

## Don't Miss out on the Electric Vehicle Credit

### Article Highlights:

- How the Credit Amount Is Determined
- Manufacturer Phaseouts
- Credit for Specific Vehicles
- Allocation between Business and Personal Use
- Non-refundable Limitations

If you are considering purchasing a new car or light truck (less than 14,000 pounds), maybe you should consider one of the many electric vehicles currently being offered for sale and take advantage of a federal income tax credit worth as much as \$7,500.

The tax credit is actually made up of two parts: the basic amount of \$2,500, which requires the electric vehicle to have a battery with at least 5 kilowatt-hours of capacity, and an additional \$417 of credit for each kilowatt-hour of battery capacity in excess of 5 kilowatt-hours. The total amount of the credit allowed for any qualified vehicle is limited to \$7,500.

However, the credit begins to be phased out for a particular manufacturer's vehicles when at least 200,000 qualifying vehicles have been sold for use in the United States.

If you are not an electrical engineer, it may seem a little complicated to figure out which vehicles qualify for the credit and for how much. You can usually rely on the information provided by the dealer. However, to be on the safe side, you can verify which vehicles are qualified and the credit amount available, based on the vehicle's kilowatt-hours and the reduction in credit due to the credit phaseout, by visiting the [IRS website](#). From the list on the linked page, click on the manufacturer of the vehicle you are interested in to find out if the model and year of that vehicle qualify for the credit and the amount of the credit.

To be eligible for the credit, you must acquire the vehicle for use or lease and not for resale. Additionally, the original use of the vehicle must commence with you, and you must use the vehicle predominantly in the United States. The vehicle is not considered acquired prior to the time when its title passes to you under your state's law. The credit is available whether you use the vehicle for business, personally or a combination of both. The prorated portion of the credit that applies to business use becomes part of the general business credit, and any amount not used on your return for the year when you purchase the vehicle can be carried back to the previous year and then carried forward until used up, but for no more than 20 years.

**What a Dealer May Not Tell You** – The portion of the credit that is not treated as a general business credit (i.e., the personal use portion of the credit) is non-refundable. That means it can only be used to offset your tax liability for the year when you purchase the vehicle, and any excess credit is lost. Assuming you purchase the vehicle in 2016 and your 2016 tax return will be similar to your 2015 return, you can get an idea of how the credit will apply to you by comparing the amount on line 47 of your 2015 Form 1040 to the credit the vehicle provides. If line 47 is greater than the credit, then you will probably benefit from the entire amount of the credit on your 2016 return. If it is less, then you will only benefit from the amount on line 47 as it will be figured for your 2016 return.

If your 2016 tax return will be significantly different from your 2015 return, or you simply want to verify your benefit from the credit, please give this office a call.