



TaxNewsFlash

United States

No. 2024-165
May 3, 2024

Final regulations: Guidance on clean vehicle credits

The U.S. Treasury Department and IRS released for publication in the Federal Register [final regulations](#) (T.D. 9995) regarding clean vehicle tax credits under sections 25E and 30D introduced by the “Inflation Reduction Act of 2022” (IRA) for the purchase of qualifying new and previously-owned clean vehicles, including new and previously-owned plug-in electric vehicles powered by an electric battery meeting certain requirements and new qualified fuel cell motor vehicles.

The Treasury Department and IRS published proposed regulations (REG-120080-22) containing guidance under section 30D in April 2023 (read [TaxNewsFlash](#)), proposed regulations (REG-113064-23) containing guidance under sections 25E and 30D in October 2023 (read [TaxNewsFlash](#)), and proposed regulations (REG-113064-23) containing additional guidance under section 30D in December 2023 (read [TaxNewsFlash](#)). Today’s final regulations finalizes those proposed regulations with clarifying changes and additional modifications.

Like the proposed regulations, the final regulations provide guidance for:

- Taxpayers who purchase qualifying vehicles and intend to transfer the amount of any previously-owned clean vehicle credit or new clean vehicle credit to dealers that are entities eligible to receive advance payments of either credit
- Dealers to become eligible entities to receive advance payments of previously-owned clean vehicle credits or new clean vehicle credits

In addition, the final regulations provide rules for recapture of the credits and guidance on the meaning of three new definitions added to the exclusive list of mathematical or clerical errors relating to certain assessments of tax without a notice of deficiency.

As described in the related IRS release—[IR-2024-131](#) (May 3, 2024)—the final regulations provide rules regarding the critical mineral and battery components requirements for the new clean vehicle credit and rules for qualified manufacturers of new clean vehicles to determine if the battery components and applicable critical minerals contained in a vehicle battery are foreign entity of concern (FEOC) compliant. For purposes of the FEOC-compliance requirements, the final regulations:

- Provide relevant definitions

- Impose a due diligence requirement for battery components and applicable critical minerals
- Describe the methods by which FEOC-compliance is determined
- Outline a reporting and review process for determinations of FEOC-compliance

The IRA allows a maximum credit of \$7,500 per new clean vehicle, consisting of \$3,750 in the case of a new vehicle that meets certain requirements relating to applicable critical minerals and \$3,750 in the case of a new vehicle that meets certain requirements relating to battery components.

In addition to the critical minerals and battery components requirements and FEOC-compliance requirements, to qualify for the new clean vehicle credit, the vehicle must meet certain requirements, including satisfaction of an MSRP limitation, and the taxpayer claiming the credit must meet certain requirements, including income limitations.

The previously-owned clean vehicle credit is a credit of up to \$4,000 for the purchase of an eligible previously owned clean vehicle with a sale price of \$25,000 or less that is placed in service during a tax year by a qualified buyer. To claim the credit, a qualified buyer must meet certain income limitations and the vehicle must meet specified eligibility requirements.

The final regulations are effective on the date that is 60 days after the final regulations are published in the Federal Register, which is scheduled to be May 6, 2024.

Read a related [Treasury release](#)

kpmg.com/socialmedia



The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at +1 202.533 3712, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)