

TAX BREAKS

The Federal Tax Credit for Electric Vehicle Chargers is Back

The Inflation Reduction Act revives the federal tax credit for electric vehicle charging stations and EV charging equipment that had expired in 2021—with a few changes.



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President Biden signed the Inflation Reduction Act into law on August 16. The massive climate, energy, tax, and healthcare package contains numerous clean energy incentives including tax credits for the purchase of new and used electric vehicles. But you may not have heard that the new law also revives the tax credit for electric vehicle charging stations and equipment that had expired in 2021. There are some changes to the prior charging station tax credit that you will want to be aware of, so that you can potentially use the tax break for your own EV charger.

What is the Tax Write Off for EV Chargers?

The federal tax credit for electric vehicle chargers originally expired on December 31, 2021. However, the Inflation Reduction Act's Alternative Fuel Refueling Property tax credit extends the EV charger tax incentive ten years—through December 31, 2032.

So, what does that mean for you? Essentially, if you install a home EV charging station, the tax credit under the Inflation Reduction Act is 30% of the cost of hardware and installation, up to \$1,000. Also, beginning in 2023, the tax credit for business and home installations, will apply to other EV charging equipment like bidirectional (i.e., two-way) chargers.

Businesses that install new EV chargers or EV charging equipment can also benefit from a tax incentive of up to 30% of the total cost of equipment and installation. But they will have to meet certain labor and construction requirements to be eligible to claim the full incentive.

Before the Inflation Reduction Act, the limit on the amount of the EV charger tax credit for businesses was \$30,000 (which still applies to projects completed before the end of 2022). However, under the new law, if you complete the business installation project *after* 2022, the tax credit per property item, is up to \$100,000 per EV charger.

All of this means that while electric vehicle chargers are not entirely tax deductible, you might benefit, to some degree, from the tax incentives in the Inflation Reduction Act that apply for refueling property.

Can Solar Panels Be Used for EV Charging?

On a related note, the Inflation Reduction Act also provides incentives for installation of home solar panels with the Residential Clean Energy tax credit. For home and residential solar product installations, the Inflation Reduction Act allows a nonrefundable tax credit of up to 30% of the total cost.

That 30% tax credit is based on eligible expenses like solar panels, power cells, labor, permitting and developer fees, other necessary related solar equipment, batteries, and inspection costs.

In its current form, the solar energy tax credit in the Inflation Reduction Act applies for the next ten years—through December 2032. And the credit is available for the year in which you complete the solar installation.

The tax credit that applies to solar panels can be beneficial on its own, of course. But it also has potential positive implications for people interested in using solar panels to charge their electric vehicles. That's because if you're eligible for the tax breaks for both home and residential solar *and* EV charging stations and equipment, you could reap the benefits of two significant clean energy tax incentives in the new law.

And if you're even luckier, you could be one of the consumers who is eligible next year to claim the Inflation Reduction Act's tax credit for new and used electric vehicles.

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