

Treasury makes more electric SUVs eligible for tax credits

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President Joe Biden drives a Cadillac Lyriq through the showroom during a tour at the Detroit Auto Show, Sept. 14, 2022, in Detroit. Ratcheting up his criticism of the Biden administration, Democratic Sen. Joe Manchin introduced legislation Wednesday to delay new tax credits for electric vehicles, a key feature of President Joe Biden's landmark climate law. Manchin said guidelines issued by the Treasury Department allow manufacturers in Europe and other countries to bypass requirements that significant portions of EV batteries must be produced in North America. Credit: AP Photo/Evan Vucci, File

The Treasury Department said Friday it is making more electric vehicles—including SUVs made by Tesla, Ford and General Motors—eligible for tax credits of up to \$7,500 under new vehicle classification definitions.

The revised standards for EV tax credits follow lobbying by automakers that had pressed the Biden administration to change [vehicle](#) definitions to allow higher priced vehicles to qualify for a maximum tax credit. Tesla CEO Elon Musk met with top aides to President Joe Biden last week to discuss the EV industry and the broader goals of electrification.

Under the sweeping climate law approved last summer, pickup trucks, SUVs and vans with a sticker price up to \$80,000 qualify for EV tax credits, while new electric cars, sedans and wagons can only be priced up to \$55,000. The rule had disqualified some higher-priced EVs, such as GM's Cadillac Lyriq, prompting complaints from Tesla and other automakers.

Ford and market leader Tesla both said in recent weeks that they are cutting prices on some EV models, including the Tesla Model 3 and Model Y and the Ford Mustang Mach-E, in part to qualify for the new federal tax credit and spur buyer interest.

The EV tax credits are among a host of changes enacted in [the Inflation Reduction Act, which Congress approved in August](#) with only Democratic votes. The law is designed to spur EV sales as part of a broader effort to reduce planet-warming greenhouse gas emissions.

But a complex web of requirements, including where vehicles and batteries must be manufactured to qualify, has cast doubt on whether buyers can receive the full \$7,500 credit.

The Treasury Department said Friday that it hopes to make it easier for consumers to know which vehicles qualify for the credit. Under the revised rule, vehicle classifications will be determined by a consumer-facing fuel economy labeling standard, rather than a more complicated formula set by the Environmental Protection Agency, Treasury said.

The change "will allow crossover vehicles that share similar features to be treated consistently," Treasury said, and also will align vehicle classifications under the clean vehicle credit with the classification displayed on the vehicle label and on the consumer-facing website, [FuelEconomy.gov](https://www.fueleconomy.gov).

The adjustment is retroactive to Jan. 1; motorists who bought vehicles under the new definition can get the credit, Treasury said.

The decision raises the retail price cap for tax credits to \$80,000 for GM's Cadillac Lyriq, Tesla's five-seat Model Y, Volkswagen's ID.4 and Ford's Mustang Mach-E and Escape plug-in hybrid.

GM had publicly asked Treasury to reconsider classification of the Lyriq—which starts at about \$63,000—to allow it to qualify for federal tax credits. Musk tweeted last month that the earlier Treasury rules were "Messed up!"

Musk and Biden, who have had a rocky relationship, did not meet in Washington last week. But White House press secretary Karine Jean-Pierre said the Jan. 27 sit-down between Musk and White House aides Mitch Landrieu and John Podesta "says a lot" about how Biden sees the importance of the climate law and the broader goal of electrification.

Landrieu oversees federal spending on infrastructure, which includes [financial help](#) for the EV industry, while Podesta is Biden's point man on implementing the climate law.

"I think it's important that his team, senior members of his team, had a meeting with Elon Musk," Jean-Pierre said last week.

John Bozzella, president and CEO of Alliance for Automotive Innovation, a key industry group, hailed the revised Treasury guidelines.

"A very good decision that clears up some EV tax credit confusion and instantly helps customers shopping today and tomorrow for an electric crossover or SUV," Bozzella said Friday.

Dan Becker, director of the Safe Climate Transport Campaign for the Center for Biological Diversity, said he welcomed the administration's goal to make more crossover EVs eligible for the maximum tax [credit](#).

But he said environmental groups are "counting" on the Biden administration to reject automaker pleas to allow crossover SUVs to count as light-duty trucks in upcoming fuel-economy regulations for gas-powered vehicles. Such a classification "would permit the companies to increase air pollution by making more gas-guzzling pickups and SUVs."

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