
IRA Global Supply Chain Fact Sheet

- The Inflation Reduction Act (IRA) provides a number of significant tax credits related to the sale or production of electric vehicles (EVs). This fact sheet outlines the key provisions below.
- Clean Vehicle Credit: Under Section 30D of the Internal Revenue Code, a tax credit of up to \$7,500 is available at the point of sale for each new EV placed in service by the taxpayer during the taxable year. The IRA made a number of modifications to this existing credit, including the following:
 - o *North American Assembly requirement*: For any new EV sold on or after August 17, 2022, the EV must undergo final assembly within North America for it to be eligible for the credit.
 - o *Battery components sourcing requirement*: To be eligible for half the amount of the credit (\$3,750), beginning in 2023, at least 50% of the value of the components of the EV battery must be manufactured or assembled in North America. This minimum threshold will rise in the following years, up to 100% by 2029.
 - o *Critical minerals sourcing requirement*: To be eligible for the other half of the total possible credit (\$3,750), beginning in 2023, at least 40% of the critical mineral components of the EV battery must be extracted or processed in the United States or a country that is party to a US free trade agreement, or recycled in North America. This minimum threshold will continue to rise in the following years, up to 80% by 2027.
 - o *Additional sourcing restriction on battery components and critical minerals*: EVs with battery components or materials sourced from “foreign entities of concern,” such as China, are excluded from the Section 30D credit entirely after a certain phase-in period.
- Advanced Manufacturing Production Credit: Under Section 45X, the IRA creates a tax credit for the production of certain critical supply chain components and materials used in the clean energy industry (e.g., critical minerals, solar modules, and battery components).
- Investment Tax Credit: Under Section 48C, the IRA expands this investment tax credit for qualifying advanced energy projects (e.g., establishing a manufacturing facility for production of EVs or fuel cell vehicles).
- Additional tax credits with different eligibility requirements are available for used EVs under Section 25E and for commercial EVs under Section 45W.