

FEDERAL

New Qualified Plug-In Electric Drive Motor Vehicle Credit

Short Description: An income tax credit of zero to \$7,500 for the purchase of a new qualified plug-in electric drive motor vehicle.

Beneficiary: Purchaser of a qualified vehicle

Type of Incentive: Non-refundable income tax credit

Effective Dates: Current Benefit

Value of Benefit: An income tax credit of up to \$7,500. The credit is computed and claimed on Federal Form 8936 (reproduced below).

Full Description:

A tax credit of up to \$7,500 is allowed for the purchase of a new qualified plug-in electric drive motor vehicle that is placed in service. An amount of \$2,500 is allowed per vehicle. An additional \$417 is allowed for the first 5 kilowatt hours of capacity plus \$417 for every kilowatt hour of capacity over 5 kilowatt hours, up to a total of \$5,000.

A New Qualified Plug-In Electric Drive Motor Vehicle means a vehicle for which the original use begins with the taxpayer, is acquired for use or lease by the taxpayer, not resale, is made by a manufacturer, has a gross weight of less than 14,000 pounds, and is propelled to a significant extent by an electric motor that draws electricity from a battery.

Federal Statutory Reference:

Internal Revenue Code Section 30D

- <https://www.law.cornell.edu/uscode/text/26/30D>(reproduced below)

Other Link(s):

- <http://www.afdc.energy.gov/afdc/laws/law/US/409> (AFDC Website)
- <http://www.irs.gov/Businesses/Plug-In-Electric-Vehicle-Credit-IRC-30-and-IRC-30D>

Contact Info: Internal Revenue Service: 1-800-829-1040

26 USC § 30D - NEW QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR VEHICLES

(a) Allowance of credit

There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of the credit amounts determined under subsection (b) with respect to each new qualified plug-in electric drive motor vehicle placed in service by the taxpayer during the taxable year.

(b) Per vehicle dollar limitation

(1) In general

The amount determined under this subsection with respect to any new qualified plug-in electric drive motor vehicle is the sum of the amounts determined under paragraphs (2) and (3) with respect to such vehicle.

(2) Base amount

The amount determined under this paragraph is \$2,500.

(3) Battery capacity

In the case of a vehicle which draws propulsion energy from a battery with not less than 5 kilowatt hours of capacity, the amount determined under this paragraph is \$417, plus \$417 for each kilowatt hour of capacity in excess of 5 kilowatt hours. The amount determined under this paragraph shall not exceed \$5,000.

(c) Application with other credits

(1) Business credit treated as part of general business credit

So much of the credit which would be allowed under subsection (a) for any taxable year (determined without regard to this subsection) that is attributable to property of a character subject to an allowance for depreciation shall be treated as a credit listed in section [38 \(b\)](#) for such taxable year (and not allowed under subsection (a)).

(2) Personal credit

(A) In general

For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall be treated as a credit allowable under subpart A for such taxable year.

(B) Limitation based on amount of tax

In the case of a taxable year to which section [26 \(a\)\(2\)](#) does not apply, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall not exceed the excess of—

- (i) the sum of the regular tax liability (as defined in section [26 \(b\)](#)) plus the tax imposed by section [55](#), over
- (ii) the sum of the credits allowable under subpart A (other than this section and section [25D](#)) and section [27](#) for the taxable year.

(d) New qualified plug-in electric drive motor vehicle

For purposes of this section—

(1) In general

The term “new qualified plug-in electric drive motor vehicle” means a motor vehicle—

- (A) the original use of which commences with the taxpayer,

- (B) which is acquired for use or lease by the taxpayer and not for resale,
- (C) which is made by a manufacturer,
- (D) which is treated as a motor vehicle for purposes of title II of the Clean Air Act,
- (E) which has a gross vehicle weight rating of less than 14,000 pounds, and
- (F) which is propelled to a significant extent by an electric motor which draws electricity from a battery which—
 - (i) has a capacity of not less than 4 kilowatt hours, and
 - (ii) is capable of being recharged from an external source of electricity.

(2) Motor vehicle

The term “motor vehicle” means any vehicle which is manufactured primarily for use on public streets, roads, and highways (not including a vehicle operated exclusively on a rail or rails) and which has at least 4 wheels.

(3) Manufacturer

The term “manufacturer” has the meaning given such term in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act ([42 U.S.C. 7521](#) et seq.).

(4) Battery capacity

The term “capacity” means, with respect to any battery, the quantity of electricity which the battery is capable of storing, expressed in kilowatt hours, as measured from a 100 percent state of charge to a 0 percent state of charge.

(e) Limitation on number of new qualified plug-in electric drive motor vehicles eligible for credit

(1) In general

In the case of a new qualified plug-in electric drive motor vehicle sold during the phaseout period, only the applicable percentage of the credit otherwise allowable under subsection (a) shall be allowed.

(2) Phaseout period

For purposes of this subsection, the phaseout period is the period beginning with the second calendar quarter following the calendar quarter which includes the first date on which the number of new qualified plug-in electric drive motor vehicles manufactured by the manufacturer of the vehicle referred to in paragraph (1) sold for use in the United States after December 31, 2009, is at least 200,000.

(3) Applicable percentage

For purposes of paragraph (1), the applicable percentage is—

- (A) 50 percent for the first 2 calendar quarters of the phaseout period,
- (B) 25 percent for the 3d and 4th calendar quarters of the phaseout period, and
- (C) 0 percent for each calendar quarter thereafter.

(4) Controlled groups

Rules similar to the rules of section [30B \(f\)\(4\)](#) shall apply for purposes of this subsection.

(f) Special rules

(1) Basis reduction

For purposes of this subtitle, the basis of any property for which a credit is allowable under subsection (a) shall be reduced by the amount of such credit so allowed.

(2) No double benefit

The amount of any deduction or other credit allowable under this chapter for a new qualified plug-in electric drive motor vehicle shall be reduced by the amount of credit allowed under subsection (a) for such vehicle.

(3) Property used by tax-exempt entity

In the case of a vehicle the use of which is described in paragraph (3) or (4) of section [50 \(b\)](#) and which is not subject to a lease, the person who sold such vehicle to the person or entity using such vehicle shall be treated as the taxpayer that placed such vehicle in service, but only if such person clearly discloses to such person or entity in a document the amount of any credit allowable under subsection (a) with respect to such vehicle (determined without regard to subsection (c)).

(4) Property used outside United States not qualified

No credit shall be allowable under subsection (a) with respect to any property referred to in section [50 \(b\)\(1\)](#).

(5) Recapture

The Secretary shall, by regulations, provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any property which ceases to be property eligible for such credit.

(6) Election not to take credit

No credit shall be allowed under subsection (a) for any vehicle if the taxpayer elects to not have this section apply to such vehicle.

(7) Interaction with air quality and motor vehicle safety standards

A motor vehicle shall not be considered eligible for a credit under this section unless such vehicle is in compliance with—

(A) the applicable provisions of the Clean Air Act for the applicable make and model year of the vehicle (or applicable air quality provisions of State law in the case of a State which has adopted such provision under a waiver under section 209(b) of the Clean Air Act), and

(B) the motor vehicle safety provisions of sections [30101](#) through [30169](#) of title [49](#), United States Code.

Qualified Plug-in Electric Drive Motor Vehicle Credit

► Attach to your tax return.

Identifying number

Note.

- Use this form to claim the credit for certain plug-in electric vehicles (other than two- or three-wheeled or low-speed four-wheeled vehicles).
- Claim the credit for certain two- or three-wheeled or low-speed four-wheeled plug-in electric vehicles on Form 8834.
- Claim the credit for certain alternative motor vehicles or plug-in electric vehicle conversions on Form 8910.

Part I Tentative Credit

Use a separate column for each vehicle. If you need more columns, use additional Forms 8936 and include the totals on lines 7 and 11.

		(a) Vehicle 1	(b) Vehicle 2
1 Year, make, and model of vehicle	1		
2 Vehicle identification number (see instructions)	2		
3 Enter date vehicle was placed in service (MM/DD/YYYY)	3		
4 Tentative credit (see instructions for amount to enter)	4		

Next: If you did NOT use your vehicle for business or investment purposes and did not have a credit from a partnership or S corporation, skip Part II and go to Part III. All others, go to Part II.

Part II Credit for Business/Investment Use Part of Vehicle

5 Business/investment use percentage (see instructions)	5	%	%
6 Multiply line 4 by line 5	6		
7 Add columns (a) and (b) on line 6	7		
8 Qualified plug-in electric drive motor vehicle credit from partnerships and S corporations	8		
9 Business/investment use part of credit. Add lines 7 and 8. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, line 1y	9		

Part III Credit for Personal Use Part of Vehicle

10 If you skipped Part II, enter the amount from line 4. If you completed Part II, subtract line 6 from line 4	10		
11 Add columns (a) and (b) on line 10	11		
12 Enter the amount from Form 1040, line 46, or Form 1040NR, line 44	12		
13 Personal credits from Form 1040 or 1040NR (see instructions)	13		
14 Subtract line 13 from line 12	14		
15 Personal use part of credit. Enter the smaller of line 11 or line 14 here and on Form 1040, line 53, or Form 1040NR, line 50. Check box c on that line and enter "8936" in the space next to that box. If line 14 is smaller than line 11, see instructions	15		

General Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

For tax years beginning after 2008, use Form 8936 to figure your credit for qualified plug-in electric drive motor vehicles you placed in service during your tax year. The credit attributable to depreciable property (vehicles used for business or investment purposes) is treated as a general business credit. Any credit not attributable to depreciable property is treated as a personal credit.

Taxpayers that are not partnerships or S corporations, and whose only source of this credit is from those pass-through entities, are not required to complete or file this form. Instead, they can report this credit directly on Form 3800.

Qualified Plug-in Electric Drive Motor Vehicle

This is a new vehicle with at least four wheels that:

- Has a gross vehicle weight of less than 14,000 pounds, and
- Is propelled to a significant extent by an electric motor that draws electricity from a battery that has a capacity of not less than 4 kilowatt hours and is capable of being recharged from an external source of electricity.

Certification and other requirements. Generally, you can rely on the manufacturer's (or, in the case of a foreign manufacturer, its domestic distributor's) certification that a specific make, model, and model year vehicle qualifies for the credit and the amount of the credit for which it qualifies.

If, however, the IRS publishes an announcement that the certification for any specific make, model, and model year vehicle has been withdrawn, you cannot rely on the certification for such a vehicle purchased after the date of publication of the withdrawal announcement.

If you purchased a vehicle and its certification was withdrawn on or after the date of purchase, you can rely on such certification even if you had not placed the vehicle in service or claimed the credit by the date the withdrawal announcement was published by the IRS. The IRS will not attempt to collect any understatement of tax liability attributable to reliance on the certification as long as you purchased the vehicle on or before the date the IRS published the withdrawal announcement.

In addition to certification, the following requirements must be met to qualify for the credit:

- You are the owner of the vehicle. If the vehicle is leased, only the lessor and not the lessee, is entitled to the credit;
- You placed the vehicle in service during your tax year;

- The original use of the vehicle began with you;
- You acquired the vehicle for use or to lease to others, and not for resale; and
- You use the vehicle primarily in the United States.

Exception. If you are the seller of a qualified plug-in electric drive motor vehicle to a tax-exempt organization, governmental unit, or a foreign person or entity, and the use of that vehicle is described in section 50(b)(3) or (4), you can claim the credit, but only if you clearly disclose in writing to the purchaser the amount of the tentative credit allowable for the vehicle (from line 6 of Form 8936).

More information. For details, see the following.

- Section 30D.
- Notice 2009-54, 2009-26 I.R.B. 1124, available at www.irs.gov/irb/2009-26_IRB/ar07.html.
- Notice 2009-89, 2009-48 I.R.B. 714, available at www.irs.gov/irb/2009-48_IRB/ar09.html.

Credit Phaseout

The credit is subject to a phaseout (reduction) once the vehicle manufacturer (or, for a foreign manufacturer, its U.S. distributor) sells 200,000 of these vehicles to a retailer for use in the United States after 2009. The phaseout begins in the second calendar quarter after the quarter in which the 200,000th vehicle was sold. Then the phaseout allows 50% of the full credit for 2 quarters, 25% of the full credit for 2 additional quarters, and no credit thereafter.

Basis Reduction

Unless you elect not to claim the credit, you may have to reduce the basis of each vehicle by the sum of the amounts entered on lines 6 and 10 for that vehicle.

Coordination With Other Credits

A vehicle that qualifies for the qualified plug-in electric drive motor vehicle credit on this form cannot be used to claim the alternative motor vehicle credit on Form 8910. Also, the vehicle will not qualify for the qualified plug-in electric motor vehicle credit on Form 8834.

Recapture of Credit

If the vehicle no longer qualifies for the credit, you may have to recapture part or all of the credit. For details, see section 30D(f)(5).

Specific Instructions

Line 2

Enter the vehicle's vehicle identification number (VIN) on line 2. The VIN of a vehicle can be obtained from the registration, title, proof of insurance, or actual vehicle. Generally, the VIN is 17 characters made up of numbers and letters.

Line 4

Tentative Credit

Enter the credit allowable for the year, make, and model of vehicle you entered on line 1. You can generally rely on the manufacturer's (or domestic distributor's) certification of the credit allowable as explained above.

Tentative credit amounts acknowledged by the IRS are available at www.irs.gov/businesses/article/0,,id=214841,00.html. Or you can visit *IRS.gov* and search for "Plug-in Electric Vehicle Credit (IRC 30 and 30D)."

Line 5

Enter the percentage of business/investment use.

Enter 100% if the vehicle is used solely for business purposes or you are claiming the credit as the seller of the vehicle.

If the vehicle is used for both business purposes and personal purposes, determine the percentage of business use by dividing the number of miles the vehicle is driven during the year for business purposes or for the production of income (not to include any commuting mileage) by the total number of miles the vehicle is driven for all purposes. Treat vehicles used by your employees as being used 100% for business/investment purposes if the value of personal use is included in the employees' gross income, or the employees reimburse you for the personal use. If you report the amount of personal use of the vehicle in your employee's gross income and withhold the appropriate taxes, enter "100%" for the percentage of business/investment use.

If during the tax year you convert property used solely for personal purposes to business/investment use (or vice versa), figure the percentage of business/investment use only for the number of months you use the property in your business or for the production of income. Multiply that percentage by the number of months you use the property in your business or for the production of income and divide the result by 12. For example, if you converted a vehicle to 50% business use for the last 6 months of the year, you would enter 25% on line 5 (50% multiplied by 6 divided by 12).

For more information, see Pub. 463, Travel, Entertainment, Gift, and Car Expenses.

Line 8

Enter total qualified plug-in electric drive motor vehicle credits from:

- Schedule K-1 (Form 1065), box 15 (code P), and
- Schedule K-1 (Form 1120S), box 13 (code P).

Line 13

Enter the total, if any, credits from Form 1040, lines 47 through 50 (or Form 1040NR, lines 45 through 47); Form 5695, line 14; Form 8834, line 23; Form 8910, line 22; and Schedule R, line 22.

Line 15

If you cannot use part of the personal portion of the credit because of the tax liability limit, the unused credit is lost. The unused personal portion of the credit cannot be carried back or forward to other tax years.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping 4 hr., 4 min.

Learning about the law or the form 35 min.

Preparing and sending the form to the IRS 41 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.