

THE INFLATION REDUCTION ACT OF 2022

Top Line Summary

The combined investments in the FY2022 Budget Reconciliation bill would put the U.S. on a path to roughly 40% emissions reduction by 2030, and would represent the single biggest climate investment in U.S. history, by far.

Existing 30D Credit:

Extended to 2032 and amended to offer:

- No unit-per-manufacturer cap starting after December 31, 2022
- Point of Sale is available
- Requires final assembly in North America
 - For purposes of paragraph (1)(G), the term final assembly is defined 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.
- \$7,500 Clean Vehicle Credit (p. 366)
 - Excludes any vehicle after 2024 with critical minerals that were extracted, processed, or recycled in a “foreign entity of concern,” per IJJA definition.
 - Excludes vehicles after 2023 if any components in the battery were manufactured or assembled by a “foreign entity of concern,” per IJJA definition.
 - **\$3,750** for meeting a requirement that a certain threshold of applicable critical minerals are extracted or processed in countries with which the U.S. has a free trade agreement, or have been recycled in North America (p. 371).
 - The thresholds are:
 - 40% through the end of 2023
 - 50% in 2024
 - 60% in 2025
 - 70% in 2026
 - 80% after 2026 (p. 371 lines 17-24; p. 372 lines 1-12)
 - The applicable critical minerals include aluminum, antimony, barite, beryllium, cerium, cesium, chromium, cobalt, dysprosium, europium, fluorspar, gadolinium, germanium, graphite, indium, lithium, manganese, neodymium, nickel, niobium, tellurium, tin, tungsten, vanadium, yttrium, and the following minerals distilled to at least 99% purity: arsenic, bismuth, erbium, gallium, hafnium, holmium, iridium, lanthanum, lutetium, magnesium, platinum, praseodymium, rhodium, rubidium, ruthenium, samarium, scandium, tantalum, terbium, thulium, titanium, yttrium, zinc, and zirconium.

- An additional **\$3,750** if the percentage of the value of the battery's components that were manufactured or assembled in North America and exceeds thresholds of (p. 372):
 - 50% through the end of 2023
 - 60% in 2024 and 2025
 - 70% in 2026
 - 80% in 2027
 - 90% in 2028
 - 100% after 2028 (p. 373 lines 1-23)
- AGI Limitations: (p. 376, lines 12-22)
 - \$150,000 Single
 - \$225,000 Head of Household
 - \$300,000 Joint
- MSRP Limitations: (p. 377, lines 10-21)
 - Vans, SUVs, and Pickup Trucks: \$80,000
 - All other vehicles: \$55,000
- \$4,000 Used Clean Vehicle Credit (Sec. 25E, p. 387, line 17 onwards)
 - Or, the amount equal to 30% of the vehicle's sale price, whichever is less.
 - The vehicle must be at least 2 years old
 - AGI Limitations: (p. 388, lines 13-21)
 - \$75,000 Single
 - \$112,500 Head of Household
 - \$150,000 Joint

Section 45W Commercial EV Tax Credit: (p. 393, line 3 onwards)

- The 45W tax credit enables businesses to receive tax credits for commercial EVs. The value of the credit is equal to the lesser of 30% (15% in the case of a vehicle powered by a gasoline or diesel internal combustion engine) or the incremental cost with a comparable ICE vehicle.
- There is a cap of \$7,500 for vehicles lighter than 14,000 pounds (Class 1-3) (p. 394, line 11) and a cap of \$40,000 for vehicles heavier than 14,000 pounds (Class 4-8) (p. 394, line 13).

Section 30C Alternative Fuel Vehicle Refueling Infrastructure Tax Credit: (p. 398)

- Increases incentive eligibility from \$30,000 per property to \$100,000 per item.
- Limits eligibility to infrastructure installed as defined by 45D(E) census tracts and non-urban census tracts. (p. 399 lines 5-8)
 - A population census tract where the poverty rate is at least 20 percent, or in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or

- In the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income.
- Ten-year extension (current credit expired on 12/31/21)
- For individual: \$1K or 30% of installed cost or whichever is of lesser value
- For commercial:
 - The maximum incentive is 30% or \$100K per charger (up from \$30K per property), whichever is of lesser value (*p. 399, line 5*)
 - Can only be fully realized if prevailing wage requirements for installation met

Section 45X Advanced Manufacturing Production Tax Credit: (*p. 414, line 18 onwards*)

- Provides \$35 per kWh in each battery cell, \$10 per kWh in each battery module, and additionally covers 10% of the costs of production of the applicable critical materials incurred by the taxpayer.
- Production must be in the United States (or a U.S. possession).
 - Phase out starting in 2029 through 2032.

United States Postal Service Fleet Electrification (*Sec. 70002, p. 717, line 3 onward*)

- \$3 billion for EV delivery fleet procurement, as well as EVSE design, installation, and related work across non-federally-owned facilities. Funds will be available through September 2031.
- \$15 million to the Office of the Inspector General for oversight of the implementation of these provisions by USPS.

From the [summary document](#):

American Energy Security and Domestic Manufacturing:

- \$10 billion investment tax credit to build clean technology manufacturing facilities.
- \$500 million in the Defense Production Act for heat pumps & critical mineral processing.
- \$2 billion in grants to retool existing auto manufacturing facilities to manufacture clean vehicles, ensuring that auto manufacturing jobs stay in the communities that depend on them.
- Up to \$20 billion in loans to build new clean vehicle manufacturing facilities.

Invest in Communities and Environmental Justice

- \$1 billion for clean heavy-duty vehicles (school buses, transit buses, garbage trucks).