WASHINGTON, D.C. – Today the U.S. Treasury Department and the IRS released proposed guidance on the new clean vehicle provisions of the Inflation Reduction Act that will lower costs for consumers, build a resilient industrial base and spur manufacturing in the U.S., and strengthen supply chains with like-minded partners that are vital for energy security. Since the Inflation Reduction Act was enacted, at least $45 billion in private-sector investment has been announced across the U.S. clean vehicle and battery supply chain, and today’s guidance will help ensure that American workers, companies, and consumers continue to benefit.

“The Inflation Reduction Act is a once-in-a-generation piece of legislation that is lowering costs for American consumers, building a strong U.S. industrial base, and bolstering supply chains,” said Secretary of the Treasury Janet L. Yellen. “Today, Treasury is taking an important step that will help consumers save up to $7,500 on a new clean vehicle and hundreds of dollars per year on gas, while creating American manufacturing jobs and strengthening our energy and national security.”

The Notice of Proposed Rulemaking (NPRM) provides clarity and certainty to manufacturers on the Inflation Reduction Act requirements that vehicles eligible for the clean vehicle credit undergo final assembly in North America and do not exceed a Manufacturers Suggested Retail Price of $80,000 for a van, pickup truck, or sport utility vehicle, or $55,000 for any other vehicle.

Building on the anticipated approach detailed in a white paper released in December, the NPRM also explains how manufacturers may satisfy the critical mineral and battery component requirements under the Inflation Reduction Act.

To be eligible for a $7,500 credit, clean vehicles must meet sourcing requirements for both the critical minerals and battery components contained in the vehicle. Vehicles that meet one of the two requirements are eligible for a $3,750 credit.
To meet the critical mineral requirement and be eligible for a $3,750 credit, the applicable percentage of the value of the critical minerals contained in the battery must be extracted or processed in the United States or a country with which the United States has a free trade agreement, or be recycled in North America—as mandated by the Inflation Reduction Act.

- For 2023, the applicable percentage is 40 percent.
- For 2024, the applicable percentage is 50 percent.
- For 2025, the applicable percentage is 60 percent.
- For 2026, the applicable percentage is 70 percent.
- Beginning in 2027, the applicable percentage is 80 percent.

The NPRM proposes a three-step process for determining the percentage of the value of the critical minerals in a battery that contribute toward meeting critical minerals requirement: 1) determine procurement chains, 2) identify qualifying critical minerals, and 3) calculate qualifying critical mineral content.

The NPRM also details a proposed set of principles for identifying the set of countries with which the United States has a free trade agreement in effect, since this term is not defined in statute. This term could include newly negotiated critical minerals agreements.

Agreements would be considered based on whether they reduce or eliminate trade barriers on a preferential basis, commit the parties to refrain from imposing new trade barriers, establish high-standard disciplines in key areas affecting trade, and reduce or eliminate restrictions on exports or commit the parties to refrain from imposing such restrictions on exports, including for trade in the critical minerals contained in electric vehicle batteries.

Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Japan, Jordan, Korea, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, and Singapore are included in the NPRM.

**BATTERY COMPONENT REQUIREMENT**

To meet the battery component requirement and be eligible for a $3,750 credit, the applicable percentage of the value of the battery components must be manufactured or assembled in North America—as mandated by the Inflation Reduction Act.

- For 2023, the applicable percentage is 50 percent.
- For 2024 and 2025, the applicable percentage is 60 percent.
- For 2026, the applicable percentage is 70 percent.
For 2027, the applicable percentage is 80 percent.
For 2028, the applicable percentage is 90 percent.
Beginning in 2029, the applicable percentage is 100 percent.

The NPRM proposes a four-step process for determining the value: 1) identify battery components that are manufactured or assembled in North America, 2) determine the incremental value of each battery component, including North American battery components, 3) determine the total incremental value of battery components, and 4) calculate the qualifying battery component content by dividing the total incremental value of North American battery components by the total incremental value of all battery components.

Beginning in 2024, an eligible clean vehicle may not contain any battery components that are manufactured by a foreign entity of concern and beginning in 2025 an eligible clean vehicle may not contain any critical minerals that were extracted, processed, or recycled by a foreign entity of concern. The NPRM states that Treasury and IRS will issue subsequent guidance on this provision.

The NPRM is filed for public inspection and will be published in the Federal Register on April 17, 2023. Vehicles placed-in-service on or after April 18, 2023 will be subject to the critical mineral and battery component requirements laid out in the rule. On that date, FuelEconomy.gov will contain a list of eligible clean vehicles that qualified manufacturers have indicated to the IRS meet the requirements to claim the new clean vehicle credit, including the amount of the credit.

This list will continue to be updated promptly, as manufacturers provide information on which of their vehicles qualify for the tax credit based on the NPRM. Additional information about the clean vehicle credit is available here. Treasury and the IRS will carefully consider public comments and feedback before issuing final rules.