

Creating a Buzz Around Sustainability with Personal Electric Tax Credits

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As the world moves away from fossil fuels and turns to sustainable, renewable energy, Federal and state governments are helping to encourage the transition by offering various electric tax credits and incentives. This piece highlights three potential Federal tax savings opportunities.

Individuals who purchase new electric vehicles (EVs) from certain manufacturers for personal use may qualify for the Plug-In Electric Drive Vehicle Credit of up to \$7,500, depending on the size of its battery. This opportunity is available for all

electric, as well as plug-in hybrid EVs. Not all brands will qualify for this credit, as it begins to phase out when at least 200,000 of a manufacturer's qualifying vehicles have been sold for use in the United States (currently credits for General Motor and Tesla vehicles are phased out to zero due to this threshold). In addition, a taxpayer who purchased a new EV during 2021 and installed a new dedicated outlet or a wall charger in order to refuel at their home may also take advantage of the Alternative Fuel Vehicle Refueling Property Credit. This is another incentive which allows one to receive an income tax credit equivalent to 30% of the price of installation and equipment, up to a maximum credit amount of \$1,000. This credit expired on December 31, 2021, so its availability is limited only to those taxpayers who installed the property last year.

Additionally, for those who want to enable their houses to generate and store electricity, there is another tax incentive called the Residential Energy Efficient Property Credit (REEP). While the list of qualified property is extensive, some of the more common examples are solar panels, solar water heaters (with some exceptions) and home energy storage devices, such as battery packs. However, costs allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than energy storage do not qualify for the credit. The credit amount was recently increased to 26% in 2022 and 22% in 2023 for the cost of qualified property installed. The credit is set to expire at the end of 2023.

Two rules common to all three incentives are that the qualifying property can't be leased and that the credit is nonrefundable. Also, the rules become more complicated when the property has a business use component.

It is important to note that legislation discussions have been ongoing in Congress to encourage greater use of clean and renewable energy. A recently proposed bill which stalled in Congress, the Build Back Better Act (BBBA), would modify some of the current tax incentives for green energy use if passed. One of the provisions of the bill proposes to increase the EV credit to \$12,500 for EVs built in the US, expands the credit availability to used EVs (limited to \$2,500) if purchased through a qualified dealer and also removes the current limitation for Chevrolets and Teslas. However, the new laws are more stringent because there are new restrictions on the price, the taxpayer's income, and the timing of the purchase. In addition, the

tentative bill discusses the possibility of raising the credit amount for REEP to 30% of cost through December 31, 2031, so one might consider postponing the purchase of qualified property, such as solar panels, to better assess the likelihood of the BBBA being signed into law.

Demand for electric vehicles and energy-efficient property has increased significantly over the last few years, and tax-savvy individuals may be eligible for related tax credits to help minimize personal income tax liability and defray the cost to buy/install. Whether you purchased an EV and solar property already, or are considering doing so in the future, please consult with your Anchin Relationship Partner or [Josh Shapin](#) and [Ronald Anwar](#), members of Anchin Private Client, to learn more about these tax savings opportunities.