

Part III – Administrative, Procedural, and Miscellaneous

Certain Definitions of Terms in Section 30D Clean Vehicle Credit

Notice 2023-1

SECTION 1. PURPOSE

This notice informs taxpayers that the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to propose regulations under § 30D of the Internal Revenue Code (Code) (forthcoming proposed regulations) addressing the definitions of certain terms relevant to the requirements of the clean vehicle credit available under § 30D (§ 30D credit).¹

SECTION 2. BACKGROUND

Section 13401 of Public Law 117-169, 136 Stat. 1818 (August 16, 2022), commonly known as the Inflation Reduction Act of 2022 (IRA), amended § 30D. In general, the amendments made by § 13401 of the IRA to § 30D apply to vehicles placed in service after December 31, 2022, except as provided in § 13401(k)(2) through (5) of the IRA.

As amended by § 13401(b) of the IRA, § 30D(d)(1)(G) requires, as of August 17, 2022, any vehicle eligible for the § 30D credit to undergo final assembly in North

¹ Unless otherwise specified, all “section” or “§” references are to sections of the Code.

America. Section 30D(d)(5) defines “final assembly” as the process by which a manufacturer produces a new clean vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer or importer with all component parts necessary for the mechanical operation of the vehicle included with the vehicle, whether or not the component parts are permanently installed in or on the vehicle.

New § 30D(f)(10)(A) provides that no § 30D credit is allowed for any taxable year if (i) the lesser of (I) the modified adjusted gross income of the taxpayer for such taxable year, or (II) the modified adjusted gross income of the taxpayer for the preceding taxable year, exceeds (ii) the threshold amount. New § 30D(f)(10)(B) provides that the threshold amount shall be (i) in the case of a joint return or a surviving spouse (as defined in § 2(a)), \$300,000, (ii) in the case of a head of household (as defined in § 2(b)), \$225,000, and (iii) in the case of any other taxpayer, \$150,000. New § 30D(f)(10)(C) defines “modified adjusted gross income” as adjusted gross income increased by any amount excluded from gross income under § 911, 931, or 933.

New § 30D(f)(11)(A) provides that no § 30D credit is allowed for a vehicle with a manufacturer's suggested retail price in excess of the applicable limitation. New § 30D(f)(11)(B) provides that the applicable limitation for each vehicle classification is as follows: in the case of a van, \$80,000; in the case of a sport utility vehicle, \$80,000; in the case of a pickup truck, \$80,000; and in the case of any other vehicle, \$55,000. New § 30D(f)(11)(C) authorizes the Secretary of the Treasury or her delegate (Secretary) to prescribe such regulations or other guidance as the Secretary determines necessary to determine vehicle classifications using criteria similar to that employed by the

Environmental Protection Agency and the Department of the Energy to determine size and class of vehicles.

SECTION 3. GUIDANCE TO BE ISSUED

The Treasury Department and the IRS intend to issue the forthcoming proposed regulations to address the amendments made to § 30D by the IRA. The forthcoming proposed regulations will include definitions of the following terms, which are relevant for new clean vehicles placed in service after December 31, 2022:

1. Final Assembly
2. North America
3. Manufacturer's Suggested Retail Price
4. Vehicle Classifications for vans, sport utility vehicles, pickup trucks, and other vehicles
5. Placed in service

In addition, the forthcoming proposed regulations will provide guidance regarding the critical mineral and battery component requirements under § 30D(e).² The remainder of this section 3 describes a subset of the expected content of the forthcoming proposed regulations.

.01 Final Assembly

For purposes of § 30D(d)(5), “final assembly” means the process by which a manufacturer produces a new clean vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer or importer with all component parts necessary for the mechanical operation of the vehicle included with

² Section 4 of this notice confirms that the publication of this notice is not the publication of proposed guidance with respect to the critical mineral and battery component requirements under § 30D(e).

the vehicle, whether or not the component parts are permanently installed in or on the vehicle.

To establish where final assembly of a new clean vehicle occurred, the taxpayer may rely on the following information: (1) the vehicle's plant of manufacture as reported in the vehicle identification number pursuant to 49 CFR 565; or (2) the final assembly point reported on the label affixed to the vehicle as described in 49 CFR 583.5(a)(3).

.02 North America

For purposes of § 30D(d)(1)(G), "North America" means the territory of the United States, Canada, and Mexico as defined in 19 C.F.R. part 182, Appendix A, § 1(1).

.03 Manufacturer's Suggested Retail Price

For purposes of § 30D(f)(11)(A), "manufacturer's suggested retail price" means the sum of: (A) the retail price of the automobile suggested by the manufacturer as described in 15 U.S.C. 1232(f)(1); and (B) the retail delivered price suggested by the manufacturer for each accessory or item of optional equipment, physically attached to such automobile at the time of its delivery to the dealer, which is not included within the price of such automobile as stated pursuant to 15 U.S.C. 1232(f)(1), as described in 15 U.S.C. 1232(f)(2). This information is reported on the label that is affixed to the windshield or side window of the vehicle, as described in 15 U.S.C. 1232.

.04 Vehicle Classifications

For purposes of § 30D(f)(11)(B), the applicable limitation for each vehicle classification is as follows: (A) in the case of a van, \$80,000; (B) in the case of a sport

utility vehicle, \$80,000; (C) in the case of a pickup truck, \$80,000; and (D) in the case of any other vehicle, \$55,000.

For purposes of § 30D(f)(11)(B), a vehicle's vehicle classification is to be determined consistent with the rules and definitions provided in 40 CFR 600.002 for vans, sport utility vehicles, and pickup trucks. A vehicle described in § 30D(f)(11)(B)(iv) is a vehicle that is not considered a van, sport utility vehicle, or pickup truck consistent with the rules and definitions provided in 40 CFR 600.002.

.05 Placed in Service

For purposes of the § 30D credit, a new clean vehicle is considered to be placed in service on the date the taxpayer takes possession of the vehicle.

SECTION 4. PROPOSED GUIDANCE FOR CRITICAL MINERAL AND BATTERY COMPONENT REQUIREMENTS

For purposes of § 30D(e)(3)(B), the publication of this notice is not the publication of proposed guidance with respect to the critical mineral and battery component requirements under § 30D(e) and does not trigger the applicability of the requirements. The Treasury Department and the IRS will explicitly identify when they have published proposed guidance with respect to the critical mineral and battery component requirements under § 30D(e).

SECTION 5. DRAFTING INFORMATION

The principal author of this notice is the Office of Associate Chief Counsel (Passthroughs & Special Industries). However, other personnel from the Treasury Department and the IRS participated in its development. For further information regarding this notice, call the energy security guidance contact number at (202) 317-5254 (not a toll-free call).