



# TaxNewsFlash

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## Notice 2024-5: Safe harbor for “incremental cost” of commercial clean vehicles eligible for tax credit under section 45W

The IRS today released [Notice 2024-5](#) [PDF 118 KB] providing a safe harbor regarding the incremental cost of certain qualified commercial clean vehicles placed in service in calendar year 2024 for purposes of the new credit for qualified commercial clean vehicles under section 45W, created by Pub. L. No. 117-169 (commonly called the “Inflation Reduction Act of 2022” (IRA)).

The notice also requests comments regarding additional types or classes of vehicles that may be included in the safe harbor in the future.

Read the related IRS release—[IR-2023-245](#) (December 20, 2023)

### Background

The amount of the section 45W credit for each qualified commercial clean vehicle placed in service by a taxpayer during the tax year is the lesser of (1) 30% of the taxpayer’s basis in the vehicle in the case of a vehicle not powered by a gasoline or diesel internal combustion engine (15% in any other case), or (2) the incremental cost of the vehicle. The maximum credit allowed is \$7,500 in the case of a qualified commercial clean vehicle that has a gross vehicle weight rating of less than 14,000 pounds, and \$40,000 for all other vehicles.

Section 45W(b)(2) provides that the incremental cost of a qualified commercial clean vehicle is the excess of the purchase price of such vehicle over the price of a comparable vehicle. A comparable vehicle with respect to any qualified commercial clean vehicle is any vehicle that is powered solely by a gasoline or diesel internal combustion engine and is comparable in size and use to such qualified commercial clean vehicle.

A qualified commercial clean vehicle under section 45W(c) includes (1) a vehicle that is treated as a motor vehicle for purposes of title II of the Clean Air Act and is manufactured primarily for use on public streets, roads, and highways, not including a vehicle operated exclusively on a rail or rails (street vehicle) and (2) mobile machinery as defined in section 4053(8).

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