

# Electric Vehicle (EV) Tax Credits and Rebates

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by dkelectrical

Electric Vehicle (EV) Tax Credits and Rebates

The EV federal tax credit is issued through the U.S. government's incentive program to encourage purchases of electric vehicles (EVs). The program started during the early 2000s and was expanded during the following decade. It grants up to \$7,500 in federal tax credit to each buyer of a new electric vehicle.

Unfortunately, the government capped the income tax credits each carmaker's customers are allowed to access. The Federal legislature has made the tax benefit only available to each auto manufacturer's first 200,000 customers who purchase an electric vehicle. After a car company has reached that 200,000 sales limit, a phase-out period begins, during which the full Federal tax credit is no longer available for customers buying EVs from that company.

In 2018, Tesla became the first automaker to reach the tax limit for 200,000 EV sales. Then GM reached the sales limit too. So, the Federal tax credit program helped encourage EV purchases from the U.S. American car companies, but only to that limited extent. Since the time they met the sale cap, the U.S. American manufacturers have found themselves at a disadvantage in the market, compared with their foreign competitors that have not yet reached the imposed EV sales limit.

Electric car buyers can still obtain the tax credit for purchasing electric vehicles, but only by purchasing from carmakers that have not hit the 200,000 EVs sold limit.

## Are Tax Credits for Electric Cars Still Available in New Jersey?

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The [New Jersey Sales and Use Tax Exemption](#) passed by the State legislature in early 2004 allows a [sales tax exemption for vehicles with zero emissions](#). The exemption covers fuel-cell and battery-powered vehicles, applying the California Air Resources Board standards for zero-emissions that have been determined for a given vehicle model year.

The Federal government continues to provide sizable tax credits for plug-in hybrid EVs and new electrically charged battery-powered vehicles. The current tax credits range from \$2,500 to \$7,500, based on the vehicle's battery capacity *and* the amount of the taxpayer's current tax debt. In other words, if you buy an EV that makes you eligible for up to a \$7,500 tax credit, but you only owe \$5,000 in Federal income tax, your tax credit will be \$5,000 credit.

## Is There Sales Tax on Electric Cars in New Jersey?

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A sales and use tax exemption is granted by the NJ Sales and Use Tax Act for zero-emission vehicles. The exemption applies to vehicles that are certified to be in conformance with the California Air Resources Board's standards of zero emissions for a vehicle's model year.

Additionally, new electric and hybrid plug-in vehicles bought during, or after 2010 may qualify for a Federal income tax credit up to the maximum of \$7,500. The amount of the tax credit varies depending on the vehicle's *battery capacity* and the individual taxpayer's *total income tax owed* for the year the credit is claimed. Other state credits, and possible local credits, and other incentives may apply.

*Note: Electric vehicles for neighborhood use are not eligible for the tax credit, although they may be eligible for other credits.*

## How To Get EV Rebate in New Jersey

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For New Jersey residents, you can [apply for your EV rebate](#) by providing your vehicle registration card, signed purchase contract, or other documentation of your EV sales transaction, and your PG&E account number. See more information about the [Clean Fuel Rebate](#) for New Jersey residents, or use the easy online rebate application on the Pacific Gas and Electric company's dedicated webpage. (Pacific Gas & Electric, a San Francisco, California-based utility company, serves New Jersey as well as multiple other states in the eastern region of the United States.)

## How the New Jersey EV Rebate Works

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New Jersey residents are entitled to a [rebate of \\$25 per mile of range](#) that their all-electric vehicle is capable of reaching, per the EPA's rating. The rebate is up to \$5,000, and it is offered through the New Jersey Board of Public Utilities. This rebate is granted for all state residents who buy or lease a new plug-in electric vehicle that has an MSRP of up to \$55,000. There may be a limit of one rebate per car buyer.

## New Tesla and GM Customers May Regain Partial Tax Credit?

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A proposed reformation of the EV tax credit threshold will enable GM and Tesla to regain access for their future EV customers up to \$7,000 in tax credits on a new sales limit of 400,000 electric vehicles in the U.S. *if* the updated incentive program bill is passed by Congress this year (2021).

The original full \$7,500 in IRS tax credit granted to the first 200,000 Tesla EV buyers is no longer in effect. Car buyers whose Teslas were delivered in the last half of 2019 will receive only about 25% of the full tax credit, which is \$1,875. For 2020, no Federal EV purchase tax credit was scheduled. There are, however, remaining state-issued tax credits, for which many new Tesla EV owners may qualify.

Here is a list of states offering tax credits, exemptions, and/or reductions of EV charging rates:

Arizona	Hawaii	Nevada
California	Louisiana	New Jersey
Connecticut	Maryland	New York
Colorado	Massachusetts	Pennsylvania
Delaware		



## Different Tax Credit for Residential vs. Commercial Buyers

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For both individuals and businesses, tax credits are available for purchases of hardware for charging electric vehicles as well as for costs of electric car charger installation. The cost of EV charger installation is often the largest part of the total cost of acquiring EV

charging capabilities for electric vehicle operation. This is especially true for commercial vehicles.

For residential EV owners, there is a 30% tax credit covering up to \$1,000. For commercial vehicle owners, the tax credit is \$30,000. Use [IRS Form 8911](#) to apply for the Federal tax credit for EV charging.

## How Does the EV Charging Tax Credit Work?

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In late December 2019, Congress passed a bill extending the tax credit for charging electric vehicles. For filing your 2020 tax return, you can increase your tax refund, or make your EV charging more affordable. Ask your tax preparer how the charging credits are applicable to your personal income tax return.

As mentioned above, the charging tax credit available for individual electric vehicle buyers is 30%, up to \$1,000 of charging costs for individual NJ residents and up to \$30,000 for commercial EV owners. Use IRS Form 8911 to apply for the credit. The tax credit applies retroactively, so EV owners who purchased their cars in 2017 or later are eligible for the credit. If you had your charging equipment installed prior to filing your 2019 tax return or earlier returns, you will need to file an amended return in order to claim your EV charging credit.

## Other EV Charging Incentives for Businesses

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In addition to the \$7,500 maximum tax credit for EV purchase, and the 30% Federal Charging Tax Credit, there are numerous other incentives for EV buyers. Those other credits include the \$25 per mile range credit as well as various other state and local grants, credits, and other funding opportunities offered by municipalities and local utility companies.

The array of EV buying incentives continues changing, so keep checking to learn about new savings opportunities offered in your state and local area. To see the EPA's current list of EV models that are eligible for the income tax credit and the maximum amount of the tax credit buyers can receive for each model, [click here](#).

## DK Electrical Solutions, New Jersey

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We are [master electricians](#) serving customers throughout New Jersey. Our expert residential and [commercial electricians](#) are all fully licensed, bonded, and insured. We provide pricing upfront, so there is no risk of our customers discovering unexpected additional costs after the electrical work is completed. DK warrants our workmanship on every job we do. We offer same-day service for smaller electrical installations and repairs. Some of the important benefits we provide our customers include:

- [Financing](#) for larger electrical jobs
- 0% interest for qualified customers
- Free on-site estimates

If you need an expert electrician to install EV charging station equipment, or a residential electrician, call DK Electrical Solutions, Inc., NJ at (609) 796-4177, or contact us online any time.

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