ZETA | ZERO EMISSION TRANSPORTATION ASSOCIATION

Electric Vehicle Incentives Factsheet

Comparing the Senate Finance and House Ways & Means Proposals

Reforming the Sec. 30D Tax Credit

Background: Electric vehicle (EV) consumer incentives benefit the public – not just the driver – by reducing public health costs, accelerating economic development, and decarbonizing our economy. Congress created the 30D EV tax credit in 2008 on a bipartisan basis with these benefits in mind. But after a decade of extraordinary change in the EV sector, it needs to be updated. For example, the current 30D credit has a 200,000 units-per-manufacturer cap that favors imported vehicles over some domestic manufacturers, and it is not credited at the point of sale, where it would have the greatest impact. It also does not apply to the used vehicle market, where most Americans buy their cars.

The Clean Energy for America Act, marked up by the Senate Committee on Finance:

- Provides a $7,500 base credit with a $2,500 bonus for EVs assembled domestically and a $2,500 bonus for EVs assembled in unionized facilities.
- Removes the per-manufacturer unit cap and sunsets the tax credit after EVs exceed 50% of all annual new passenger vehicle sales in the United States.
- Creates a manufacturer's suggested retail price (MSRP) eligibility cap, set at $80,000.
- **Joint Committee on Taxation (JCT) Score: $31.5 billion investment in EV incentives.**

The House Committee on Ways & Means bill:

- Provides a $7,500 base credit with a $4,500 bonus for EVs assembled in unionized facilities and a $500 bonus for EVs with domestically sourced content.
- Removes the per-manufacturer unit cap, and sunsets the tax credit after 10 years.
- Creates a tiered MSRP cap system based on vehicle types, as follows: $55,000 for sedans, $64,000 for vans, $69,000 for SUVs, and $74,000 for pickup trucks.
- Creates a consumer adjusted gross income (AGI) cap, set at $400,000.
- **JCT Score: $15.5 billion investment in EV consumer incentives.**

Conclusion: Both proposals remove the per-manufacturer cap on consumer EV incentives, which has been a significant impediment to EV adoption. The Ways & Means proposal, however, narrows the tax incentive with AGI, MSRP, and manufacturer limitations that dramatically curtail the credit's deployment value. AGI caps unreasonably focus on the first driver and ignore the vast environmental, public health, and economic benefits of electrification. Counterintuitively, they also harm lower-income EV buyers because income verification requirements make it difficult to apply the credit at the point of sale. Low MSRP caps in the Ways & Means proposal also force manufacturers to produce lower range, less desirable vehicles, which diminishes the consumer experience and will slow EV adoption.

JCT estimates the Senate Finance proposal would deliver twice as much funding for EV incentives over the next decade, resulting in significantly more EV deployment and emissions reduction.

Creating a New Tax Credit for Used EVs

Background: There is no consumer incentive for the purchase of used EVs, despite the fact that most Americans purchase their vehicles in the used car market. Accordingly, a used-car incentive would significantly expand EV access and adoption.

The Clean Energy for America Act, marked up by the Senate Committee on Finance:

- Does not create a tax credit for used EVs.

The House Committee on Ways & Means bill:

- Creates a new tax credit for used EVs. The base credit is $1,250 plus the lesser of $1,250 or $208.50 per kWh of battery capacity.
- Sets a $25,000 MSRP cap and a $75,000 AGI cap.
- Requires used EVs to be at least two years old at the point of sale.

Conclusion: The Ways & Means Committee's used car provisions represent a significant step forward for transportation electrification, but its low AGI cap will prevent many Americans from utilizing the incentive. The two-year age minimum could also render some used rental fleet EVs ineligible.

Creating an Investment Tax Credit for Commercial Vehicles

Background: Medium- and heavy-duty vehicles are among the most-polluting vehicles on the road. Electrifying them will deliver vast environmental and public health benefits, particularly along traffic corridors, in urban areas, and in disadvantaged communities. EV incentives for these commercial vehicles do not currently exist.

The Clean Energy for America Act, marked up by the Senate Committee on Finance:

- Creates a new investment tax credit for medium- and heavy-duty EVs, lighter-duty fleet vehicles like some delivery vans, and non-road electrified transportation (e.g., aircraft and boats).
- Provides purchasers with a tax credit equal to the lesser of 30% of the vehicle's cost or the incremental cost of the vehicle over a comparable petroleum-fueled vehicle.

The House Committee on Ways & Means bill:

- Creates a new investment tax credit for medium- and heavy-duty EVs.
- Provides purchasers with a tax credit equal to 30% of the vehicle's cost.

Conclusion: Both the Finance and Ways & Means proposals will help catalyze a strong advanced vehicle sector and generate real emissions reductions. The 30% flat rate would be more impactful than the incremental cost calculation.

Reforming the Sec. 30C Investment Tax Credit

Background: Broad EV adoption requires a corresponding expansion of public EV charging. The Sec. 30C investment tax credit is the primary federal incentive for spurring the deployment of EV charging.

The Clean Energy for America Act, marked up by the Senate Committee on Finance:

- Extends 30C until greenhouse gas emissions fall to 25% of their 2021 levels.
- Replaces the current $30,000 tax credit cap per location with a $200,000 per charger cap.
- Requires that developers pay their installers prevailing wages in order to receive the full credit.

The House Committee on Ways & Means bill:

- Extends the 30C credit through 2031.
- Replaces the current $30,000 cap per location with an uncapped 20% investment tax credit after the first $100,000 in investment (the initial $100,000 invested receives a 30% tax credit).
- Requires chargers to either not charge a fee or to accept credit cards, or to be for the exclusive use of government or commercial fleets.
- Includes provisions that will effectively make the tax credit refundable.
- Expands eligibility to include charging stations for road-worthy two- and three-wheeled vehicles.
- Requires that developers pay their installers prevailing wages in order to receive the full credit.

Conclusion: Expanding the 30C tax credit will drive investment in charging infrastructure across the country. Adding the Ways & Means' direct pay provisions to the Senate's commonsense bipartisan reforms would do the most to drive buildout of charging infrastructure and improve consumer access.