



# TaxNewsFlash

## United States



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## Guidance on changes to electric vehicles tax credit under Inflation Reduction Act

The Treasury Department and IRS yesterday released initial guidance on changes to the tax credit for electric vehicles under the Inflation Reduction Act.

Following President Biden's signing of the Inflation Reduction Act yesterday, the new requirement under the electric vehicle tax credit rules that qualifying electric vehicles were assembled in North America goes into effect today. Treasury and the IRS released [updated information](#) and "frequently asked questions" ([FAQs](#)) [PDF 143 KB] with information on how the North America final assembly requirement will work so consumers can determine what vehicles are eligible and claim a credit of up to \$7,500 after their purchase.

The guidance explains that the Transportation Department and the Energy Department yesterday published new resources to help consumers identify eligible vehicles.

- Consumers and auto dealers can enter the vehicle identification number (VIN) of a specific vehicle into a [site](#) provided by the Transportation Department to determine its eligibility.
- For a broader view of what vehicles may now be eligible for this credit, the Energy Department [published a list](#) of model year 2022 and early model year 2023 electric vehicles that likely meet the final assembly requirement, although the eligibility for a specific vehicle should be confirmed using its VIN number.

The guidance further provides that individuals who entered into a written binding contract to purchase a new qualifying electric vehicle before August 16, 2022, but do not take possession of the vehicle until on or after August 16, 2022 (for example, because the vehicle has not been delivered), can claim the electric vehicle credit based on the rules that were in effect before the Inflation Reduction Act's enactment. The guidance provides a short discussion on how the IRS views what constitutes a written binding contract.

The Inflation Reduction Act makes several additional changes to the electric vehicle tax credit that will take effect starting in 2023. For example, starting January 1, 2023, consumers may be eligible for a tax credit for used or previously owned cars and businesses may be eligible for a new commercial clean vehicle credit. The guidance explains that Treasury and the IRS will release more information about additional tax credits under the Inflation Reduction Act in the weeks and months ahead.

## KPMG observation

It does not appear this guidance is the statutorily required published guidance necessary for the newly codified domestic content and critical mineral requirements to go in effect.

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