

Ashfield News – Energy Committee Nov 2022 Electric Vehicles and the Inflation Reduction Act

We all need to transition to electric cars as quickly as possible to avert the worst impacts of climate change. Massachusetts has an ambitious goal to have 300,000 zero-emission vehicles by 2025 to help reduce carbon emissions and currently has approximately 30,000 (S. Solis, Axios, 2022). The passage of the Inflation Reduction Act in August changes things significantly for potential electric car buyers and the Energy Committee article this month will focus on understanding how it impacts people considering or planning electric car purchases now and in the next year.

The passage of the Inflation Reduction Act in August of this year was a huge step forward for the adoption of renewable energy in general and electric vehicles in particular. Starting immediately, EV's assembled in North America are eligible for a \$7500 federal tax credit. In 2023 The act removes the cap of 200,000 new EV's from any one automaker to be eligible for the \$7500 federal tax credit, and adds a \$4000 federal tax credit for used EV's. Starting in 2024 the \$7500 tax credit, for vehicles which qualify, can be given directly to consumers at point of sale (K. Barry, Consumer Reports, 2022).

The IRA adds some restrictions which can be a bit confusing. EV's must be assembled in North America to qualify for the tax credit (takes effect immediately). EV's must have battery components sourced in North America to qualify (this will be phased in over several years). EV's batteries must be made with minerals sourced from countries that the US has free trade with and can not come from a country considered a "foreign entity of concern" (think China and Russia). This will be phased in starting in 2025. EV's considered luxury vehicles (based on price) do not qualify. For SUV's, pickup trucks, and vans any vehicles with purchase price under \$80K qualify. For sedans, hatchbacks, station wagons any vehicles with purchase price under \$55K qualify. Consumers can only get the tax credits if they meet income guidelines: not more than \$300K per household, \$225K for head of household, \$150K per individual (half of all of these values for used EV's) (K. Barry, Consumer Reports, 2022).

EV's that qualify now due to assembly in North America:

Cadillac Lyriq	Chevy Blazer
Chevy Bolt and Bolt EUV	Chevy Silverado EV
Ford F-150 Lightning	Ford Mustang Mach-E
Nissan Leaf	Rivian RIS, RIT
Tesla Cybertruck (only with certain trim levels)	
Tesla Model 3 (certain trim levels)	
Tesla Model Y (only if it is considered an SUV)	
Volkswagen ID4 (certain trim levels)	(K. Barry, Consumer Reports, 2022)

April West, an Ashfield resident who purchased an EV this fall, found she fell into a donut hole between the new and old regulations. She purchased a Chevy Bolt in August 2022. Before the law was passed Chevy had sold over 200,000 EV's and so was no longer able to offer buyers the \$7500 federal tax credit. The new law removes the 200,000 vehicle cap starting in 2023 but despite being fully made in the USA the Bolt she purchased in August is not eligible for the tax credit now, though it would be in January. However, the dealer offered a \$6500 discount at the time of purchase, which, combined with the short wait time (2 months) to get the car due to it being domestically produced, made it a good option for her. In addition, getting the point of sale discount from the dealer may be preferable for some consumers, since they would not get the full \$7500 if they do not pay that much in taxes. Point of sale

discounts may be a way dealers whose cars do not qualify for the tax credits can keep themselves competitive.

Country Hyundai in Northampton reports they have 197 people on the wait list for the Ioniq 5 and that the demand is huge despite the car no longer qualifying for the tax credit. There is a 6-10 month wait to get a car right now and with gas prices likely to go up again they see the demand for electric cars will only increase. Hyundai does have a large plant in Alabama and the company is moving to get its cars produced there so that they can qualify for the tax credits in the future.

In the longer term the lists of which cars do and don't qualify will change as companies hopefully move their operations to North America. In the short term: Do consider purchasing an EV. Make sure to ask the dealer if this car purchased at this time will qualify for tax credits and if not ask if they will offer a discount to make the car you are considering affordable for you.

As always- the Energy Committee welcomes your feedback on these articles, and your questions/concerns re renewable energy issues which affect you or Ashfield. What would you like more information on? Home heating? Energy efficiency? EV charging? Contact us at energy@ashfield.org