Revenue estimates for repealing clean vehicle tax credits (30D, 25E, and 45W)

Prepared on behalf of the Institute for Energy Research

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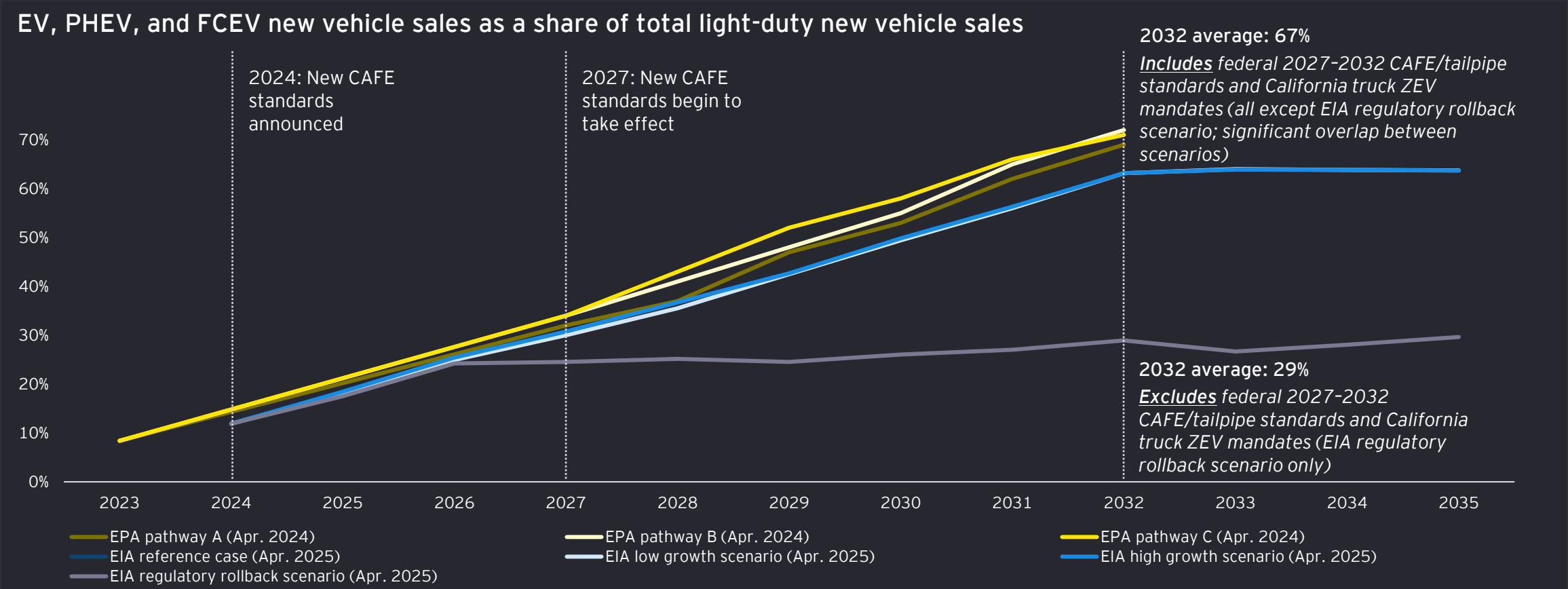
Overview of provisions

	New clean vehicle credit (30D)	Used clean vehicle credit (25E)	Commercial clean vehicle credit (45W)
General description	Up to $7,500 non-refundable credit for new qualified electric vehicles (EVs), plug-in hybrids vehicles (PHEVs), and fuel cell vehicles (FCEVs). Available through 2032.	Up to $4,000 non-refundable credit for used qualified EVs, PHEVs, and FCEVs. Available through 2032.	Non-refundable credit for new clean commercial vehicles (including EVs, PHEVs, and FCEVs). Available through 2032.
Credit amount	$7,500 credit is comprised of two parts: 1. Critical mineral amount ($3,750): Battery must have a certain percentage of its critical minerals extracted/processed in the United States or a country with which the United States has a free trade agreement. 2. Battery component ($3,750): Certain percentage of battery component parts must be manufactured or assembled in North America.	30% of sale price up to $4,000 maximum credit.	Credit is the lesser of: 1. $7,500 for vehicles <14,000lbs; $40,000 for vehicles ≥14,000lbs. 2. 30% of basis if vehicle is an EV or FCEV; 15% of basis if vehicle is a PHEV. 3. Incremental cost of vehicle over comparable vehicle powered only by internal combustion engine.
Eligibility	• Taxpayer modified adjusted gross income (AGI) must be less than $300,000 for married filers, $225,000 for head of household filers, and $150,000 for all other filers. • Must be purchased after 1/1/2023. • Manufacturer's suggested retail price (MSRP) must be less than $80,000 for trucks, vans, and SUVs; $55,000 for other cars. • Final assembly must be in North America and made by a qualified manufacturer.	• Vehicle must be purchased for $25,000 or less. • Vehicle model year must be at least 2 years earlier than calendar year. • Taxpayer modified AGI must be less than $150,000 for married filers, $112,500 for head of household filers, and $75,000 for all other filers. • Taxpayer cannot claim credit more than once in 3 years.	• Businesses and tax-exempt organizations are eligible for the credit. • Vehicle must be made by a qualified manufacturer. • No AGI or MSRP limits. • Leasing companies can claim this credit, even for leased vehicles to consumers.

Note: The repeal of these clean vehicle credits, as modeled, reflects the Limit, Save, and Grow Act of 2023, which generally reinstates the pre-Inflation Reduction Act (IRA) electric vehicle credit structure.

Projections of EV, PHEV, and FCEV market penetration are impacted by the new Corporate Average Fuel Economy (CAFE) standards announced in 2024

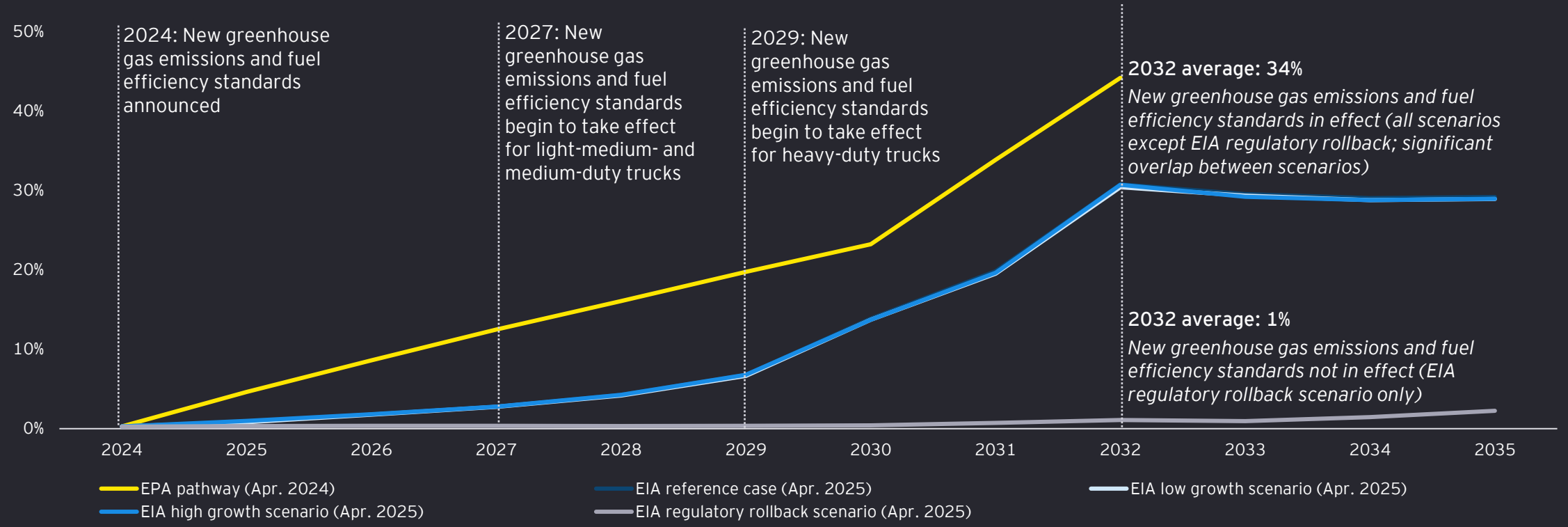


Note: EIA projections include EVs, PHEVs, and FCEVs among cars and light trucks used for both commercial and personal purposes. Environmental Protection Agency (EPA) pathways include only EVs and PHEVs. CAFE standards are regulations that determine the average fuel economy of new vehicles. The standards released in 2024 require fuel economy to increase by 2% annually for new cars in model years 2027–2031 and for new passenger trucks in model years 2029–2031. Higher CAFE standards are likely to increase the market share of EVs, PHEVs, and FCEVs. EIA's reference case estimates 15.1 million new light-duty vehicle sales in 2024 (across all powertrain types), 15.7 million in 2028, 14.7 million in 2032, and 14.9 million in 2035. The EPA estimates total light-duty vehicle sales to be 15.0 million in 2024, 15.1 million in 2028, 14.7 million in 2032, 14.6 million in 2035. Figures are rounded.

Source: US Energy Information Administration, *Annual Energy Outlook 2025*, 2025; US Environmental Protection Agency, *Optimization Model for Reducing Emissions of Greenhouse Gases from Automobiles (OMEGA)*, 2024; and US Environmental Protection Agency, *Final Rule: Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles*, 2024; EY analysis.

Projections of light-medium-, medium-, and heavy-duty clean truck penetration are influenced by greenhouse gas emissions and fuel efficiency standards for model years 2027–2032

Light-medium-, medium-, and heavy-duty new clean truck vehicle sales as a share of total truck new vehicle sales

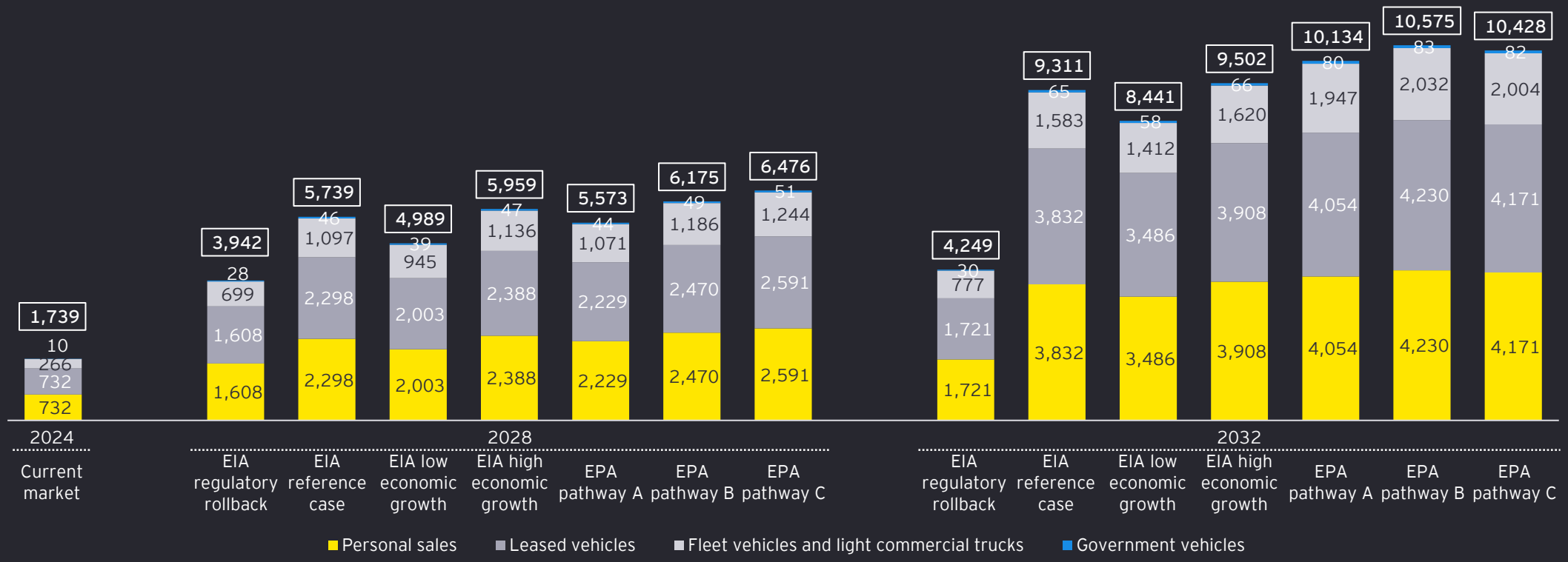


Note: CAFE standards are federal regulations that set average fuel efficiency requirements for new light-duty vehicles sold in the United States. Separate standards, jointly administered by the EPA and National Highway Traffic Safety Administration (NHTSA), govern fuel efficiency and greenhouse gas emissions for light-medium-, medium- and heavy-duty trucks. The rules released in 2024 establish different efficiency targets by vehicle class, with a phase-in beginning in model year 2027. By 2032, these standards are expected to be 25% to 60% more stringent than those under prior regulations, depending on vehicle type. The figure above reflects standards applied to freight-hauling and commercial-use vehicles only. More stringent efficiency standards are expected to increase the share of light-medium-, medium- and heavy-duty vehicles powered by EV, PHEV, and FCEV technologies.

Source: US Energy Information Administration, *Annual Energy Outlook 2025*, 2025; US Environmental Protection Agency, *Final Rule: Greenhouse Gas Emissions Standards for Heavy-Duty Vehicles – Phase 3*, 2024; EY analysis.

From 2024 to 2032, annual new light-duty clean vehicle sales could grow from 1.7 million to 10 million

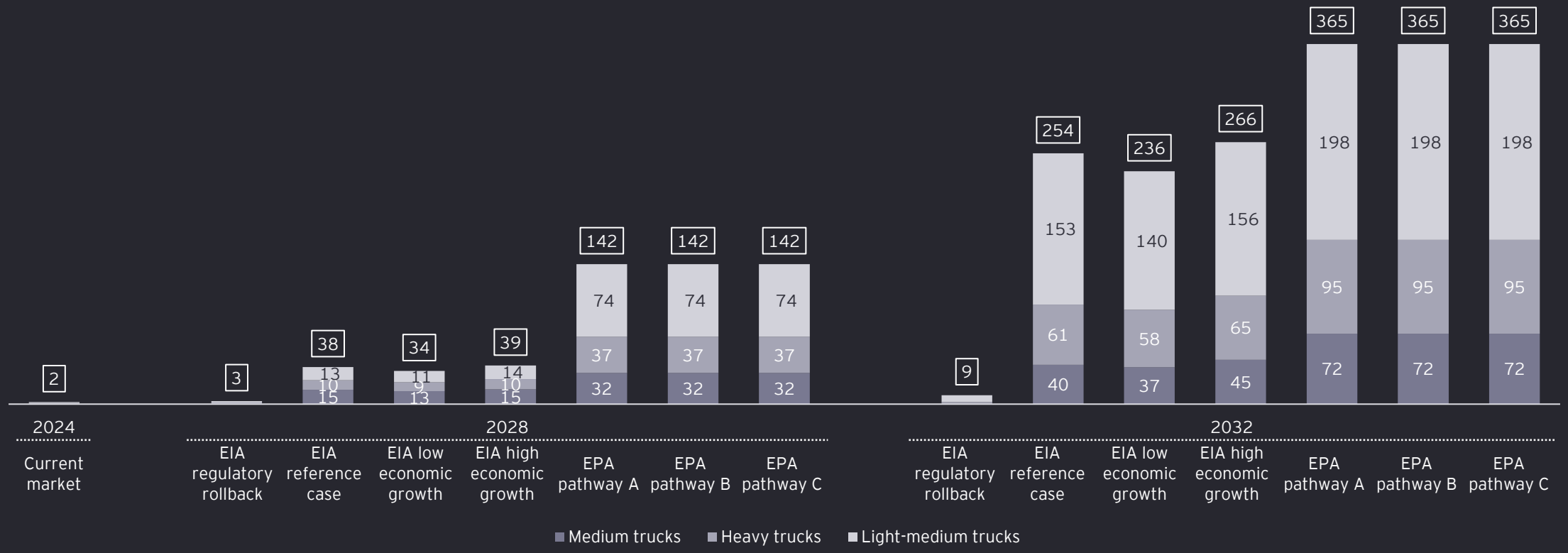
Light-duty new clean vehicle sales, *in thousands*



Note: Light-duty vehicles are defined as those with a gross vehicle weight rating (GVWR) under 14,000 pounds and include passenger vehicles such as sedans, SUVs, pickup trucks, and vans. The number of qualifying EV, FCEV, and PHEV sales in 2024 is sourced from Cox Automotive's Kelley Blue Book Q4 EV and Electrified Vehicle Sales Report. Data from Experian indicate that approximately 50% of EV sales in 2024 were leases. Kelley Blue Book sources actual transaction-level data and pricing from over 250 data partners and is widely used as an authoritative reference on the US vehicle market. The sales reports provide make- and model-level data on vehicle sales, which were compared to the EPA's official list of clean vehicle credit-eligible models published at fueleconomy.gov. Sales were included only if the vehicle was produced by a qualified manufacturer, as defined by the Internal Revenue Service (IRS), and if the model was eligible for a clean vehicle credit under current program rules. Figure are rounded.
Source: Cox Automotive, US Energy Information Administration, *Annual Energy Outlook 2025*, 2025; US Environmental Protection Agency, *Optimization Model for Reducing Emissions of Greenhouse Gases from Automobiles (OMEGA)*, 2024; US Environmental Protection Agency, *Final Rule: Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles*, 2024; EY analysis.

From 2024 to 2032, light-medium-, medium-, and heavy-duty clean truck new vehicle sales could grow from 2,000 to 365,000

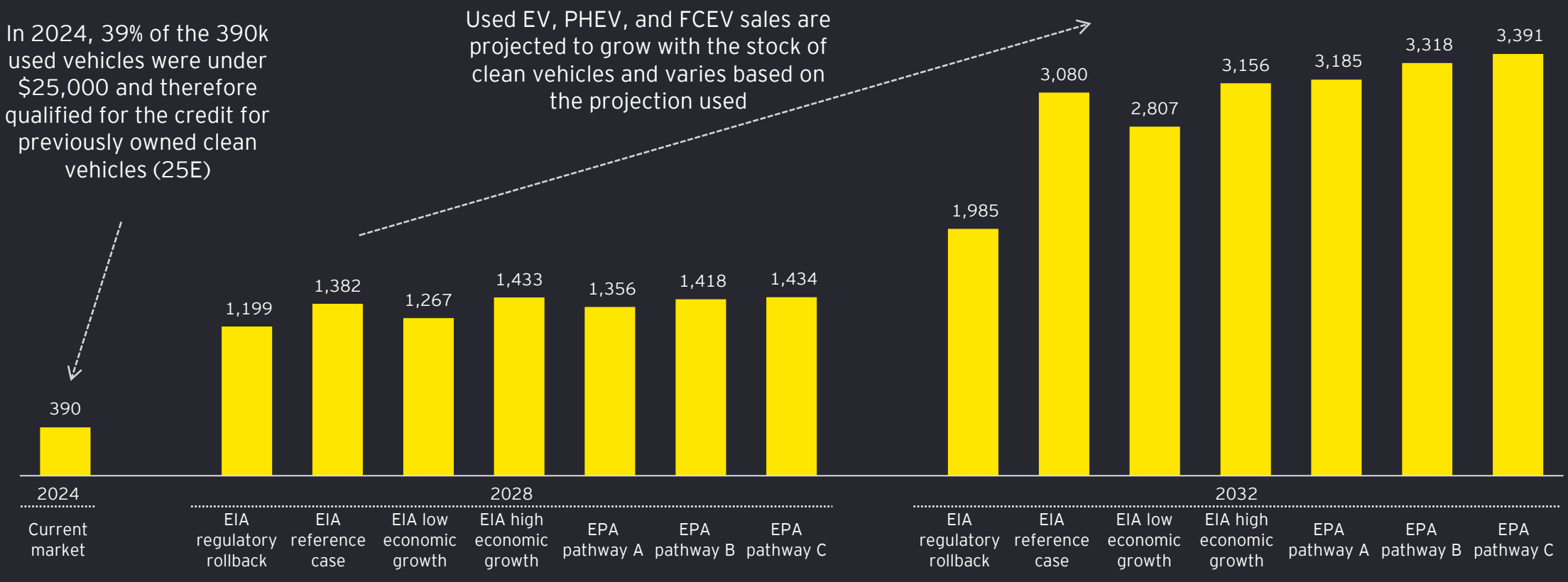
Light-medium, medium-, and heavy-duty new clean truck vehicle sales, *in thousands*



Note: Light-medium trucks weight 10,000-14,000 pounds and include vehicles such as mini-buses and walk-in trucks. Medium-duty vehicles weigh 14,000-26,000 pounds and include vehicles such as large walk-in trucks, city-delivery trucks, and single-axle vans. Heavy-duty vehicles weigh over 26,000 pounds and include vehicles such as furniture trucks, semi tractors, and tour buses. Figures are rounded.
Source: US Energy Information Administration, *Annual Energy Outlook 2025*, 2025; US Environmental Protection Agency, *Final Rule: Greenhouse Gas Emissions Standards for Heavy-Duty Vehicles – Phase 3*, 2024; EY analysis.

Used clean vehicle sales could grow from 390,000 in 2024 to more than 3 million in 2032

Number of used clean vehicle sales, *in thousands*



Note: The number of total used EV sales is sourced from Cox Automotive market insights for 2024 (Cox Automotive Market Monitor December 2024) and the number of used PHEV sales is sourced from Recurrent Auto (Used Electric Car Prices & Market Report – Q1 2025). It is assumed that the count of used EV sales remains a constant 6.3% share of the clean vehicle stock. The share of used clean vehicles sold for at or under $25,000 is 39%, averaged from Cox Automotive market insights for January and February 2025 (January 2025, February 2025). Figures are rounded.

Source: EY analysis.

Household income limitations for clean vehicle credits

77%

Share of new clean vehicle sales to households are under income limitation

Clean vehicle credit (30D)

- Threshold:
  - $300,000 for married couples
  - $150,000 for single filers
  - $225,000 for heads of household

50%

Share of used clean vehicle sales to households are under income limitation

Credit for previously owned clean vehicles (25E)

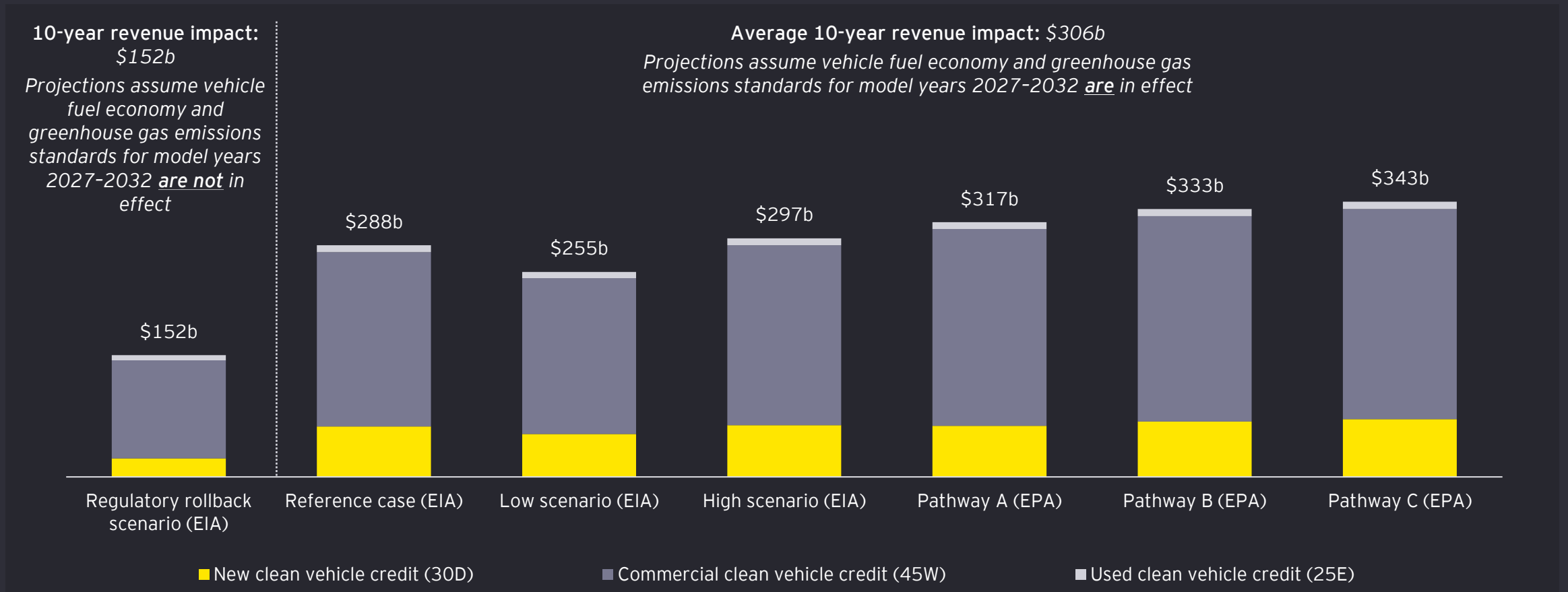
- Threshold:
  - $150,000 for married couples
  - $75,000 for single filers
  - $112,500 for heads of household

Note: Several sources were used to calculate the share of sales to households under the income limitation for the 30D credit. A report from Morningstar estimates that 57% of EVs are purchased by households earning under $200,000. This figure was adjusted to 77% by including households earning $200,000-$300,000 using the Survey of Consumer Finances. To calculate the share of sales by households under the income limitation for the 45W credit, US Bureau of Labor Statistics Consumer Expenditure Survey microdata were used to estimate the income distribution of households that purchased a used EV by filing status. Figures are rounded.
Source: EY analysis.

Average credit amount for the clean vehicle tax credits

Note: The average credit amounts for 30D and 25E credits is sourced from IRS Statistics of Income (SOI) Table 1 *Clean Vehicle Credits, Form 1040, by State, Tax Year 2023 (through Filing Season 2024 Cycle 47, November 21, 2024).* For the 45W credit, the average credit was calculated by vehicle class. For each major vehicle class, the credit was estimated under the three methods defined in law and the minimum was selected. Data for the basis method and incremental cost method were sourced from the Department of Energy's (DOE) 2025 Incremental Purchase Cost Methodology and Results for Clean Vehicles report. The report contains purchase costs for representative EVs, PHEVs, and FCEVs and their incremental costs relative to conventional vehicles of the same type. Cost data in the EPA report are comparable to that estimated from other sources. Figures are rounded.
Source: EY analysis.

Relative to the current-law baseline, generally reverting to the pre-IRA electric vehicle tax credit is estimated to increase federal revenue by roughly $300 billion from 2026-2035



Note: The EIA reference case reflects energy market projections under laws and regulations in effect as of December 2024, along with historically observed trends in technology and behavior. The EIA high economic growth case ("high scenario") assumes a higher US GDP compound annual growth rate of 2.1% through 2050, while the EIA low economic growth case ("low scenario") assumes a slower 1.2% rate. For comparison, the reference case assumes a 1.8% annual GDP growth rate over the same period. The EIA alternative transportation case ("regulatory rollback scenario") assumes that vehicle fuel economy and greenhouse gas emissions standards for model years 2027-2032 are not in effect. It also assumes that the California Air Resources Board's ZEV sales mandates for trucks adopted since the Annual Energy Outlook 2023 are not in place. However, regulations finalized for model years 2026 and earlier remain in effect in this case. The EPA emphasizes that there are multiple potential pathways to compliance, including different combinations of internal combustion engine improvements, hybridization, battery-electric vehicles, and hydrogen fuel cell technologies. The compliance pathways referenced in this analysis reflect illustrative pathways provided by the EPA. Figures are rounded.
Source: EY analysis.