



Buying EVs for Used Inventory? Understanding the Federal “Previously Owned Clean Vehicle” Tax Credit

Effective Jan. 1, 2023, a federal [previously-owned clean vehicle tax credit](#) (Used EV Credit) *potentially* applies to used battery electric (BEV), plug-in hybrid electric (PHEV), or fuel cell electric (FCEV) vehicles sold by licensed dealers between 2023 and 2032. The maximum Used EV Credit is the lesser of \$4,000 or 30% of the sales price. But, as detailed below, many used EV sales will be ineligible for a Used EV Credit. To the extent possible, before buying a used EV, determine whether a Used Vehicle Credit may apply when the EV is later sold by the dealership.

A USED EV MUST BE:



I. For starters, to be eligible for a Used EV Credit, used EVs must:

- Have been manufactured by a qualified OEM (virtually all were);
- Be under 14,000 lbs GVWR (if not sure, check the certification label on the driver-side door frame or B-pillar);
- Be propelled by a battery of at least 7 kWh (a concern only for PHEVs) or be a FCEV; *and*
- Be two model years old or older than the year of sale (i.e, for sales in 2023, MY 2021 or older).

Bottom Line: The above requirements should be easy to determine prior to buying a used EV.

THE SALE MUST BE THE FIRST OF THE EV TO A QUALIFIED BUYER SINCE 8/16/22 WHO WAS NOT THE ORIGINAL OWNER. A QUALIFIED BUYER IS AN INDIVIDUAL WHO:



Cannot be deducted on someone else's tax return



Purchases the EV for use in the U.S. and not for resale



Has not claimed a Used EV Credit for a purchase made in the last 3 years

II. Also, to be eligible for a Used EV Credit, a used EV may *not* have been sold after 8/16/22 to a Qualified Buyer who was not the original owner. A Qualified Buyer is someone who:

- Is an individual (not a business, etc.) who cannot be a deducted on someone else's tax return;
- Purchased the vehicle for use in the U.S. and not for resale; *and*
- Has not claimed a Used EV Credit for a purchase made within the last 3 years.

Bottom Line: If a used EV is sold after 8/16/22 to a Qualified Buyer who was not the first owner, the Used EV Credit is no longer available for that EV. However, it may be difficult to determine with certainty whether a prior used EV owner was a Qualified Buyer. Yes, a vehicle history report should show if a used EV was sold after 8/16/22 to an individual who took title in the United States in his or her name. But, determining whether that buyer was deductible on someone else's taxes, or previously claimed a Used EV Credit, will be difficult at best. Only if a used EV was not sold after 8/16/22 or was sold since then but only to non-individuals (e.g., businesses), will it be reasonable to assume that it was not previously sold to a Qualified Buyer and may qualify for a Used EV Credit.

THE SALE MUST:



Be a Qualified Buyer with a MAGI below the applicable cap



Be for \$25,000 or less, by a licensed dealer, who provides the buyer with credit report form

III. When a used EV is sold at retail, four additional requirements must be met for a Used EV Credit to apply. Specifically:

- The purchaser must be a Qualified Buyer (see above) that did not buy the EV new;
- The purchaser must have a Modified Adjusted Gross Income below the applicable cap;^[1]
- The sale must be by a licensed dealer for a price that does not exceed \$25,000; *and*
- The selling dealer must provide the eligible purchaser with a copy of the required [report form \(under Section 25E\)](#).

[1] \$150,000 for married filing jointly or a surviving spouse, \$112,500 for heads of households, \$75,000 for all other tax filers

Bottom Line: Even if one or more of the above four requirements cannot be met, customers often will be willing to purchase a used EV without a federal Used EV Credit.

Questions may be directed to regulatoryaffairs@nada.org.