

For consumers shopping for an EV, new rules mean fewer models qualify for a tax credit

January 10 2024, by Alexa St. John



A 2023 R1T pickup truck is charged in a bay at a Rivian delivery and service center Wednesday, Feb. 8, 2023, in Denver. Government tallies show only 11 of the more than 50 EVs on sale in the U.S. are eligible for tax credits so far this year. Still qualifying for credits are the Tesla Model Y SUV, Chevrolet Bolt compact car and Rivian R1T pickup truck. Credit: AP Photo/David Zalubowski, File

U.S. consumers looking to get a tax credit on an electric vehicle purchase have fewer models to choose from under new rules that limit the countries where automakers can buy battery parts and minerals—a potential blow to efforts to reduce planet-warming emissions from autos.

The Inflation Reduction Act signed into law in 2022 expanded tax credits ranging from \$3,750 to \$7,500 for purchases of new and used EVs, an effort by the Biden administration to stoke demand toward its goal that half of all new vehicle sales be electric by 2030. But qualifying for the credits depends on requirements related to their battery makeup and minerals that get tougher each year.

As of Jan. 1, new rules favor U.S. domestic materials and manufacture. The rules largely target battery components from [nations "of concern"](#)—mostly China, but also Russia, North Korea and Iran.

China dominates crucial parts of EV battery supply and production, even as automakers race to establish key mineral and components efforts elsewhere. As a result, only 13 of the more than 50 EVs on sale in the U.S. are eligible for the credits so far this year, down from about two dozen models that qualified in 2023.

The Tesla Model Y SUV, Chevrolet Bolt compact car and Rivian R1T pickup truck all still qualify. But even different trim levels and variants of the same model now qualify differently; certain Teslas are no longer eligible.

Neither are the Chevrolet Blazer SUV and the Cadillac Lyriq, from General Motors; the Ford Mustang Mach-E; or the Nissan Leaf.

Potential buyers can check eligibility at <https://fueleconomy.gov/feg/tax2023.shtml>.



A Tesla Model Y Long Range charges, Sept. 27, 2023, in Woodstock, Ga. Government tallies show only 11 of the more than 50 EVs on sale in the U.S. are eligible for tax credits so far this year. Still qualifying for credits are the Tesla Model Y SUV, Chevrolet Bolt compact car and Rivian R1T pickup truck. Credit: AP Photo/Mike Stewart, File

Carmakers say they're scrambling to source parts that will make their models eligible for tax credits, but those parts can't be sourced overnight, especially as several automakers are chasing the same goal.

Some experts said they expect the reduced selection of tax-credit-eligible EVs to have only a passing impact on growing consumer acceptance, especially as car makers hustle to get their models qualified.

"There's still enough variety out there in terms of vehicles. There are still the incentives that we'll see from automakers as they balance their inventory. There are still automakers that are going to work their supply chains throughout the year to come back into the fold," said Elizabeth Krear, vice president of J.D. Power's EV practice. "This would be a near-term hiccup."

One positive development for EV buyers this year is that qualifying vehicles can have the credits applied at the time of purchase, as long as the dealer fronts the cost. That means buyers can more easily afford the purchase. More than 8,700 U.S. dealers have signed up to do so, the Treasury Department said last week.

General Motors is [also taking \\$7,500 off its models](#) that lost eligibility, and other deals are available across the market—even as automakers continue to lose money on EVs.

And leased EVs aren't affected by the new rules because they're considered "commercial vehicles," not subject to the same manufacturing and battery content requirements. That means consumers can get the full amount of the credit with a lease even if the vehicle wouldn't qualify via a purchase. Industry experts and dealers expect another uptick in EV leasing, after its share of EV acquisitions doubled in 2023 to 26%, according to consumer intelligence firm J.D. Power.

Electric vehicle sales grew 47% to a record 1.19 million last year, but EV sales growth slowed toward the end of the year. In December, they rose 34%. Gas-electric hybrid sales grew 54% to 1.2 million last year, with market share leaping from 5.6% in 2022 to 7.7%.



Assembly line worker Janice DeBono looks over a 2023 Chevrolet Bolt EUV at the General Motors Orion Assembly, June 15, 2023, in Lake Orion, Mich. Government tallies show only 11 of the more than 50 EVs on sale in the U.S. are eligible for tax credits so far this year. Still qualifying for credits are the Tesla Model Y SUV, Chevrolet Bolt compact car and Rivian R1T pickup truck. Credit: AP Photo/Carlos Osorio, File

The transportation sector accounts for about [29% of total U.S. emissions](#) , according to the Environmental Protection Agency. As the U.S. races to reduce its carbon footprint, it's banking on consumers to adopt cleaner forms of personal transportation. EVs save significantly on emissions, said Jessika Trancik, a professor in energy studies at the Massachusetts Institute of Technology.

Investments in electrification and charging infrastructure have stimulated EV purchases among early adopters, she said.

But affordability is a bigger concern for mainstream buyers than concerns about charging infrastructure, according to [S&P Global Mobility](#). The average cost for a new gas-powered vehicle in the U.S. in November was \$48,247, about \$4,000 below an EV, according to Cox Automotive. That's better than a year earlier, but still significant.

Trancik said buyers should consider total cost of ownership, which for an EV is generally less than that of a gas-powered counterpart due to savings on maintenance and fuel.

Christina Burns, a sales and marketing coordinator in Tulsa, Oklahoma, said she'll be looking to buy a new vehicle later this year and would like to get something good for the environment. But due to uncertainty over tax credits, the higher upfront cost and concerns over charging, she's planning on a hybrid or an efficient gas-powered vehicle rather than an EV.

"The most confusing thing would probably be the government part of it. Do you get a break, do you not? Will it apply next year, who knows?" she said. "You're playing the odds as to whether the benefit will be there when you're ready to purchase."

© 2024 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: For consumers shopping for an EV, new rules mean fewer models qualify for a tax credit (2024, January 10) retrieved 28 April 2024 from <https://techxplore.com/news/2024-01-consumers-ev-tax-credit.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private

study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.