



Sales and Use Tax – Information Release

ST 2023-02 - IRS Clean Vehicle Tax Credit

What is the credit?

The Inflation Reduction Act of 2022 established a new tax credit for purchases of new or used Electric Vehicles (EVs) or Fuel Cell Vehicles (FCVs). Effective January 1, 2024, this credit can be transferred to the EV seller, thereby reducing the amount the consumer pays out of pocket. This information release will explain how this credit will be treated for sales and use tax purposes when a customer elects to transfer a Clean Vehicle Tax Credit to a motor vehicle dealer and the sale is reported to the IRS.

Qualifying Vehicles

Qualified purchasers of new vehicles may be eligible for a credit of up to \$7,500 on vehicles with a manufacturer suggested retail price (MSRP) no more than \$80,000 for vans, sport utility vehicles, and pickup trucks; or \$55,000 for all other vehicles. Qualified purchasers of used vehicles may be eligible for a credit of up to \$4,000 on used vehicles priced at \$25,000 or less, including dealer-imposed costs or fees not required by law. See the IRS program page at [Clean Vehicle Tax Credits | Internal Revenue Service \(irs.gov\)](#) and [Clean vehicle credits can help car buyers pay less at the dealership | Internal Revenue Service \(irs.gov\)](#) for more details on new and used vehicle qualification requirements and the credit's transferability.

“Price” for Sales Tax Purposes

Under Ohio Revised Code (R.C.) section 5739.01(H)(1)(a), “price” is the total amount of consideration for which tangible personal property is sold or leased. R.C. 5739.01(H)(1)(b)(iii) includes in “price” consideration received by vendors from a third party. Relevant sections of this provision are recreated below:

“Price” includes consideration received by the vendor from a third party, if the vendor actually receives the consideration from a party other than the consumer, and the consideration is directly related to a price reduction or discount on the sale; the vendor has an obligation to pass the price reduction or discount through to the consumer; the amount of the consideration attributable to the sale is fixed and determinable by the



vendor at the time of the sale of the item to the consumer; and *** (t)he price reduction or discount is identified as a third-party price reduction or discount on the invoice received by the consumer, or on a coupon, certificate, or other document presented to the consumer.”

Based on the parameters of the program, the seller is reimbursed for the credit by the IRS which constitutes consideration received from a third party. As such, the credit does not reduce the price of the vehicle being purchased for sales tax purposes and the Clean Vehicle Credit is to be included in the taxable price of the new and used vehicles.

If you have any questions regarding this information release, please contact our Business Tax Division at (888)405-4039 or (800)750-0750 for persons who use text telephones (TTYs) or adaptive telephone equipment or email us through our website: tax.ohio.gov.