purchased from July 1, 2019, and on or before December 31, 2019 (representing 25% of the otherwise allowable credit amount under section 30D(b))
- \$0 for vehicles purchased from January 1, 2020

Read a related IRS release: [IR-2018-252](#)

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