

Appraiser Blog

US Point-of-Sale EV Tax Credits: \$580 Million Issued So Far



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Wednesday, April 17, 2024

Imagine walking into a car dealership on a sunny Saturday morning, ready to finally make the switch to an electric vehicle (EV). As you discuss the price, the dealer smiles and says, "Let's apply your EV tax credit right now and reduce the price immediately." This isn't a dream scenario; it's the new reality for many Americans.

Since the beginning of this year, the U.S. government has expedited the process of eco-friendly transitions by reimbursing auto dealers with over \$580 million in point-of-sale consumer EV tax credits.

This change, which lets buyers benefit from tax credits instantly, represents a significant shift in how green incentives are handled, potentially speeding up America's move towards a more sustainable future.



How the New System Works

Previously, car buyers had to wait until filing their tax returns to benefit from EV tax credits, which could be up to \$7,500 for new electric vehicles or \$4,000 for used ones. However, since January 1st, the system has changed dramatically.

Consumers can now assign their credits to dealers at the time of purchase, which reduces the cost of the vehicle on the spot. This immediate discount has made electric vehicles more accessible to a broader audience and is increasing EV sales across the country.

Impact on Consumer Choices and Dealer Operations

Dealers have seen a noticeable increase in interest since this new point-of-sale rebate system was implemented. "Demand is high four months into the implementation of this new provision," according to Haris Talwar, a Treasury spokesperson. On the front lines, dealers are adjusting to this surge in demand by enhancing their inventory and training staff to manage the tax credit transactions efficiently.

The change hasn't just affected how consumers pay for their cars; it has altered the landscape of available vehicles. Starting this year, only 19 models qualify for the tax credit down from 43 last year. This reduction is due to new guidelines aimed at reducing dependency on foreign EV parts and boosting the domestic market. Models like the Volkswagen ID.4 and GM's Chevy Blazer EV have regained eligibility, indicating a dynamic and rapidly adjusting market.

Navigating the Requirements

Consumers must navigate certain stipulations to qualify for these rebates. There are income limits—\$300,000 for married couples and \$150,000 for individuals—and the vehicle must be purchased new to qualify.

If a buyer doesn't meet these criteria at the time of purchase but claims the credit, they are required to repay the government during tax filing. Such measures ensure

that the benefits are targeted and effective, reinforcing the government's strategy to foster a sustainable automotive ecosystem.

The Bigger Picture

This policy is part of a broader effort encapsulated by the August 2022 Inflation Reduction Act, which aims to reform the automotive industry towards more sustainable practices. The act requires that vehicles be assembled in North America and places caps on eligibility based on the manufacturer's sales volumes and the vehicle's price.

This not only encourages domestic manufacturing but also ensures that the benefits of tax credits are felt more widely across the economic spectrum.

Conclusion: What's Next for EV Tax Credits?

As the U.S. continues to adapt its policies to support environmental sustainability, the success of the point-of-sale EV tax credit system will likely influence future decisions in green policy-making.

With \$580 million already disbursed and many consumers and dealers feeling the positive impact, it's clear that this program could serve as a model for other incentives aimed at accelerating the transition to a greener future. But, will these changes be enough to meet the national goals for emissions reductions?