IRS updates frequently asked questions related to new, previously-owned and qualified commercial clean vehicle credits

FS-2023-22, October 2023

Note: These FAQs supersede earlier FAQs that were posted in **FS-2023-08** on March 31, 2023.

This Fact Sheet updates frequently asked questions related to new, previously owned, and qualified commercial clean vehicles.

The FAQs revisions are as follows:

- Topic A: Eligibility Rules for the New Clean Vehicle Credit: Updated Questions 1, 2, 4 and 7; added Question 12
- Topic B: Income and Price Limitations for the New Clean Vehicle Credit: Updated Questions 1, 3, 7, 8, 9, 10, and 11
- Topic C: When the New Requirements Apply to the New Clean Vehicle Credit: Updated Question 2
- Topic D: Eligibility Rules for the Previously-Owned Clean Vehicles Credit: Updated Questions 1, 2, 3, 7, 9; added Questions 11, 12
- Topic E: Income and Price Limitations for Previously-Owned Clean Vehicles: Updated Question 2
- Topic F: Claiming the Previously-Owned Clean Vehicles Credit: Updated Questions 2, 3
- Topic G: Qualified Commercial Clean Vehicles Credit: Updated Question 4
- Topic H: Transfer of New Clean Vehicle Credit and Previously-Owned Clean Vehicles Credit: Added Questions 1 through 21
- Topic I: Registering a Dealer/Seller for Seller Reporting and Clean Vehicle Tax Credit Transfers: Added Questions 1 through 17
- Topic J: Seller Report Information for Buyers of New and Previously-Owned Clean Vehicle Tax Credits Beginning in 2024: Added Questions 1 through 2

These FAQs are being issued to provide general information to taxpayers and tax professionals as expeditiously as possible. Accordingly, these FAQs may not address any particular taxpayer's specific facts and circumstances, and they may be updated or modified upon further review. Because these FAQs have not been published in the Internal Revenue Bulletin, they will not be relied on or used by the IRS to resolve a case. Similarly, if an FAQ turns out to be an inaccurate statement of the law as applied to a particular taxpayer's case, the law will control the taxpayer's tax liability. Nonetheless, a taxpayer who reasonably and in good faith relies on these FAQs will not be subject to a penalty that provides a reasonable cause standard for relief, including a negligence penalty or other accuracy-related penalty, to the extent that reliance results in an underpayment of tax. Any later updates or modifications to these FAQs will be dated to enable taxpayers to confirm the date on which any changes to the FAQs were made. Additionally, prior versions of these FAQs will be maintained on IRS.gov to ensure that taxpayers, who may have relied on a prior version, can locate that version if they later need to do so.

More information about reliance is available. *These FAQs were announced in IR-2023-186.*

New clean vehicle credit, previously-owned vehicle credit and qualified commercial clean vehicles credit frequently asked questions

Background

The Inflation Reduction Act of 2022 (IRA) made several changes to the tax credit provided in § 30D of the Internal Revenue Code (Code) for qualified plug-in electric drive motor vehicles, including adding fuel cell vehicles to the § 30D tax credit (new clean vehicle credit). The IRA also added new credits for previously-owned clean vehicles under § 25E of the Code (previously-owned clean vehicle credit) and for commercial clean vehicles under § 45W of the Code (qualified commercial clean vehicles credit).

These FAQs provide detail on how the IRA revises the credit available for new clean vehicles for individuals and businesses, and information on the credit available for previously-owned clean vehicles for individuals, and the new credit for qualified commercial clean vehicles.

Topic A: Eligibility Rules for the New Clean Vehicle Credit under § 30D effective 1/1/2023

Q1. What is a new clean vehicle for purposes of the new clean vehicle credit? (updated October 6, 2023)

A1. For purposes of the new clean vehicle credit, a new clean vehicle is a clean vehicle placed in service on or after January 1, 2023, that is acquired by a taxpayer for original use. In addition, to qualify for the credit, the vehicle:

- Cannot be acquired for resale;
- Must be manufactured by a qualified manufacturer;
- Must meet the definition of a motor vehicle under Title II of the Clean Air Act (that is, any vehicle manufactured primarily for use on public streets, roads, and highways. It must also have at least four wheels);
- Must have a gross vehicle weight rating of less than 14,000 pounds;
- Must be powered to a significant extent by an electric motor with a battery capacity of 7 kilowatt hours or more and must be capable of being recharged from an external source of electricity; and
- Must have final assembly in North America.

To find a list of eligible vehicles visit fueleconomy.gov/newtaxcredit. See Topic A FAQ 2 for additional detail.

Moreover, for a taxpayer to claim the credit, the seller of a new clean vehicle must provide a report containing taxpayer and vehicle information to the taxpayer and to the IRS. See Topic B FAQs 7-9 for additional detail.

Fuel cell vehicles are also new clean vehicles if (1) the original use begins with the taxpayer, (2) the final assembly is in North America, and (3) the seller of the vehicle provides a report to the taxpayer and the IRS.

Q2. Is there a list of vehicles that qualify for the new clean vehicle credit? (updated October 6, 2023)

A2. Yes. The Department of Energy hosts a purchaser-friendly version of IRS's list of eligible clean vehicles, including battery electric, plug-in hybrid, and fuel cell vehicles, that qualified manufacturers have indicated to the IRS meet the requirements to claim the new clean vehicle credit on FuelEconomy.gov. This list will be promptly updated as additional vehicle eligibility requirements take effect and as manufacturers provide updated information. That list is available here: fueleconomy.gov/newtaxcredit. Verifying the manufacturer's suggested retail price, final assembly, or that a specific vehicle is eligible may be necessary for certain makes and models, see Topic B FAQs 3 and 4. Final confirmation of vehicle qualification should be done at time of purchase. The seller must provide you with a report about a vehicle's eligibility at the time of sale.

Q3. How can I confirm the final assembly of a new clean vehicle is in North America? (updated March 31, 2023)

A3. There is a clean vehicle credit requirement that vehicles be assembled in North America. The list of eligible vehicles on FuelEconomy.gov includes information about a vehicle's final assembly. The final assembly point will be listed on the vehicle information label attached to each vehicle on a dealer's premises.

North America includes the United States (defined, for this purpose to mean the 50 states, the District of Columbia, and Puerto Rico), Canada, and Mexico for purposes of determining the location of final assembly.

The VIN Decoder website for the National Highway Traffic Safety Administration (NHTSA) also provides final assembly location information. The website, including instructions, can be found at VIN Decoder.

Q4. How will I know what the vehicle identification number (VIN) is? (updated October 6, 2023)

A4. The vehicle identification number (VIN) is a 17-character number that uniquely identifies a vehicle. It is permanently attached to a vehicle in several locations, appearing on the dashboard for most passenger vehicles and on the label located on the driver's door frame. The VIN is also located on the window sticker of new vehicles and often appears on the vehicle listing on dealers' websites or can be obtained by calling a dealership. Once the VIN is known, the VIN can be used to confirm final assembly. See FAQ 3.

Q5. If I order a new clean vehicle in one year and don't receive it until a subsequent year, when do I claim the credit? (updated March 31, 2023)

A5. The new clean vehicle credit is claimed in the tax year that the vehicle is placed in service, meaning the tax year that includes the date the taxpayer takes delivery of the vehicle. See also Topic C FAQs 5 and 8.

Q6. What is the amount of the new clean vehicle credit? (updated March 31, 2023)

A6. Beginning January 1, 2023, eligible vehicles may qualify for a tax credit of up to $7,500. The amount of the credit depends on when the eligible new clean vehicle is placed in service and whether the vehicle meets certain requirements for a full or partial credit.

For vehicles placed in service on or after April 18, 2023, the credit amount will depend on the vehicle meeting the critical minerals requirement ($3,750) and/or the battery components requirement ($3,750). A vehicle meeting neither requirement will not be eligible for a credit, a vehicle meeting only one requirement may be eligible for a $3,750 credit, and a vehicle meeting both requirements may be eligible for the full $7,500 credit.

For vehicles placed in service before or on April 17, 2023, the credit is calculated as a $2,500 base amount plus, for a vehicle which draws propulsion energy from a battery with at least 7 kilowatt hours of capacity, $417, plus an additional $417 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours, up to an additional $5,000 beyond the base amount. In general, the minimum credit amount will be $3,751 ($2,500 + 3 * $417), representing the credit amount for a vehicle with the required minimum of 7 kilowatt hours of battery capacity.

Q7. Is the new clean vehicle credit refundable or able to be carried forward? (updated October 6, 2023)

A7. The new clean vehicle credit may only be claimed to the extent of reported tax due of the taxpayer and cannot be refunded. The new clean vehicle credit cannot be carried forward to the extent it is claimed for personal use on Form 1040, Schedule 3, Additional Credits and Payments. However, the new clean vehicle credit can be carried forward to the extent it is claimed for business use on Form 3800, General Business Credit, as otherwise appropriate. See Topic H FAQ 3 regarding transfer of the clean vehicle credits.

Q8. What does "original use" mean? (updated February 3, 2023)

A8. For purposes of the new clean vehicle credit, "original use" means the first use to which the vehicle is put after it is sold, registered, or titled. A vehicle is not a new clean vehicle if (1) another person (including a dealer) has ever purchased, registered, or titled the clean vehicle and (2) placed it in service for any purpose (including as a dealer demonstrator vehicle). Where a vehicle is acquired for lease to another person, the lessor is the original user. Test drives by potential buyers do not disqualify a vehicle from eligibility for the new clean vehicle credit provided the dealer has not titled the vehicle to itself as a demonstrator vehicle.

Q9. What is a qualified manufacturer? (added December 29, 2022)

A9. A qualified manufacturer is a manufacturer that enters into a written agreement with the IRS to file periodic reports with vehicle identification numbers (VINs) and other information for each vehicle they manufacture. The IRS maintains a list of qualified manufacturers that can be found at Clean Vehicle Qualified Manufacturer Requirements.

Q10. Do I have to report the vehicle identification number on my return to claim the new clean vehicles credit? (added December 29, 2022)

A 10. Yes. The vehicle identification number of the new clean vehicle is required to be included on Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit, when you file your income tax return.

Q11. Can the new clean vehicle credit be split between multiple owners? (added March 31, 2023)

A11. No. In certain instances, multiple taxpayers may purchase, place in service, and be titled as owners of a single vehicle. For example, a married couple that files separate tax returns may jointly purchase and take possession of a new clean vehicle that **qualifies** for the credit and both be titled as owners of the vehicle. However, only one taxpayer can claim the new clean vehicle credit per vehicle placed in service, and the credit may not be allocated or prorated between multiple taxpayers. In the case of married taxpayers filing jointly, either spouse may be identified as the owner claiming the new clean vehicle credit.

The name and taxpayer identification number of the owner claiming the credit new clean vehicle credit should be listed on the seller's report. See Topic B FAQ 9. Accordingly, multiple owners of a new clean vehicle should inform the seller which owner will claim the new clean vehicle credit so that the seller can identify that taxpayer on the seller's report. The credit would be allowed only on the tax return of the owner listed in the seller's report.

Q12: What happens if the new clean vehicle sale is cancelled or the vehicle is returned or resold shortly after purchase? (added October 6, 2023)

A12. If a sale is cancelled before the taxpayer places the vehicle in service, i.e., before the taxpayer takes possession of the vehicle, the taxpayer may not claim the new clean vehicle credit. The vehicle will still be eligible for a new clean vehicle credit upon a subsequent qualifying sale to another taxpayer.

In the case of a return made within 30 days of placing the vehicle in service, the purchaser may not claim a clean vehicle credit with respect to the vehicle. Such vehicle, once returned, was already placed in service by a taxpayer, and a new clean vehicle tax credit is not available to a subsequent buyer.

In the case of a resale by the purchaser made within 30 days of placing the vehicle in service, the purchaser is treated as having purchased the vehicle with an intent to resell and cannot claim a clean vehicle credit with respect to the vehicle. Such vehicle was already placed in service by a taxpayer, and a new clean vehicle tax credit is not available to a subsequent buyer.

Topic B: Income and Price Limitations for the New Clean Vehicle Credit

Q1. Could my income level prevent me from taking the new clean vehicle credit? (updated October 6, 2023)

A1. Yes. You may not claim the credit if your modified adjusted gross income (AGI) exceeds certain thresholds. This limitation is based on the lesser of your modified AGI for the year that the new clean vehicle was placed in service or for the preceding year. The relevant modified AGI thresholds are as follows:

- Married filing jointly or filing as a qualifying surviving spouse or a qualifying widow(er) - $300,000
- Head of household - $225,000
- All other taxpayers - $150,000

Your modified AGI is the amount from line 11 of your Form 1040 plus:

- Any amount on line 45 or line 50 of Form 2555, Foreign Earned Income.
- Any amount excluded from gross income because it was received from sources in Puerto Rico or American Samoa.

If your filing status changes between the preceding year and the current year, you may claim the new clean vehicle credit if your modified AGI is less than or equal to the threshold applicable to your filing status for in the preceding year or current year.

Q2. How do the income thresholds apply to my partnership's purchase and use of a new clean vehicle? (added March 31,

2023)

A2. If a partnership or an S corporation places a new clean vehicle in service and the new clean vehicle credit is claimed by individuals who are direct or indirect partners of that partnership or shareholders of that S corporation, the modified AGI thresholds apply to those partners or shareholders.

Q3. Are there any price limitations on new clean vehicles eligible for the credit? (updated October 6, 2023)

A3. Yes. The manufacturer's suggested retail price (MSRP) for the new clean vehicle may not exceed the following amounts for the following vehicle types:

- Vans - $80,000
- Sport Utility Vehicles - $80,000
- Pickup Trucks - $80,000
- Other - $55,000

If the MSRP exceeds the limitation for that specific vehicle type, that vehicle is not eligible for the new clean vehicle credit.

The Department of Energy hosts a purchaser-friendly version of IRS's list of eligible clean vehicles, including battery electric, plug-in hybrid, and fuel cell vehicles, that qualified manufacturers have indicated to the IRS meet the requirements to claim the new clean vehicle credit on FuelEconomy.gov, including the applicable MSRP limitation.

Q4. How will I know what the manufacturer's suggested retail price (MSRP) is for a vehicle? (added December 29, 2022)

A4. The MSRP will be on the vehicle information label attached to each vehicle on a dealer's premises. The MSRP for this purpose is the base retail price suggested by the manufacturer, plus the retail price suggested by the manufacturer for each accessory or item of optional equipment physically attached to the vehicle at the time of delivery to the dealer. It does not include destination charges or optional items added by the dealer, or taxes and fees.

Q5. Would I still qualify for the new clean vehicle credit if the purchase price, including sales tax, fees, negative equity on a trade, etc., exceeds the manufacturer's suggested retail price threshold? (added December 29, 2022)

A5. The credit limitations on the price of the vehicle are based on manufacturer's suggested retail price, not the actual price you paid for the vehicle. See FAQ 3 for how to determine the manufacturer's suggested retail price.

Q6. If the manufacturer/dealer offers incentives on the purchase, and the total purchase price drops below the manufacturer's suggested retail price limitation, will the vehicle be eligible for the new clean vehicles credit? (added December 29, 2022)

A6. The credit limitations on the price of the vehicle are based on manufacturer's suggested retail price (MSRP), not the actual price you paid for the vehicle. See FAQ 3 for how to determine MSRP.

Q7. How do I know if my vehicle is a pickup truck, van, sport utility vehicle (SUV), or other type of vehicle for purposes of determining the applicable manufacturer's suggested retail price for a vehicle? (updated October 6, 2023)

A7. A vehicle's classification for this purpose relates to the classification describing the vehicle on the fuel economy label included as part of the window sticker as well as the EPA Size class displayed on FuelEconomy.gov. Vehicles whose class includes "sport utility vehicle," "pickup truck," or "van" on the fuel economy label or on FuelEconomy.gov are considered a sport utility vehicle, pickup truck, or van respectively for this purpose and the $80,000 MSRP limit applies, including for the following vehicle classes:

- Small Sport Utility Vehicle
- Standard Sport Utility Vehicle
- Small Pickup Truck
- Standard Pickup Truck
- Minivan
- Van

If your eligible vehicle is not in one of the classes described in the list above, the $55,000 MSRP limitation applies.

The Department of Energy hosts a purchaser-friendly version of IRS's list of eligible clean vehicles, including battery electric, plug-in hybrid, and fuel cell vehicles, that qualified manufacturers have indicated to the IRS meet the requirements to claim the new clean vehicle credit on FuelEconomy.gov, including the applicable MSRP limitation.

Q8. If my vehicle's classification changed since it was purchased, can I claim the new clean vehicle credit? (updated October 6, 2023)

A8. Eligible taxpayers who placed in service an eligible vehicle on or after January 1, 2023 may claim the credit on their tax return based on the updated vehicle classification definition provided in Notice 2023-16 issued on February 3, 2023, and incorporated in the April 2023 proposed regulations, and the associated MSRP limitation. All vehicles that were classified as an SUV, van, or pickup truck for the purpose of the new clean vehicle tax credit prior to the updated notice continue to be subject to the same $80,000 MSRP limitation. Some vehicles that were previously subject to the $55,000 MSRP limitation are now classified as SUVs and therefore get the benefit of the $80,000 MSRP limitation. The vehicles now classified as SUVs for this purpose include but may not be limited to the 2023 Cadillac Lyriq, the 2022 and 2023 Ford Mustang Mach-E, certain variants of the 2022 and 2023 Tesla Model Y, certain variants of the 2022 and 2023 Volkswagen ID.4, and the 2022 and 2023 Ford Escape Plug-In Hybrid. In the case where vehicles have been reclassified for the purpose of this credit, taxpayers should obtain a report from the seller, see FAQ 9. Vehicles placed in service on or after April 18, 2023 must also meet the critical minerals and battery sourcing requirements to claim the credit.

Q9. What information does a seller have to provide to a taxpayer purchasing a new clean vehicle to allow the taxpayer to claim the new clean vehicle credit? (updated October 6, 2023)

A9. A seller must provide the following information on a report to the taxpayer and to the IRS ("seller report" or "time of sale report"):

- Name and taxpayer identification number of the seller
- Name and taxpayer identification number of the taxpayer (only one taxpayer may be listed on the seller report; in the event of multiple owners, only the taxpayer that intends to claim the credit should be listed)
- Vehicle identification number (VIN) of the new clean vehicle
- Battery capacity of the new clean vehicle
- Verification that the taxpayer is the original user of the new clean vehicle
- The date of the sale and the sale price of the vehicle
- Maximum credit allowable for the new clean vehicle being sold
- For sales after December 31, 2023, the amount of any transfer credit applied to the purchase
- A declaration under penalties of perjury from the seller

For further details see Revenue Procedure 2022-42 and Revenue Procedure 2023-33.

Q10. When must the seller provide the report to the taxpayer? (updated October 6, 2023)

A10. The seller must provide the report to the taxpayer not later than the date the vehicle is purchased. However, taxpayers that did not receive a report from the seller because their vehicle was previously ineligible but their vehicle is now eligible (such as due to a change in the vehicle's classification and the applicable MSRP limitation) may request and receive a report from the seller after the vehicle's purchase date.

For further details see Revenue Procedure 2022-42 and Revenue Procedure 2023-33.

Q11. How will a seller provide these reports to the IRS? (updated October 6, 2023)

A11. For vehicle sales occurring in calendar year 2023, sellers must file reports within 15 days after the end of the calendar year, via a method to be provided by the IRS or through IRS Energy Credits Online. For vehicle sales occurring in calendar year 2024 and later, sellers must file reports within 3 days of the time of sale, through IRS Energy Credits Online. For further details see Revenue Procedure 2022-42 and Revenue Procedure 2023-33.

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IRS Fact Sheet

Topic C: When the New Requirements Apply to the New Clean Vehicle Credit

Q1. On the day after the Inflation Reduction Act of 2022 became law (August 16, 2022), did any requirements for taxpayers or vehicles to qualify for the credit for new clean vehicles change? (added December 29, 2022)

A1. Yes, after August 16, 2022, a new clean vehicle must have had its final assembly in North America to be eligible for the credit. There is a transition rule for vehicles purchased before August 16, 2022. Additional changes begin January 1, 2023.

Q2. What additional changes to the credit apply for vehicles placed in service on or after January 1, 2023? (updated October 6, 2023)

A2. The most significant changes to the credit for vehicles delivered on or after January 1, 2023, include:

- The minimum battery capacity is increased to 7 kilowatt hours
- Vehicles must be made by a qualified manufacturer (see Topic A, FAQ 9 for more detail)
- MSRP limitations apply, based on the type of vehicle (see Topic B, FAQs 3 and 6 for more detail)
- Income limits apply to taxpayers (see Topic B, FAQs 1 and 2 for more detail)
- The taxpayer must report the vehicle identification number (VIN) of the vehicle on the taxpayer's income tax return
- Sellers must provide reports to the taxpayer and the IRS regarding the sale of the vehicle
- Beginning in 2024, the taxpayer may elect to transfer the new clean vehicle credit to the registered dealer

Q3. Does the "phase-out period" that limited or eliminated the credit for vehicles sold by certain manufacturers that had sold more than 200,000 vehicles still apply for vehicles sold after January 1, 2023? (added December 29, 2022)

A3. No, for vehicles sold on or after January 1, 2023, the prior sales volume limitations no longer apply. The prior sales volume limitations apply to vehicles sold before January 1, 2023.

Q4. When do the new critical mineral and battery components requirements apply? (updated March 31, 2023)

A4. April 18, 2023. The critical mineral and battery components requirements of the new clean vehicle credit apply to vehicles placed in service on or after April 18, 2023, the day after the applicable Notice of Proposed Rulemaking is issued in the Federal Register.

Vehicles ordered or purchased prior to but placed in service on or after April 18, 2023 will be subject to the critical mineral and battery component requirements.

Q5. If I order a new clean vehicle in one year and don't receive it until a subsequent year, when do I claim the credit? (updated March 31, 2023)

A5. For vehicles purchased on or after August 16, 2022, the new clean vehicle credit is claimed in the tax year that the vehicle is placed in service, meaning the date the taxpayer takes delivery of the vehicle. For vehicles that are placed in service after they are ordered, a vehicle's eligibility for the new clean vehicle credit may change as certain eligibility criteria vary based on when the taxpayer takes delivery of the vehicle. For more information, see FAQ 7.

However, if you entered into a written binding contract to buy a new clean vehicle after December 31, 2021, and before August 16, 2022, but took possession on or after August 16, 2022, you must claim the credit on a tax return for tax year 2022. Depending on the date the vehicle is delivered, you can claim the credit on your original, superseding, or amended 2022 tax return. For more information, see FAQ 8.

Q6: If I order (or purchase) an eligible new clean vehicle on or after August 16, 2022, but don't take delivery until after Treasury issues proposed guidance on the critical mineral and battery component requirements, will my vehicle still be eligible? (updated March 31, 2023)

A6: The vehicle may or may not be eligible depending on whether it meets the critical mineral and battery component requirements. A vehicle's eligibility for the new clean vehicle credit is generally based on the rules that apply as of the date a vehicle is placed in service, meaning the date the taxpayer takes delivery of the vehicle. New clean vehicles placed in service on or after April 18, 2023 are subject to the critical mineral and battery component requirements even if the vehicle was ordered or purchased before April 18, 2023.

For vehicles purchased prior to August 16, 2022, see [Credits for New Electric Vehicles Purchased in 2022 or Before].

Q7: If I purchase a new clean vehicle in 2022 on or after August 16, 2022, but take delivery of the vehicle in 2023, do the income and MSRP limitations apply? (updated February 3, 2023)

A7: Yes, the income and MSRP limitations apply to any vehicle that is placed in service (delivered to the taxpayer) in 2023.

Q8: If I purchased or entered into a written binding contract to purchase my new clean vehicle after December 31, 2021, and before August 16, 2022, and placed it in service after December 31, 2022, what requirements apply and what tax year's return can I claim the new clean vehicle credit on? (added March 31, 2023)

A8: If you purchased or entered into a written binding contract to purchase a new clean vehicle after December 31, 2021, and before August 16, 2022, but took possession on or after August 16, 2022, you may claim the credit based on the requirements for the credit that applied on August 15, 2022, the day before the IRA was enacted. To do so, you are required to claim the credit on a tax return for tax year 2022. Depending on the date the vehicle is placed in service, you may claim the credit on an original, superseding, or amended return for tax year 2022.

Taxpayers may not claim the credit before they take possession of the vehicle. While taxpayers should file when they are ready, they should avoid filing prematurely. If you have not received the vehicle before your original tax filing deadline and you have the option, consider applying for an automatic extension of time to file your return.

If you have not yet filed your tax return for tax year 2022 at the time you take possession of your new clean vehicle, you may claim the credit on your original 2022 tax return. If you have already filed your tax return for tax year 2022 at the time you take possession of the new clean vehicle, you may file an amended tax return for tax year 2022 and claim the credit. Generally, taxpayers must file an amended return within 3 years after the date the original return was filed or within two years after the date they paid the tax, whichever is later.

Q9: If I purchase a new clean vehicle in 2022 that was made by a manufacturer that had already reached the manufacturer sales cap but it is not delivered until 2023, does the manufacturer sales cap still apply? (added December 29, 2022)

A9: Yes, the sales cap of 200,000 vehicles applies to vehicles **sold** before January 1, 2023. If you purchased a vehicle that is subject to the sales cap, it is not eligible for the credit regardless of when you place it in service.

Topic D: Eligibility Rules for the Previously-Owned Clean Vehicles Credit

Q1. What is the previously-owned clean vehicles credit under § 25E? (updated October 6, 2023)

A1. The previously-owned clean vehicles credit is a credit of up to $4,000 (see FAQ 5) 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 requirements (see Topic E FAQ 1), and it must be the vehicle's first qualified sale since August 16, 2022, other than to the original owner.

Q2. What is a previously-owned clean vehicle for the purpose of the previously owned clean vehicles credit? (updated October 6, 2023)

A2. A previously-owned clean vehicle is a motor vehicle that meets the following requirements:

- The model year of the vehicle is at least two years earlier than the calendar year in which a taxpayer acquires the vehicle
- The purchasing taxpayer is not the original user of the vehicle
- The vehicle was acquired for a sales price of $25,000 (see Topic E FAQ 2) or less from a dealer and the purchasing taxpayer is the first qualified buyer (see FAQ 4) to claim the credit since August 16, 2022, other than its original user
- And such motor vehicle is a:
    - Qualified fuel cell motor vehicle with a gross vehicle weight rating of less than 14,000 pounds, or
    - A vehicle made by a qualified manufacturer (see Topic A FAQ 9) that meets the definition of a motor

vehicle under Title II of the Clean Air Act, has a gross vehicle weight rating of less than 14,000 pounds, is powered to a significant extent by an electric motor with a battery capacity of seven kilowatt hours or more, and is capable of being recharged from an external source of electricity.

The dealer selling the previously-owned clean vehicle must provide a seller report containing buyer and vehicle information to the purchasing taxpayer and to the IRS.

Q3. How will I know if a previously-owned clean vehicle may be eligible for a credit? (updated October 6, 2023)

A3. Please see the following Used Electric Vehicle Credit list about vehicle eligibility. In addition, qualified buyers will want to ensure their income does not exceed certain thresholds (see Topic E FAQ 1) and check the sales history of the vehicle to ensure that their purchase will qualify as the first transfer of the previously-owned vehicle after August 16, 2022 (see FAQ 4, 7) other than to the person who was the original user of the vehicle.

Visit fueleconomy.gov/usedtaxcredit for a list of manufacturers and models that are eligible for the used clean vehicle credit.

Q4. Who is eligible to claim the previously-owned clean vehicle credit? (updated February 3, 2023)

A4. Only individuals who meet the following requirements can claim the previously-owned clean vehicle credit:

- The taxpayer purchases the vehicle for use and not for resale.
- The taxpayer cannot be claimed as a dependent on another taxpayer's tax return.
- The taxpayer has not been allowed another previously-owned clean vehicle credit in the three-year period prior to the date the previously owned clean vehicle is purchased.
- The taxpayer's income level cannot exceed certain thresholds. (see Topic E FAQ 1)

Q5. What is the amount of the previously-owned clean vehicle credit? (added December 29, 2022)

A5. The previously-owned clean vehicle credit is the lesser of $4,000 or an amount equal to thirty (30) percent of the sales price of the vehicle purchased.

Q6. What is "original use" of a previously-owned clean vehicle? (added December 29, 2022)

A6. Original use occurs the first time an individual or business places a vehicle in service for personal or business purposes.

Q7. What is the first transfer rule for purposes of being a qualified sale of a previously-owned clean vehicle? (updated October 6, 2023)

A7. It is the first transfer of the vehicle after August 16, 2022, of the previously-owned clean vehicle credit other than to the person who was the original user of the vehicle. See FAQ 4 for information on individuals eligible to claim the previously-owned clean vehicle credit. The original user's sale of the vehicle to a dealer or a subsequent dealer does not negate the vehicle's eligibility for the credit under the first transfer rule. As described in See Topic J FAQ 2, sellers will review vehicle history reports when making attestations regarding the vehicle's eligibility and submitting seller reports.

Q8. Can a business entity (e.g., a corporation or a partnership) purchase a previously-owned clean vehicle and claim the previously owned clean vehicle credit? (added December 29, 2022)

A8. No. Only individuals are eligible for the previously-owned clean vehicle credit.

Q9. Can I buy a previously-owned clean vehicle from a person who isn't a dealer and still qualify for the previously-owned clean vehicle credit? (updated October 6, 2023)

A9. No. To qualify for the credit, the previously-owned clean vehicle must be purchased from a dealer. A dealer is a person licensed by a State, the District of Columbia, an Indian tribal government, or any Alaska Native Corporation to engage in the sale of vehicles. A dealer may make sales at sites outside of the jurisdiction in which its licensed.

Q10: If I order or purchase a previously-owned clean vehicle in 2022 but take delivery of the vehicle in 2023, can the vehicle qualify for the previously-owned clean vehicle credit? (added December 29, 2022)

A10: Yes, if all other eligibility criteria are met.

Q11: If I purchase a previously-owned clean vehicle for which a new clean vehicle credit was claimed by the original buyer,

may I claim a previously-owned clean vehicle credit for it? (added October 6, 2023)

A11: Yes, if all other eligibility criteria for the previously-owned clean vehicle are met.

Q12: What happens if a sale is cancelled or the vehicle is returned or resold shortly after purchase? (added October 6, 2023)

A12. If a sale is cancelled before the taxpayer places the vehicle in service (that is, before the taxpayer takes possession of the vehicle), the vehicle may still be eligible for a previously-owned clean vehicle credit upon a subsequent qualifying sale to another taxpayer.

In the case of a return of a previously-owned clean vehicle made within 30 days of placing the vehicle in service, the vehicle, once returned, is not eligible for a previously-owned clean vehicle credit upon a subsequent sale if the vehicle history reflects that such subsequent sale is not a qualified sale. However, if the vehicle history does not reflect the prior sale and return, the vehicle remains eligible.

In the case of a resale made by the buyer within 30 days of placing the vehicle in service, the buyer is treated as having purchased the vehicle with an intent to resell and cannot claim a previously-owned clean vehicle credit with respect to the vehicle. Such vehicle was already placed in service by a taxpayer, and a previously-owned clean vehicle tax credit is not available to a subsequent buyer.

Topic E: Income and Price Limitations for Previously-Owned Clean Vehicles

Q1. Could my income level prevent me from taking the previously-owned clean vehicle credit? (added December 29, 2022)

A1. Yes. You may not claim the credit if your modified adjusted gross income (AGI) exceeds certain thresholds. This limitation is based on the lesser of your modified AGI for the year that the previously-owned clean vehicle was placed in service or for the preceding year. The relevant modified AGI thresholds are as follows:

- Married filing jointly or filing as a qualifying surviving spouse or a qualifying widow(er) - $150,000
- Head of household - $112,500
- All other filers - $75,000

Your modified AGI is the amount from line 11 of your Form 1040 plus:

- Any amount on line 45 or line 50 of Form 2555, Foreign Earned Income.
- Any amount excluded from gross income because it was received from sources in Puerto Rico or American Samoa.

Q2. Is there a price limitation on a previously-owned clean vehicles eligible for the credit? (updated October 6, 2023)

A2. If the sales price exceeds the $25,000 limitation for previously-owned clean vehicle, the vehicle is not eligible for the previously-owned clean vehicle credit. The sale price of a previously-owned clean vehicle means the total sale price agreed upon by the buyer and seller in a written contract at the time of sale, including any delivery charges and after the application of any incentives, but excluding separately-stated taxes and fees required by State or local law. The sale price of a previously-owned clean vehicle is determined before the application of any trade-in value. The sale price does not include separate financing, extended warranties, or insurance.

Topic F: Claiming the Previously-Owned Clean Vehicles Credit

Q1. What information does a dealer have to provide to a taxpayer purchasing a previously-owned clean vehicle to allow the taxpayer to claim the previously-owned clean vehicle credit? (added December 29, 2022)

A1. A dealer must provide the following information on a report to the taxpayer and to the IRS:

- Name and taxpayer identification number of the dealer
- Name and taxpayer identification number of the taxpayer
- Vehicle identification number of the vehicle
- Battery capacity of the vehicle

- The date of the sale and the sales price of the vehicle
- Maximum credit allowable for the vehicle being sold
- For sales after December 31, 2023, the amount of any transfer credit applied to purchase
- A declaration under penalties of perjury from the dealer

The dealer must provide the report to the taxpayer not later than the date the vehicle is purchased. For further details on dealer reporting see Topic B, FAQs 7- 9 and Revenue Procedure 2022-42.

Q2. Do I have to report the vehicle identification number on my return to claim the previously-owned clean vehicles credit? (updated October 6, 2023)

A2. Yes. The vehicle identification number of the previously-owned clean vehicle is required to be included on Form 8936, Schedule A.

Q3. Is the previously- owned clean vehicle credit refundable or able to be carried forward? (updated October 6, 2023)

A3. No. The previously-owned clean vehicle credit may only be used by a taxpayer to the extent the taxpayer has a reported tax due. The credit cannot be carried forward to apply to future year tax returns, and the excess is not refundable. In addition, see Topic H FAQ 3 regarding transfer of the clean vehicle credits.

Topic G: Qualified Commercial Clean Vehicles Credit

Q1. Who is eligible to claim a credit under § 45W of the Code for purchasing a qualified commercial clean vehicle (qualified commercial clean vehicles credit)? (added December 29, 2022)

A1. A taxpayer can claim a qualified commercial clean vehicles credit for purchasing and placing in service in the taxpayer's business a "qualified commercial clean vehicle" during the taxable year. The taxpayer must use the vehicle for a "business use." See FAQ 9.

Q2. What is a "qualified commercial clean vehicle"? (added December 29, 2022)

A2. A "qualified commercial clean vehicle" is defined as any vehicle of a character subject to the allowance for depreciation that:

- Is made by a qualified manufacturer (See Topic A FAQ 9)
- Is acquired for use or lease by the taxpayer and not for resale,
- 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), or is mobile machinery, as defined in § 4053(8) of the Code, and
- Is propelled to a significant extent by an electric motor which draws electricity from a battery that has a capacity of not less than 15 kilowatt hours (or, in the case of a vehicle that has a gross vehicle weight rating of less than 14,000 pounds, 7 kilowatt hours) and is capable of being recharged from an external source of electricity, or satisfies the requirements under § 30B(b)(3)(A) and (B) of the Code for being a new qualified fuel cell motor vehicle.

Q3. What is the amount of the qualified commercial clean vehicle credit a taxpayer can claim? (added December 29, 2022)

A3. The amount of the qualified commercial clean vehicle credit is the lesser of (1) 15 percent of the taxpayer's tax basis in the vehicle (30 percent in the case of a vehicle not powered by a gasoline or diesel internal combustion engine), or (2) the incremental cost of the vehicle.

The credit is limited to $7,500 in the case of a vehicle that has a gross vehicle weight rating of less than 14,000 pounds, and

$40,000 for all other vehicles.

Q4. How is "incremental cost" determined? (updated October 6, 2023)

A4. The incremental cost is the excess of the purchase price of a qualified commercial clean vehicle over the price of a comparable vehicle. A comparable vehicle is a vehicle powered solely by a gasoline or diesel internal combustion engine that is comparable in size and use to the qualified commercial clean vehicle. For a safe harbor, a non-exhaustive estimate that may be used to determine incremental cost for taxable year 2023, see Notice 2023-9.

Q5. Is a taxpayer that leases clean vehicles to customers as its business eligible to claim the qualified commercial clean vehicle credit? (added December 29, 2022)

A5. Whether a taxpayer can claim the qualified commercial clean vehicle credit in its business depends on who is the owner of the vehicle for federal income tax purposes. The owner of the vehicle is determined based on whether the lease is respected as a lease or recharacterized as a sale for federal income tax purposes.

Q6. What factors are used to determine if a transaction is a "lease" for tax purposes? (updated February 3, 2023)

A6. Based on longstanding tax principles, the determination whether a transaction constitutes a sale or a lease of a vehicle for tax purposes is a question of fact. Features of a vehicle lease agreement that would make it more likely to be recharacterized as a sale of the vehicle for tax purposes include, but are not limited to:

- A lease term that covers more than 80% to 90% of the economic useful life of the vehicle
- A bargain purchase option at the end of the lease term (that is, the ability to purchase the vehicle at less than its fair market value at the end of the term) or other terms/provisions in the lease that economically compel the lessee to acquire the vehicle at the end of the lease term
- Terms that result in the lessor transferring ownership risk to the lessee, for example, a terminal rental adjustment clause (TRAC) that requires the lessee to pay the difference between the actual and expected value of the vehicle at the end of the lease. (Note that special rules exist under § 7701(h) for qualified motor vehicle operating agreements that contains a TRAC.)

Q7. What happens if the clean vehicle lease agreement is recharacterized as a sale for tax purposes? (added December 29, 2022)

A7. In the event the clean vehicle lease is recharacterized as a sale, the lessee would need to determine if they are eligible to claim either a clean vehicle credit or a qualified commercial vehicle credit. The lessor would not be eligible to claim either credit because they would have engaged in a resale of the vehicle.

Q8. What does "of a character subject to the allowance for depreciation" mean for purposes of the qualified commercial clean vehicle credit? (added December 29, 2022)

A8. In general, property is subject to the allowance for depreciation if it is used in a trade or business of the taxpayer or for the production of income (business use).

Q9. How does a taxpayer determine if a vehicle is used in a "business use"? (added December 29, 2022)

A9. Generally, the term business use means any use in a trade or business of the taxpayer. IRS-FAQ

Q10. Can I claim a qualified commercial clean vehicle credit for a vehicle for which I or another taxpayer claimed a new clean vehicle credit? (added March 31, 2023)?

A10. No. A qualified commercial clean vehicle credit is not allowed with respect to a vehicle for which a new clean vehicle credit was allowed.

Topic H: Transfer of New Clean Vehicle Credit and Previously-Owned Clean Vehicles Credit

Q1. What is the transfer election? (added October 6, 2023)

A1. The transfer election allows a taxpayer purchasing a new clean vehicle or previously-owned clean vehicle after December 31, 2023, to transfer the entirety of the allowable credit to an eligible entity (a registered dealer) in exchange for a financial benefit (i.e., reduced final cost) from the eligible entity equal to the amount of the credit, whether in cash, in the form of a partial payment, or down payment for the purchase of such vehicle. In short, the tax credit can be applied at the point of sale to reduce the cost of the purchase by the amount of the credit. Eligible taxpayers who purchase an eligible vehicle may choose to claim the tax credit on their return instead of transferring a new or previously-owned clean vehicle tax credit.

Q2. Who can receive a transferred new or previously-owned clean vehicle tax credit? (added October 6, 2023)

A2. Only an eligible entity can receive a transferred new or previously-owned clean vehicle tax credit. An eligible entity is generally a dealer that sells a new clean vehicle or previously-owned clean vehicle to a taxpayer and registers with the IRS as required by the October 2023 proposed regulations. For purposes of these FAQs, an eligible entity will be referred to as a "registered dealer." Buyers are advised to receive a copy of the seller report submitted by the dealer to the IRS and confirmation of the successful submission of the report through IRS Energy Credits Online.

Q3. What are the requirements a buyer must meet to be eligible to transfer the new clean vehicle credit or previously-owned clean vehicle credit to a registered dealer? (added October 6, 2023)

A3. A buyer must meet all eligibility requirements for the new clean vehicle credit or previously-owned clean vehicle credit, as applicable. See Topics A, B, D, and E.

Q4: What if a buyer has insufficient tax liability to fully use a transferred credit? (added October 6, 2023)

A4. The amount of the credit that the electing taxpayer elects to transfer to the eligible entity may exceed the electing taxpayer's regular tax liability for the taxable year in which the sale occurs, and the excess, if any, is not subject to recapture from the dealer or the buyer.

Q5. What information does a registered dealer need to provide a buyer and when? (added October 6, 2023)

A5. Not later than the time of sale, the registered dealer must provide the buyer with a written disclosure containing the following information under penalty of perjury:

- The MSRP of the new clean vehicle or the sale price of the previously-owned clean vehicle.
- The maximum amount of the credit allowable and any other incentive available for the purchase of such vehicle.
- The amount provided by the dealer to you as a condition of you making the transfer election.
- The modified AGI limitations provided in section 30D(f)(10) (in the case of a new clean vehicle) or section 25E(b)(2) (in the case of a previously-owned clean vehicle), as applicable. See Topic B FAQ 1 and Topic E FAQ 1.
- For previously-owned clean vehicles, certification that:
  - the model year of the vehicle is at least two years prior to the calendar year of sale; and
  - that the transfer is the first transfer of the vehicle since August 16, 2022, to a person other than the person with whom the original use of such vehicle commenced.

Not later than the time of sale, the registered dealer must also provide you a copy of the seller report submitted for the vehicle, see Topic B FAQ 9 and Topic D FAQ 2, and confirmation of the successful submission of the report through IRS Energy Credits Online.

To assist dealers with their disclosure obligations, the IRS will publish a sample disclosure form prior to January 1, 2024.

Q6. What information do I need to provide to the registered dealer and when? (added October 6, 2023)

A6. Not later than the time of sale, you must provide the registered dealer with the following:

- Date of the transfer election.
- Your taxpayer identification number.
- A photocopy of your valid, government-issued photo identification document.
- An attestation, that either:
  - Your prior year modified AGI did not exceed the modified AGI limitation, or, if not known, to the best of your knowledge and belief, your prior year modified AGI did not exceed such limitation, or
  - To the best of your knowledge and belief, your current year modified AGI will not exceed the modified AGI limitation. See Topic B FAQ 1 and Topic E FAQ 1.
- For new clean vehicles, an attestation that the vehicle will be used predominantly for personal use.
- For previously-owned clean vehicles, an attestation (or declaration) that you are a qualified buyer. See Topic D FAQ 4.

- An attestation that you will file an income tax return for the taxable year in which the vehicle is placed in service on or before the due date of the return (including extensions), reporting your eligibility for the new clean vehicle credit or previously-owned clean vehicle credit, as applicable, including the vehicle's VIN, and your election to transfer the credit to the dealer and repaying any credit amounts subject to recapture (if applicable).
- An attestation that you are making this election prior to placing the vehicle in service and this is the first or second transfer election you have made during the taxable year.
- An attestation that in the event you exceed the applicable modified AGI limitations, you will repay the amount received as an addition to tax for the tax year the vehicle was placed in service.
- An attestation that you have voluntarily elected to transfer the credit.

Q7. How many transfer elections can I make in a year? (added October 6, 2023)

A7. You can make no more than two elections to transfer a clean vehicle credit each tax year. Such elections could be for two clean vehicle credits or one clean vehicle credit and one previously-owned clean vehicle credit, but cannot be for two previously-owned clean vehicle credits. Accordingly, spouses may each transfer no more than two clean vehicle credits each tax year.

Q8. Can I transfer part of the credit? (added October 6, 2023)

A8. No. As a buyer, you must transfer the entire amount of the credit allowable to you to the registered dealer.

Q9. When will the transfer election program be in effect? (added October 6, 2023)

A9. The transfer election program applies to vehicles placed in service after December 31, 2023, and before December 31, 2032.

Q10. What if I end up exceeding the modified AGI limitations for the year? (added October 6, 2023)

A10. If your modified AGI exceeds the limitations for the taxable year, you will be required to repay the amount received for transferring the tax credit as an addition to tax for the tax year the vehicle was placed in service.

Q11. If the IRS rejects the seller report submitted by the registered dealer, can I still claim the credit? (added October 6, 2023)

A11. No. If the seller report is rejected, you may not claim the new clean vehicle credit or previously-owned clean vehicle credit. Starting for vehicles placed in service January 1, 2024 or after, the IRS will reject the seller report and notify the dealer. The IRS will accept or reject submissions in real-time. Purchasers and dealers are strongly encouraged to receive confirmation of a successfully submitted seller report before finalizing a sale and placing a vehicle in service. Dealers must provide confirmation of an accepted IRS Energy Credits Online seller report submission to buyers.

Q12: What benefits may a purchaser get in exchange for transferring a clean vehicle tax credit to a registered dealer? (added October 6, 2023)

A12: A dealer can provide a purchasing taxpayer with a financial benefit in cash or in the form of a partial payment or down payment for the purchase of the vehicle. The taxpayer benefits by receiving an immediate financial benefit at the time of sale, rather than having to wait to file a tax return and claim the credit.

Q13: Can I change my mind about whether to transfer a tax credit after a sale has been finalized? (added October 6, 2023)

A13: No. The transfer election is final.

Q14: How does a dealer know the IRS will issue an advance payment to the dealer? How quickly will the IRS issue advance payments? (added October 6, 2023)

A14: The IRS will promptly issue advance payments via direct deposit (ACH). The IRS anticipates deposits will typically occur within 48 - 72 hours of a successfully submitted time of sale report and advance payment request. Dealers will receive real time online confirmation as to whether an advance request was accepted or rejected.

Q15: Are dealers liable to repay the advance payment if the purchaser exceeds the applicable income limits? Are dealers required to verify a purchaser's income in order to receive an advance payment? (added October 6, 2023)

A15: Dealers are not required to verify a purchaser's income for a credit transfer or advance payment and are not required to repay the advance payment if the purchaser exceeds the income limits. Dealers are required to disclose information about the applicable income limits to the purchaser, who must attest that he or she expects to qualify for the credit.

To assist dealers with their disclosure obligations, the IRS will publish a sample disclosure form prior to January 1, 2024.

Q16: Do I have to transfer a tax credit when I am eligible and a dealer asks? (added October 6, 2023)

A16. No. Registered dealers cannot require that a buyer transfer a tax credit in order to purchase a new or previously-owned clean vehicle.

Q17: Can I transfer a credit if I will use the vehicle for both personal and business use? (added October 6, 2023)

A17. You can transfer the new clean vehicle credit only if you intend to use the vehicle predominantly for personal use.

Q18: What happens if a vehicle is returned or a sale is cancelled after a credit is transferred? (added October 6, 2023)

A18. If a sale is cancelled before the taxpayer places the vehicle in service (that is, before the taxpayer takes possession of the vehicle), the vehicle will still be eligible for a clean vehicle credit upon a subsequent qualifying sale to another taxpayer. In that case, the credit would not yet have been transferred.

In the case of return made within 30 days of placing the vehicle in service, the purchaser cannot claim a clean vehicle credit with respect to the vehicle. Such vehicle, once returned, was already placed in service by a taxpayer and a new clean vehicle tax credit is not available to a subsequent buyer.

In the case of a return of a previously-owned clean vehicle, the vehicle, once returned, is not eligible for a credit upon a subsequent sale if the vehicle history reflects that such subsequent sale is not a qualified sale. However, if the vehicle history does not reflect the prior sale and return, the vehicle remains eligible.

If the taxpayer made an election to transfer the clean vehicle credit, that vehicle transfer election is nullified, and any advance payment made pursuant to the clean vehicle transfer rules will be recaptured from the eligible entity as an excessive payment.

Q19: How are transferred tax credits treated for tax purposes? (added October 6, 2023)

A19. For dealers: Advance payments received by the registered dealer are not treated as a tax credit to the dealer and may exceed the dealer's regular tax liability. Advance payments received by the registered dealer are not included in the gross income of the dealer. The payment made by the registered dealer to the buyer in exchange for the transferred credit is not deductible by the dealer. Such payment is treated as repaid by the buyer to the registered dealer as part of the purchase price of the vehicle, and therefore is treated as included in the total amount received from the sale transaction.

For buyers: The payment made by the registered dealer to the buyer in the form of a cash payment, down payment, or partial down payment is not includible in the gross income of the buyer. Such payment made by the registered dealer is treated as an advance payment of the credit to the buyer on behalf of the Secretary and the basis of such vehicle is reduced by the amount of such credit.

Q20: Do dealers and buyers need to claim transferred tax credits when filing their tax return? (added October 6, 2023)

A20. For dealers: No. The exclusive method for dealers to claim transferred tax credits is via the advance payment program through IRS Energy Credits Online.

For buyers: An electing taxpayer must file an income tax return for the taxable year in which the vehicle transfer election is made that notes such election. Specifically, the electing taxpayer must file a Form 1040, U.S. Individual Income Tax Return, and attach a completed Form 8936, Clean Vehicle Credits, or successor form, and any other additional forms, schedules, or statements prescribed by the Commissioner for purposes of making a return to report tax under chapter 1.

Q21: When do buyers need to repay tax credits transferred to the dealer? (added October 6, 2023)

A21: If you transfer a credit to a registered dealer but exceed the relevant income limitations, you will need to repay the IRS when filing your tax return. Do NOT repay the dealer for a transferred tax credit if you end up not being eligible for the credit upon filing your tax return.

Topic I: Registering a Dealer/Seller: Seller Reporting and Clean Vehicle Tax Credit Transfers

Note: As of October 6, 2023, Dealer/Seller registration is coming soon. Please continue to visit IRS.gov/cleanvehicles for updates.

Q1: May a buyer claim the new or previously-owned clean vehicle tax credits if the dealer or seller of the vehicle is not registered with the IRS? (added October 6, 2023)

A1**.** No. Starting for vehicles placed in service January 1, 2024 or later, buyers will only be able to claim credits if the seller has registered with the IRS and successfully submits a seller report through the IRS Energy Credits Online. This submission is done at the time of sale through IRS Energy Credits Online, and the seller must provide a copy of the successfully submitted seller report to the buyer.

Q2: Who must submit seller reports through IRS Energy Credits Online and who is eligible to participate in the advance payment program? (added October 6, 2023)

A2. All dealers and sellers must submit seller reports through IRS Energy Credits Online for vehicles placed in service beginning January 1, 2024. Registered dealers that provide required information through IRS Energy Credits Online and are in tax compliance may become eligible to participate in the advance payment program once their registration information is verified by the IRS.

Q3: Who should complete the initial registration on behalf of the dealer or seller? (added October 6, 2023)

A3. An individual representative of the dealer or seller who is currently authorized to legally bind the dealer or seller in these matters can complete the initial registration through IRS Energy Credits Online. Starting December 2023, dealers and sellers will be able to authorize more than one employee to make representations on their behalf through IRS Energy Credits Online.

Q4: What information is required for dealer registration? (added October 6, 2023)

A4. Dealers should be prepared to create an account using general Business information *(including Business EIN, Address, Phone Number, and Email)* and authorize an individual to access dealer registration. Dealers registering for advance payments will have to provide additional information, detailed on IRS Energy Credits Online.

Q5: Does a dealer need to be state licensed to register? (added October 6, 2023)

A5. In order to submit seller reports for previously-owned clean vehicles or register to receive advance payments, a dealer must be licensed by a State, the District of Columbia, an Indian tribal government, or any Alaska Native Corporation to engage in the sale of vehicles. Non-licensed dealers (sellers) must still be registered through IRS Energy Credits Online to submit seller reports.

Q6: What is the difference between registering for seller reporting and the advance payment program? (added October 6, 2023)

A6. A registration to submit seller reports will allow dealers and sellers the ability to submit seller reports through IRS Energy Credits Online when selling eligible vehicles. This does not include the ability to receive advance payments. A registration for the advance payment program grants the dealer the ability to submit seller reports when selling a vehicle and submit a request for an advance payment to the IRS. Only licensed dealers may register to receive advance payments.

Q7: Is a dealer required to register for both seller reporting and the advance payment program? (added October 6, 2023)

A7. No. A dealer or seller can be registered to submit seller reports without registering to receive advance payments. However, only licensed dealers can be registered to receive advance payments.

Q8: Once a dealer is registered, when can they start to receiving advance payments? (added October 6, 2023)

A8. Buyers may transfer their credit to the dealer, thereby allowing dealers to initiate an advance payment request, beginning January 1, 2024.

Q9: Can a dealer come back into IRS Clean Energy Online and complete its advance payment registration at another time? (added October 6, 2023)

A9. Yes. A dealer who is registered to submit seller reports will have the ability to continue their registration to receive advance payments at any time.

Q10: Is dealer registration separate for used and new vehicle sales? (added October 6, 2023)

A10. No. Registered dealers may submit seller reports for both new and previously-owned clean vehicle sales. Please note, only licensed dealers may submit seller reports for previously-owned clean vehicles.

Q11: How will the dealer be informed of a registration status update? (added October 6, 2023)

A11. Registration status updates will be displayed in IRS Energy Credits Online.

Q12: If registration fails initially, will the dealer have another opportunity to register? (added October 6, 2023)

A12. Yes. A dealer may attempt registration again.

Q13: Why did my dealership receive a tax compliance error? (added October 6, 2023)

A13. A tax compliance error is a result of an overdue tax return or unpaid federal tax debt. If you receive this error, call 833-933-7680 for more information.

Q14: What does my dealership need to do to be in tax compliance? What if my dealership is not in tax compliance? How can my dealership become compliant to participate in the advance payment program? (added October 6, 2023)

A14. Dealer tax compliance means that all required Federal information and tax returns of the dealer have been filed, including for Federal income and employment tax purposes, and all Federal tax, penalties, and interest due of the dealer as of the time of sale have been paid. A dealer that has entered into an installment agreement with the IRS for which a dealer is current on its obligations is treated as being in dealer tax compliance.

If the dealer is not in dealer tax compliance for any of the taxable periods during the last five taxable years, then the dealer may complete its initial registration with the IRS, but the dealer will not be eligible for the advance payment program until the compliance issue is resolved. The IRS will notify the dealer in writing that the dealer is not in dealer tax compliance, and the dealer will have the opportunity to address any failure through regular procedures. If the failure is corrected, the IRS will complete the dealer's registration for the advance payment program, and, provided all other requirements are met, the dealer will then be allowed to participate in the advance payment program.

Q15: Do qualified manufacturers who are direct sellers need to register? (added October 6, 2023)

A15. Qualified manufacturers who are direct sellers of vehicles must complete dealer registration in order to submit seller reports and receive an advance payment when a credit is transferred.

Q16: How do I edit information within my dealer registration? (added October 6, 2023)

A16. Contact information, such as phone number or email address, may be edited at any time by clicking into the dealer registration page. To edit any other information, a user must re-register with new information.

Q17: Does my dealer registration expire? (added October 6, 2023)

A17. A dealer registration expires after 10 years.

Q18: If my dealership runs into difficulty at any point in the registration process, who should I contact? (added October 6, 2023)

A18. Please contact IRS.Clean.Vehicles.Dealer.Info@IRS.gov with questions.

Topic J: Seller Report Information for Buyers of New and Previously-Owned Clean Vehicle Tax Credits Beginning in 2024

Q1: What must a buyer of a clean vehicle provide a seller in order to purchase a new clean vehicle or previously-owned clean vehicle and claim the applicable tax credit on their tax return? (added October 6, 2023)

A1. The buyer must provide the seller information necessary, including name, taxpayer identification number (which may be a Social Security number), and valid identification, for the seller to successfully submit a seller report to the IRS. See Topic H FAQ 6.

Q2: How can a buyer confirm that they will be able to claim a tax credit for a new or previously-owned clean vehicle? (added October 6, 2023)

A2. For vehicles placed in service January 1, 2024 or after, sellers will submit seller reports electronically to the IRS. The IRS's acceptance of this seller report means a Qualified Manufacturer has submitted the VIN listed in the seller report to the IRS as an eligible vehicle. For previously-owned clean vehicles, sellers will also provide the sale price (which must be $25,000 or less) and review vehicle history reports in making attestations regarding the vehicle's eligibility. Eligible buyers can rely on a seller report that a seller has submitted electronically to the IRS, that the IRS has accepted, and that the seller has provided to the buyer, as confirmation that the vehicle is eligible. The buyer must still meet eligibility requirements, which are described in elsewhere in these FAQs to claim the credit or to transfer the credit to a dealer.

For more eligibility information, please see the IRS new and previously-owned clean vehicle eligibility checklists.