



DID YOU KNOW?

Did you know that purchasers of electric vehicles (EVs) may have an extremely short window to lock-in prior tax credit benefits?

The Inflation Reduction Act (IRA), passed by the Senate on Aug. 7, 2022, made significant changes to the existing tax credit regime for EVs. High-level, the current regime provides a maximum tax credit of \$7,500 regardless of the vehicle's purchase price, customer income level, or the location of component manufacture. Among the numerous changes, some of the more immediate changes include limitations on the: (i) manufacturer's suggested retail price (MSRP) of the EV, and (ii) income level of the purchaser. For example, in order to claim the full credit, the vehicle price may not exceed \$80,000. Furthermore, for purchasers to claim the full credit, they must make less than \$150,000 as an individual or less than \$300,000 for those filing jointly.

As a result of these thresholds, some high-income and/or high-end purchasers may experience the loss of some or all of the credits that they initially anticipated. In particular, these changes may impact purchasers who may have ordered vehicles but will not be able to take delivery of their EVs until 2023 or later due to production delays or other supply chain constraints. Despite the foregoing, the provision does create a potential solution to allow purchasers a "transition" period to lock into the pre-existing regime that does not impose those MSRP and income restrictions. In particular, the provision provides that purchasers who have a "written binding contract" to purchase a qualified EV before the IRA becomes law will be able to elect the current credit requirements. Once President Biden signs the bill, the IRA becomes law.

In response to the proposed law, several manufacturers (e.g., Rivian, Fisker, etc.) have started offering "binding written contracts" to help purchasers lock in before the current rules are replaced. For example, Rivian's binding contract to purchase creates a \$100 non-refundable deposit in order to allow a purchaser to lock-in to the existing credit.

Bottom line – if you are awaiting delivery of an EV, you may be able to lock into the current tax credit benefit before certain MSRP and income limitations are imposed under the proposed law, but time is of the essence to work with your dealer or manufacturer since this "solution" will disappear once the IRA becomes law.

"The taxpayer—that's someone who works for the federal government but doesn't have to take the civil service examination."— Ronald Reagan



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