

# Making Electric Vehicles More Affordable: A Consumer Guide

## IRA: Opening the Door to Zero-Emission Vehicles

The Inflation Reduction Act (IRA) represents the largest investment in our climate and clean energy in US history—and it includes game-changing incentives for consumers looking to purchase new or used EVs. **Even better: these federal incentives can be combined with state, local, and utility incentives**, meaning that purchasing a new or used zero-emission vehicle has never been more affordable. That's a big win for consumers and the climate.

## Developing a Market for Used EVs — Up to \$4,000 Tax Credit

American consumers are three times more likely to buy a used car than a new car. As more new EVs are made available to American consumers by manufacturers, more affordable used EV options will also expand. The IRS Used Clean Vehicle Tax Credit (25E) will accelerate the creation of a secondary market for EVs in order to improve accessibility and affordability for low and middle-income drivers by providing qualified purchasers a credit of up to \$4,000. For more information, visit <https://www.irs.gov/credits-deductions/used-clean-vehicle-credit>.

## Clean Vehicle Tax Credit - Up to \$7,500 Tax Credit

The IRA extended the Internal Revenue Service's Clean Vehicle Tax Credit (30D) to 2032. Consumers purchasing eligible vehicles can get up to a \$7,500 tax credit. The revised tax credit won't apply to all vehicles though: it applies to clean vehicles made in North America with batteries made with North American-manufactured components and critical minerals sourced from countries with which the U.S. has a free trade agreement. (Vehicles that meet either the battery or critical minerals requirements, but not both, are eligible for half of the credit amount.) Importantly, there is no longer a cap on EVs per manufacturer as existed before 2022.

The Department of Energy has provided a list of Model Year 2022 and early Model Year 2023 (<https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit>) electric

vehicles that may meet the final assembly requirement. Consumers will recognize popular makes and models on the list, including the Tesla Model 3 and Model Y, the Ford Lightning F-150 and Mustang Mach-E, and the Volkswagen ID.4.

The battery and minerals requirements in the law become more stringent in subsequent years, and automakers are expanding their North American manufacturing and critical minerals sourcing. This means the list of eligible vehicles will change over time. Consumers should do their research to get the most recent list of eligible models.

Because some models are built in multiple locations, there may be vehicles that do not meet the final assembly requirement in all circumstances. To identify the manufacturer's location for a specific vehicle, please search for the vehicle identification number (VIN) of the vehicle on the VIN Decoder website: <https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit#vin-decoder>.

## Stacking Incentives for Big Affordability Wins

Particularly exciting for consumers is the opportunity to stack these new federal incentives with additional state, local, and utility-level incentive policies. These opportunities differ depending on where you live, so be sure to visit <https://www.electricforall.org/rebates-incentives/> to learn exactly what's available in your area. But these additional incentives can add up to huge savings.

For example, some Colorado residents – when combining federal incentives, an exciting state EV tax credit, and additional state and utility incentives coming online in 2023 – may be eligible for up to \$26,500 in discounts for an EV purchase! While this isn't available everywhere, the lesson is clear: different incentives can be combined to make EVs even more affordable.

For more information, please contact Jesse Piedfort (Deputy Campaign Director, Clean Transportation for All) at [jesse.piedfort@sierraclub.org](mailto:jesse.piedfort@sierraclub.org).

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