U.S. Department of the Treasury Releases Final Rules to Lower Consumer Costs, Continue U.S. Manufacturing Boom in Batteries and Clean Vehicles, Strengthen Energy Security

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WASHINGTON – Today the U.S. Department of the Treasury and Internal Revenue Service (IRS) released final rules on the clean vehicle provisions of the Inflation Reduction Act (IRA) that are lowering costs for consumers, spurring a boom in U.S. manufacturing, and strengthening energy security by building resilient supply chains with allies and partners. Since President Biden was elected, $173 billion in private-sector investment has been announced across the U.S. clean vehicle and battery supply chain.

“President Biden’s Inflation Reduction Act has unleashed an investment and manufacturing boom in the United States. I’ve seen firsthand in Tennessee, North Carolina, and Kentucky how ecosystems have developed in communities nationwide to onshore the entire clean vehicle supply chain so the United States can lead in the field of green energy,” said **Secretary of the Treasury Janet L. Yellen.** “The Inflation Reduction Act’s clean vehicle credits save consumers up to $7,500 on a new vehicle, and hundreds of dollars per year on gas, while creating good-paying jobs and strengthening our energy security.”

“Today’s actions from Treasury and DOE provide clarity and certainty to an EV marketplace that’s rapidly growing,” said **John Podesta, Senior Advisor to the President for International Climate Policy.** “The direction we’re headed is clear—toward a future where many more Americans drive an EV or a plug-in hybrid and where those vehicles are affordable and made here in America.”

“Since his first day in office, President Biden has bet on America, invested in our competitiveness, and stood with U.S. auto workers,” **said Assistant to the President and National Climate Advisor Ali Zaidi.** “We are seeing the impact of that leadership. Under President Biden, the U.S. went from laggard to leading the rest of the world in EV manufacturing investment. EV sales have quadrupled. New factories are opening up, including 15 gigafactories commissioned to bring back jobs manufacturing batteries invented here in America. Driven by the President’s vision and leadership, the sector is experiencing a manufacturing boom – and it’s reaching every corner of the country. These credits for clean vehicles are the latest action by the Biden-Harris Administration to save consumers thousands of dollars and ensure the future of the auto industry is made in America by American workers."

The final rules being issued today strengthen and secure supply chains and provide certainty for manufacturers and taxpayers. After careful consideration of the extensive public feedback received in response to the proposed rules, the Treasury Department and the IRS are providing definitions and rules regarding taxpayer and vehicle eligibility for the credit for new clean vehicles and the previously-owned clean vehicle credit. The rules also address the critical minerals and battery components requirements and Foreign Entity of Concern (or "excluded entity") restriction that were added to the clean vehicle credit by the IRA. Concurrently with today's final rules, the Department of Energy (DOE) is also releasing final interpretive guidance related to the definition of Foreign Entity of Concern for purposes of the 30D clean vehicle credit and the battery manufacturing grant program created by the Bipartisan Infrastructure Law.

Today's release also includes rules for transferring the 30D clean vehicle credit of up to $7,500 and 25E previously owned clean vehicle credit of up to $4,000 to registered dealers. This mechanism created by the IRA is already extending the reach of the credits by making the credit available at the point of sale rather than when buyers file their taxes. Researchers have found that consumers overwhelmingly prefer an immediate rebate at point of sale. So far this year, more than 100,000 credits have been transferred at the point of sale, representing more than $700 million in upfront savings for consumers.

These rules provide for robust program integrity measures, including upfront review of compliance with both critical mineral and battery component requirements and the FEOC restrictions starting this summer. The IRS, with analytical assistance from DOE, will conduct upfront review of documentation and certifications addressing materials sourcing requirements to ensure that qualified manufacturers are accurately representing their battery contents. In addition, the final rules confirm that taxpayers may rely on vehicle eligibility information provided by manufacturers so that taxpayers are not penalized for manufacturers mistakes.

CALCULATING $3,750 CRITICAL MINERALS CREDIT

For determining qualifying critical mineral content for purposes of the critical minerals requirement, today's release provides a new test, the traced qualifying value add test. Under this test, manufacturers must conduct a detailed supply chain tracing to determine the actual value-added percentage for extraction, processing, and recycling. The actual percentage is used to determine the value for the applicable critical mineral that is qualifying. Manufacturers may continue to use the 50 percent roll up described in the proposed regulations as a transition rule until 2027.

FOREIGN ENTITY OF CONCERN

For the Foreign Entity of Concern (FEOC) restriction, the final regulations make permanent the allocation-based accounting rules for applicable critical minerals contained in a battery cell. The final regulations also identify certain impracticable-to-trace battery materials. As tracing standards and capabilities develop, qualified manufacturers may temporarily exclude these battery materials from FEOC due diligence and FEOC compliance determinations until 2027.

To take advantage of the FEOC transition rules for impracticable-to-trace battery materials, qualified manufacturers must submit a report during the upfront review process noted above, demonstrating how the qualified manufacturer will comply with the FEOC restriction once the transition rule is no longer in effect.

Clean Vehicle Credit Requirement	2024	2025
Foreign Entity of Concern Restriction for Battery Components (to receive any credit)	YES	YES
Foreign Entity of Concern Restriction for Critical Minerals (to receive any credit)	NO	YES
Battery Component Applicable Percentage (to receive $3,750)	60%	60%
Critical Minerals Applicable Percentage (to receive $3,750)	50%	60%

The Biden-Harris Administration is committed to using every tool available to build secure, resilient, trusted supply chains for EVs and EV batteries, and to creating good-paying and union jobs throughout the EV supply chain in the United States. The White House, working with the Department of Treasury and Department of Energy, intends to convene domestic critical minerals producers, battery manufacturers, and automakers in the coming weeks to identify additional opportunities to accelerate growth in this sector in the United States, including through offtake agreements between domestic critical mineral producers and battery and EV manufacturers.

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