



GUIDANCE ON CLEAN VEHICLE TAX CREDIT

From the Journal of Accountancy by Dave Strausfeld, J.D.

Treasury and the IRS released [initial guidance](#) on Tuesday, August 16, regarding a new requirement to qualify for the Sec. 30D clean vehicle tax credit, which is that the car or truck must be assembled in North America.

The Inflation Reduction Act, H.R. 5376, made broad changes to the clean vehicle tax credit, including extending it through 2032 and creating a new credit for previously owned clean vehicles (Sec. 25E), but the only change that took effect immediately upon enactment of the legislation Tuesday was the North America final assembly requirement.

For new clean vehicles purchased after Aug. 16, 2022 (the date President Joe Biden signed the legislation), the tax credit is generally available only if the qualifying vehicle's final assembly occurred in North America (final assembly requirement).

How to check where a vehicle was built

To verify whether a motor vehicle meets the final assembly requirement, dealers and consumers can follow a two-step process, according to guidance posted Tuesday on Treasury's and the IRS's websites. First, they can check to see if the vehicle appears on the Department of Energy's list of [model year 2022 and 2023](#) electric vehicles that *may* qualify. But the IRS cautions that "there may be vehicles on the Department of Energy list that do not meet the final assembly requirement in all circumstances."

As a second step, they should enter the vehicle's 17-character vehicle identification number (VIN) into the [National Highway Traffic Safety Administration's VIN Decoder tool](#) and view the "Plant Information" field at the bottom of the results page, which will identify where the searched vehicle was built.

Vehicles previously ordered

Under a transition rule, if a buyer entered into a written, binding contract to purchase a qualifying clean vehicle before Aug. 16, 2022, but does not take possession of the vehicle until on or after that date, the preexisting rules apply, so there is no final assembly requirement, Treasury and the IRS said in the new guidance.

Many other changes made by the Inflation Reduction Act to the clean vehicle tax credit will take effect in 2023, including new income limits on who is eligible to claim the tax credit.

For more information, see the IRS's [webpage](#) about the clean vehicle tax credit or Treasury's [FAQs](#).