



CHANGE ALLOWS MORE VEHICLES TO QUALIFY FOR THE NEW CLEAN VEHICLE TAX CREDIT

From the *Journal of Accountancy* by Martha Waggoner

The IRS said Friday, February 3, in [Notice 2023-16](#) that it will change the vehicle classification standard used to determine whether a vehicle is a van, SUV, pickup truck, or other vehicle for purposes of the recently modified and expanded Sec. 30D clean vehicle tax credit. The change will be made in upcoming proposed regulations.

The proposed regulations are expected to provide that for purposes of the credit, a vehicle's classification will be determined under the consumer-facing EPA Fuel Economy Labeling Standard in 40 C.F.R. Section 600.315-08.

The update is a change from the notice of intent to propose regulations in [Notice 2023-1](#), released in December, which stated that the IRS would use existing EPA Corporate Average Fuel Economy (CAFE) standards to determine whether the vehicle is a sedan, SUV, or other type of vehicle and subject to the \$55,000 or \$80,000 MSRP limitation.

Treasury said in a [news release](#) that the change was made to "make it easier for consumers to know which vehicles qualify under the applicable MSRP cap. ... This change will allow crossover vehicles that share similar features to be treated consistently."

The change also aligns vehicle classifications under the clean vehicle credit with the classification displayed on the vehicle label and on [FuelEconomy.gov](#).

This means that certain vehicles originally classified as sedans and subject to a lower MSRP of \$55,000 are now eligible for the tax credit of up to \$7,500. The updated list of vehicles subject to the \$80,000 MSRP limitation on the [IRS website](#) includes General Motors's Cadillac Lyriq, the Ford Mustang Mach-E, and Tesla's Model Y.

Other criteria, such as household income, affect whether a taxpayer can claim the credit.

The change allows customers who have purchased and used vehicles since Jan. 1, 2023, that qualify under the new standard announced Friday and meet the other clean vehicle tax credit requirements to claim the credit. This includes customers whose vehicles did not qualify under the EPA CAFE standard.

[Fact Sheet 2023-4](#) updates FAQs related to new, previously owned, and qualified commercial clean vehicles credits under Sec. 30D.