


U.S. Department of the Treasury, IRS Release Guidance to Expand Access to Clean Vehicle Tax Credits, Help Car Dealers Grow Businesses

October 6, 2023

Starting in January Inflation Reduction Act Provision Will Allow Consumers to Transfer Credit to Car Dealer, Reducing Purchase Price of New and Previously Owned Clean Vehicles at Time of Sale

WASHINGTON – As part of Bidenomics and the Biden-Harris Administration’s Investing in America agenda, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) today released guidance that will lower costs for consumers and help car dealers grow their businesses by increasing access to Inflation Reduction Act credits at point of sale for new and previously owned clean vehicles. Researchers have found that consumers overwhelmingly prefer an immediate rebate at point of sale.

Under the Inflation Reduction Act, consumers can choose to transfer their new clean vehicle credit of up to \$7,500 and their previously owned clean vehicle credit of up to \$4,000 to a car dealer starting January 1, 2024. This will effectively lower the vehicle’s purchase price by providing consumers with an upfront down payment on their clean vehicle at the point of sale, rather than having to wait to claim their credit on their tax return the next year. Only vehicles purchased under the consumer clean vehicle credits are eligible for this benefit.

Today’s guidance provides additional information on registration requirements  and how the mechanics of this transfer will work for car dealers. The guidance also provides proposed eligibility rules for the previously owned clean vehicle credit that would give consumers more certainty regarding their ability to claim and to transfer the credit. The guidance would clarify that eligible consumers may transfer the full value of the new or previously owned vehicle credit regardless of their individual tax liability.

“President Biden’s Investing in America agenda is focused on lowering transportation costs for consumers and giving American car companies the tools to lead the market,” said Chief Implementation Officer for the Inflation Reduction Act Laurel Blatchford. **“For the first time, the Inflation Reduction Act allows consumers to reduce the up-**

front cost of a clean vehicle, expanding consumer choices and helping car dealers expand their businesses. The IRS has focused on streamlining this process for car dealers as part of its commitment to improving service and helping taxpayers claim the credits they are eligible for.”

Later this month, dealers will be able to register via IRS Energy Credits Online, a new website. This registration is a requirement for dealers to offer consumers clean energy tax credits for qualifying electrified products. Starting in January, registered dealers will be able to submit clean vehicle sales information to the IRS and promptly receive payment for transferred credits. Energy Credits Online demonstrates the IRS’ commitment to delivering a world-class customer service experience and helping taxpayers receive the credits and deductions they are eligible for.

A modern tax administration system is key to achieving the economic, energy security, and climate goals of the Inflation Reduction Act.

For buyers to be eligible to claim or transfer a credit starting January 1, 2024, the dealer they purchase their vehicle from must first register with Energy Credits Online. Dealers will also use Energy Credits Online to submit “time of sale” reports, which will confirm vehicles’ eligibility for a credit, whether or not the buyer chooses to transfer the credit to the dealer.

When a buyer chooses to transfer the credit, registered dealers will reduce the purchase price of the vehicle or provide cash to the buyer. The amount provided must equal the full amount of the credit available for the eligible vehicle. When completing the sale, the dealer will electronically submit information regarding the transfer, including a time of sale report, to receive an advance payment for the value of the credit. The IRS expects to issue advance payments within 72 hours.

To provide clarity and certainty, the dealer will provide buyers with required disclosures as part of the credit transfer and electronic time-of-sale submission process and with written confirmation that the vehicle they’re buying is eligible for a credit and the credit amount.

Today’s guidance proposes rules regarding who is eligible to elect to transfer the credit to the dealer, and under what circumstances these taxpayers may have to pay back some of the transferred credit.

Consumers may transfer the credit if they attest that they believe they are eligible, including that they fell below the applicable income thresholds in the prior year or expect to be below these thresholds in the year the vehicle is placed in service. Consumers will need to directly

repay the full value of a transferred tax credit to the IRS when filing their taxes if they exceed the applicable modified adjusted gross income limitation.

The guidance also would include important safeguards to help prevent fraud or abuse. These measures would help ensure only verified, tax-compliant dealers will get the benefit of advance payments from the IRS and only eligible vehicles will get the benefit of the credit.

These measures would collect and verify information received from the dealer during the IRS Energy Credits Online dealer registration process. A registration ID is provided to the dealer only once the IRS is confident in validity of the registration. Fact sheets, FAQs, checklists and other materials for consumers and dealers will be made available before the end of the year.

Today's guidance would also provide clarity regarding the federal income tax treatment of the transferred credit and advance payment for the buyer and the dealer. Under the proposed rules, credit transfers and advance payments would generally not affect dealers' tax liability. Payment of the value of the transferred credit by the dealer to the consumer would be treated as repaid by the consumer to the dealer as part of the purchase price of the vehicle, and therefore be treated as an amount realized by the dealer.


Advance payments received by the dealer would not be treated as a tax credit to the dealer and may exceed the dealer's regular tax liability. Advance payments received by the dealer would not be includible in the gross income of the dealer. The payment made by the dealer to the consumer in exchange for the transferred credit would not be deductible by the dealer. The payment made by the dealer to the consumer (in the form of a cash payment, down payment, or partial down payment) would not be includible in the gross income of the consumer.

Treasury and the IRS will carefully consider public comments and feedback before issuing final rules.

For a full list of the Treasury Department's work to implement the Inflation Reduction Act, see below:

[August 16, 2022: Treasury Releases Initial Information on Electric Vehicle Tax Credit Under Newly Enacted Inflation Reduction Act](#)

[October 5, 2022: Treasury Seeks Public Input on Implementing the Inflation Reduction Act's Clean Energy Tax Incentives](#)

[FACT SHEET: Treasury, IRS Open Public Comment on Implementing the Inflation Reduction Act's Clean Energy Tax Incentives](#) 

[October 26, 2022: READOUT: Stakeholder Roundtable on Clean Power Generation and the Inflation Reduction Act](#)

[October 27, 2022: READOUT: Stakeholder Roundtable on Climate Impact, Equity, and the Inflation Reduction Act](#)

[FACT SHEET: Four ways the Inflation Reduction Act's Tax Incentives Will Support Building an Equitable Clean Energy Economy](#) 

[October 31, 2022: READOUT: Stakeholder Roundtable on Investor Perspectives on Climate Change, Clean Energy, and the Inflation Reduction Act](#)

[November 3, 2022: Treasury Seeks Public Input on Additional Clean Energy Tax Provisions of the Inflation Reduction Act](#)

[November 4, 2022: READOUT: Stakeholder Roundtable on Clean Vehicles and the Inflation Reduction Act](#)

[November 29, 2022: Treasury Announces Guidance on Inflation Reduction Act's Strong Labor Protections](#)

[December 12, 2022: Treasury and IRS set out procedures for manufacturers, sellers of clean vehicles](#)

[December 19, 2022: Treasury, IRS issue guidance on new Sustainable Aviation Fuel Credit](#)

[December 22, 2022: IRS releases frequently asked questions about energy efficient home improvements and residential clean energy property credits](#)

[January 17, 2023: Remarks by Deputy Secretary of the Treasury Wally Adeyemo at White House event "Lowering Costs: Inflation Reduction Act Briefing"](#)

[January 29, 2023: Statement from Deputy Secretary of the Treasury Wally Adeyemo on Implementation of Strong Inflation Reduction Act Worker Protections](#)

[February 3, 2023: Treasury Updates Vehicle Classification Standard for Clean Vehicle Tax Credits Under Inflation Reduction Act](#)

[February 13, 2023: Treasury, Energy Release Guidance on Inflation Reduction Act Programs to Incentivize Investments in Underserved Communities, Hard-Hit Coal Communities](#)

[March 22, 2023: Remarks by Assistant Secretary for Tax Policy Lily Batchelder on Implementation of the Inflation Reduction Act's Clean Energy Provisions](#)

March 31, 2023: Treasury Releases Proposed Guidance on New Clean Vehicle Credit to Lower Costs for Consumers, Build U.S. Industrial Base, Strengthen Supply Chains

April 4, 2023: Treasury Releases Guidance to Drive Investment to Coal Communities

April 14, 2023: READOUT: Treasury Convenes Roundtable Discussion on Inflation Reduction Act Incentives for Underserved Communities

April 27, 2023: READOUT: Treasury Department Convenes Roundtable Discussion on Inflation Reduction Act Incentives for Underserved Communities

May 12, 2023: Treasury Department Releases Guidance to Boost American Clean Energy Manufacturing

May 31, 2023: U.S. Departments of Treasury and Energy Release Additional Guidance on Inflation Reduction Act Programs to Incentivize Manufacturing and Clean Energy Investments in Hard-Hit Coal Communities

June 14, 2023: U.S. Department of the Treasury, IRS Release Guidance on Provisions to Expand Reach of Clean Energy Tax Credits Through President Biden's Investing in America Agenda

June 15, 2023: U.S. Department of the Treasury, IRS Release Updated Guidance to Drive Additional Investment to Energy Communities

August 4, 2023: Home energy audits may qualify for an Energy Efficient Home Improvement Credit

August 7, 2023: IRS: Builders of qualified new energy efficient homes might qualify for an expanded tax credit under Section 45L

August 10, 2023: U.S. Department of the Treasury, IRS Release Final Rules and Guidance on Investing in America Program to Spur Clean Energy Investments in Underserved Communities

August 29, 2023: U.S. Department of the Treasury, IRS Release Guidance on Inflation Reduction Act Provision to Ensure Good-Paying Clean Energy Jobs, Expand Clean Energy Workforce

September 27, 2023: U.S. Department of the Treasury, U.S. Department of Energy, IRS Announce Date for Opening of Applications for Investing in America Program to Spur Clean Energy Investments in Underserved Communities

September 27, 2023: U.S. Department of the Treasury, IRS Release Guidance to Lower Americans Utility Bills, Increase Energy Efficiency of Homes

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