



TaxNewsFlash

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Notice 2023-1: Intention to propose regulations on requirements of clean vehicle credit under section 30D

The IRS today released an advance version of [Notice 2023-1](#) [PDF 118 KB], informing taxpayers that the Treasury Department and IRS intend to propose regulations addressing the definitions of certain terms relevant to the requirements of the clean vehicle credit available under section 30D, as amended by Pub. L. No. 117-169 (commonly called the “Inflation Reduction Act of 2022” (IRA)).

Read the related IRS release—[IR-2022-232](#) (December 29, 2022).

Background

As amended by the IRA, section 30D(d)(1)(G) requires, as of August 17, 2022, any vehicle eligible for the section 30D credit to undergo final assembly in North America. Section 30D(d)(5) defines “final assembly” as the process by which a manufacturer produces a new clean vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer or importer with all component parts necessary for the mechanical operation of the vehicle included with the vehicle, whether or not the component parts are permanently installed in or on the vehicle.

In addition, new section 30D(f)(11) provides that no section 30D credit is allowed for a vehicle with a manufacturer’s suggested retail price in excess of the applicable limitation for each vehicle classification:

- Van, \$80,000
- Sport utility vehicle, \$80,000
- Pickup truck, \$80,000
- Any other vehicle, \$55,000

In general, the amendments to section 30D made by the IRA apply to vehicles placed in service after December 31, 2022, except as otherwise provided.

Guidance to be issued

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The Treasury Department and the IRS intend to issue the forthcoming proposed regulations to address the amendments made to section 30D by the IRA, which will include definitions of the following terms:

- Final assembly
- North America
- Manufacturer's suggested retail price
- Vehicle classifications for vans, sport utility vehicles, pickup trucks, and other vehicles
- Placed in service

Section 3 of the notice describes a subset of the expected content of the forthcoming proposed regulations. In particular, the notice specifies that a new clean vehicle is considered to be placed in service on the date the taxpayer takes possession of the vehicle.

The notice also states that the forthcoming proposed regulations will provide guidance regarding the critical mineral and battery component requirements under section 30D(e). However, publication of the notice is not the publication of proposed guidance with respect to the critical mineral and battery component requirements and does not trigger the applicability of the requirements. The Treasury Department and IRS will explicitly identify when they have published proposed guidance with respect to the critical mineral and battery component requirements under section 30D(e).

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