



IRS Updates

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ERC Overview



ERC Overview

ERC Legislation	Effective Period of Paid Wages
<p><u>CARES Act</u> Coronavirus Aid, Relief, and Economic Security Act</p>	<p>2020, Quarters 1 through 4 <i>(Beginning March 13, 2020)</i></p>
<p><u>TRA</u> Tax Relief Act</p>	<p>2021, Quarters 1 and 2</p>
<p><u>ARP Act</u> American Rescue Plan Act</p>	<p>2021, Quarter 3</p>
<p><u>*IIJA</u> Infrastructure Investment and Jobs Act</p>	<p>2021, Quarter 4</p>



ERC Overview

Eligible Employer Types



INCLUDES:

- ✓ Employers Carrying On A Trade or Business
- ✓ Tax-Exempt Employer
- ✓ Tribal Entities (Govt and Non-Govt) Carrying On A Trade or Business



Does NOT include:

- X All Governmental Employers for 2020 and most in 2021
- X Household Employers



ERC Overview

Eligibility Requirements

To be eligible during the applicable periods of eligibility, generally certain employers must have met one of the following conditions:

- Fully or partially suspended operations due to a COVID-19 government order, **OR**

- Had a requisite decline in gross receipts, **OR**

- (For Q3 and Q4 only) Met the definition of a Recovery Startup Business*

** Maximum total ERC for RSBs = \$50,000 for each quarter.*



ERC Overview

Dollar Limitations: Maximum ERC Per Employee

Tax Year 2020

50% of up to \$10,000 QW per employee

Maximum: **\$5,000** per employee
for
3/13/2020 through 12/31/2020

Tax Year 2021

70% of up to \$10,000 QW per employee

Maximum: **\$7,000** per employee
per quarter

Recovery Startup Businesses (Exists ONLY for Q3/Q4 of 2021)

70% of up to \$10,000 QW per employee per quarter

Maximum: **\$7,000** per employee

Maximum: **\$50,000** per quarter



ERC

Key Areas of ERC Compliance



Key Areas of ERC Compliance

Impact of Other Credit and Relief Provisions

Generally, an employer may not obtain ERC for wages that were used to obtain certain other tax and non-tax benefits.



Key Areas of ERC Compliance

No ERC for Wages Used to Obtain PPP Loan Forgiveness

Section 2301(e) of the CARES Act

Generally, under Notice 2021-20, eligible employers who received PPP loans are also allowed to report/claim ERC to the extent that 1st and 2nd draw PPP loans have not been forgiven during the covered period.



ERC

Key Areas of ERC Compliance

No ERC for Wages Used to Obtain PPP Loan Forgiveness

An official website of the United States government



Pandemic Oversight

Making sense of COVID-19 relief spending and programs

Home

Spotlight on... ▾

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[Read PRAC Chair Michael E. Horowitz's statement](#) following sentencing in \$10 million p

Number of Loans
11.5M

Number of Loans Forgiven
10.6M

Total Loan Amount
\$790.2B

Total Loan Amount Forgi...
\$758.3B



Key Areas of ERC Compliance

Other Wages Excluded from ERC*

Wages used for the following credits/benefits generally cannot be used to report/claim ERC:

- **Credit for Sick Leave and Family Leave Wages.**
- **Research & Development Payroll Tax Credit.**
- **Work Opportunity Tax Credit.**
- **Indian Employment Credit.**
- **Grants for Shuttered Venue Operators and Restaurant Revitalization in the third and fourth quarters of 2021.**
- **Credit for Employees who are Active Duty Members of the Uniformed Services.**

**This list is not all-inclusive*



Key Areas of ERC Compliance

Reduction of Wages Deduction on Income Tax

Return for ERC Wages

Section 2301(e) of the CARES Act

Reduce deduction for wages on business's income tax by ERC allowed on the Employment Tax (E.T.) returns for the tax year.

If the credit is later claimed on an amended E.T. return, the corresponding income tax return may also need to be amended to reduce wage expenses claimed on the original income tax return.



Key Areas of ERC Compliance

Special Five-Year Statute of Limitations for ERC in the 3rd and 4th Quarters of 2021 *IRC § 3134(I)*

- ❖ Noncompliance – Generally within **five years** of the filing date of the tax return to assess any amount attributable to ERC applicable for 3rd & 4th quarters of 2021.
- ❖ Fraud – No specified time limit to assess tax.
IRC § 6501(c)(3).



ERC

Characteristics of Potential ERC Fraud



Characteristics of Potential ERC Fraud

Fictitious Businesses

- Newly Created after CARES Act was enacted
- E.T. returns filed for periods that precede the entity establishment date
- No corresponding income tax returns
- No corresponding W-2 forms



Characteristics of Potential ERC Fraud

Potential ID Theft

- Multiple original returns filed for same entity
- Dormant filing history prior to enactment of CARES Act
- Entity created under the taxpayer identification number (TIN) of a deceased person or someone who is incarcerated.



Characteristics of Potential ERC Fraud

Potentially Inflated/False ERC

- Inconsistent Wage Reporting (W-2 forms / Employment Tax Returns / Income Tax Returns)
- Original or amended tax returns prepared by individual/firm that is under civil or criminal investigation
- Significant payroll increase after CARES Act was enacted



ERC

Moratorium on Processing New ERC Claims

IR-2023-169, Sept. 14, 2023

The screenshot shows the IRS website's newsroom page for IR-2023-169. The browser address bar shows the URL: https://www.irs.gov/newsroom/to-protect-taxpayers-from-scams-irs-orders-immediate-stop-to-new-employee-retention-credit-processing-amid-surge-of-questionable-claims-concerns-from-tax-pros. The page features the IRS logo and navigation links for Help, News, English, Charities & Nonprofits, and Tax Pros. A search bar is located in the top right. The main content area displays the title: "To protect taxpayers from scams, IRS orders immediate stop to new Employee Retention Credit processing amid surge of questionable claims; concerns from tax pros". Below the title, there are language options for English, Español, and 中文(简体). A sidebar on the left lists "Topics in the News" with "News Releases" selected. The main text area includes the date "IR-2023-169, Sept. 14, 2023" and a sub-headline: "Moratorium on processing of new claims through year's end will allow IRS to".



ERC

Special Withdrawal Process for ERC Claims

IR-2023-193, Oct. 19, 2023

scams

IRS announces withdrawal process for Employee Retention Credit claims; special initiative aimed at helping businesses concerned about an ineligible claim amid aggressive marketing, scams

English | [Español](#) | [中文\(简体\)](#)

Topics in the News

News Releases

[News Releases for Frequently Asked Questions](#)

Multimedia Center

Tax Relief in Disaster Situations

Inflation Reduction Act

IR-2023-193, Oct. 19, 2023

WASHINGTON — As part of a larger effort to protect small businesses and organizations from scams, the Internal Revenue Service today announced the details of a special withdrawal process to help those who filed an Employee Retention Credit (ERC) claim and are concerned about its accuracy.

This new withdrawal option allows certain employers that filed an ERC claim but have not yet received a refund to withdraw their submission and avoid future repayment, interest and penalties. Employers that submitted an ERC claim that's still being processed can withdraw their claim and avoid the possibility of getting a refund for which they're ineligible.

The IRS created the withdrawal option to help small business owners and others who were pressured or misled by ERC marketers or promoters into filing ineligible claims. Claims that are withdrawn will be treated as if they were never filed. The IRS will not impose penalties or interest.



Special Withdrawal Process for ERC Claims

IR-2023-193, Oct. 19, 2023

Who can ask to withdraw an ERC claim

Employers can use the ERC claim withdrawal process if **all** of the following apply:

- **Filed an adjusted employment return** (Forms 941-X, 943-X, 944-X, CT-1X).
- **Claimed ERC Only / No Other Adjustments.**
- **Want to withdraw the entire amount** of their ERC claim.
- **Unpaid Claim** or Claim Paid but **Not Cashed/Deposited**



1099 update

❖ December 14,
2022

Taxpayer First Act – Section 2102

Internet Platform for Form 1099 Filings



Information Returns Intake System (IRIS)

We are excited to announce that you will be able to submit a Form 1099 series using the new web portal user interface (Taxpayer Portal) on January 9, 2023.



Beginning January 9, 2023, use the Taxpayer Portal to:

Future Releases* Will:

1. Key in information to create a Form 1099.
2. Upload a .csv file using a downloadable template the IRS provides within IRIS that will also create Forms 1099.
3. Download and print the 1099s they created to provide to recipients.
4. Electronically submit the 1099s by hitting "Submit" button.
5. File a corrected 1099 if the original was filed using the IRIS web portal.
6. File an automatic extension.

1. Modernize the bulk Application to Application** (A2A) intake channel to XML schemas.
2. Modernize the processing of the information returns filed on paper.
3. Electronically file non-automatic extensions and waivers.
4. Allow IRIS to intake other information returns, (1099 DA, 3921, 3922, 1097, 1098, 5498, 1042-S, W2-G, 8027, 8955, ACA forms, FATCA forms, FinCEN, K-1s, State Info forms, non-standard info returns).
5. Support the future retirement of legacy systems and applications.

* Conversations regarding future releases are underway; future releases may include fewer or additional components

** A2A refers to "Application to Application": the process of connecting data or a function from one application program with another application program





Taxpayer First Act – Sec. 2102

- ❖ Sec. 2102 of the TFA calls for the IRS to set up a website or other electronic media whereby taxpayers may electronically file Forms 1099. This website is to be modeled after the Business Services Online Suite of Services provided by the Social Security Administration.
- ❖ **Legislative Language**
- ❖ IN GENERAL.—Not later than January 1, 2023, the Secretary of the Treasury or the Secretary’s delegate (hereafter referred to in this section as the “Secretary”) shall make available an internet website or other electronic media, with a user interface and functionality similar to the Business Services Online Suite of Services provided by the Social Security Administration, that provides access to resources and guidance provided by the Internal Revenue Service and allows persons to—
 - ❖ (1) **prepare** and **file** Forms 1099;
 - ❖ (2) **prepare** Forms 1099 for distribution to recipients other than the Internal Revenue Service; and
 - ❖ (3) **maintain** a record of completed, filed, and distributed Forms 1099.
- ❖ (b) ELECTRONIC SERVICES TREATED AS SUPPLEMENTAL; APPLICATION OF SECURITY STANDARDS.—The Secretary shall ensure that
 - ❖ the services described in subsection (a)—
 - ❖ (1) are a supplement to, and not a replacement for, other services provided by the Internal Revenue Service to taxpayers; and
 - ❖ (2) comply with applicable security standards and guidelines.



System Capabilities, Authentication and Authorization

IRS Business Unit and IT stakeholders engaged in a collaborative process to identify and examine the impact of TFA Sec. 2102. Through Rapid Requirement Elicitation sessions, business coordination meetings, and working sessions, the project team determined the scope, system functionality of and capabilities the 1099 platform.

Current Capabilities in the 1099 Platform – Information Returns Intake System (IRIS)

- ✓ Create User Type Profile
- ✓ Authorize Users to Access the Platform
- ✓ View Authorized Account Users
- ✓ Support of Automatic Extensions
- ✓ Prepare Form(s) 1099
- ✓ Allow File Uploads
- ✓ Populate Form(s) 1099 with Prior Year Data
- ✓ Provide Inline Form(s) 1099 Data Validation
- ✓ Conduct Data Checks
- ✓ Store Unsubmitted Data Internally at IRS
- ✓ Review Form Data
- ✓ Store Payer Information for Re-use
- ✓ Download Form(s) 1099 for Distribution to Recipients
- ✓ View Detailed Submission Information
- ✓ Push Notifications for Users
- ✓ Notifications within IRS System
- ✓ Combined Federal/State Filing (CF/SF) Program Integration
- ✓ Correct Submitted Form(s) 1099
- ✓ Store Persisted Data in a Repository
- ✓ Provide Data for Downstream Systems

User Authentication and Authorization Protocols

- ✓ Secure Access Digital Identity (SADI) – Users must authenticate using this one-time, two-factor authentication process
- ✓ E-Services Account - Users will need to create an E-Services account to access IRIS
- ✓ External Services Authorization Management (ESAM) - IRIS is an application within ESAM, similar to Transcript Delivery System (TDS), FIRE, Affordable Care Act Information Returns (AIR), etc.



Information Returns to be Accepted by IRIS

Release 1 - January 2023

- Form 1099-A, Acquisition or Abandonment of Secured Property
- Form 1099-B, Proceeds from Broker and Barter Exchange Transactions
- Form 1099-C, Cancellation of Debt
- Form 1099-CAP, Changes in Corporate Control and Capital Structure
- Form 1099-DIV, Dividends and Distributions
- Form 1099-G, Certain Government Payments
- Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments
- Form 1099-INT, Interest Income
- Form 1099-K, Payment Card and Third-Party Network Transactions
- Form 1099-LS, Reportable Life Insurance Sale
- Form 1099-LTC, Long-Term Care and Accelerated Death Benefits
- Form 1099-MISC, Miscellaneous Information
- Form 1099-NEC, Nonemployee Compensation
- Form 1099-OID, Original Issue Discount
- Form 1099-PATR, Taxable Distributions Received from Cooperatives
- Form 1099-Q, Payments from Qualified Education Programs
- Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
- Form 1099-S, Proceeds from Real Estate Transactions
- Form 1099-SA, Distributions from an HSA, Archer MSA, or Medicare Advantage MSA
- Form 1099-SB, Seller's Investment in Life Insurance Contract
- 1099-QA, Distributions from ABLE Accounts
- Automatic Extensions for Forms 1099 Filing

Releases 2 & 3 (Notional & subject to funding)

- New Digital Asset Forms (e.g., 1099-DA, Digital Asset Proceeds from Broker Transactions & 8300-DA, Report of Digital Asset(s) and Cash Payments Over \$10,000 Received in a Trade or Business)
- Form 3921, Exercise of an Incentive Stock Option Under Section 422(b)
- Form 3922, Transfer of Stock Acquired Through an Employee Stock Purchase Plan under Section 423(c)
- Form 5498, IRA Contribution Information
- Form 5498-ESA, Coverdell ESA Contribution Information
- Form 5498-SA, HSA, Archer MSA, or Medicare Advantage MSA Information
- Form 5498-QA, ABLE Account Contribution Information
- Form W-2G, Certain Gambling Winning
- Form 1098, Mortgage Interest Statement
- Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes
- Form 1098-E, Student Loan Interest Statement
- Form 1098-F, Fines, Penalties and Other Amounts
- Form 1098-Q, Qualifying Longevity Annuity Contract Information
- Form 1098-T, Tuition Statement
- Form 1097-BTC, Bond Tax Credit
- Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding
- Form 8955-SSA, Annual Registration Statement Identifying Separated Participants with Deferred Vested Benefits
- Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips

Later Releases (Notional & subject to funding)

- Non-Automatic Extensions & Waivers
- ACA Forms
- FATCA Forms
- Non-Standard Information Returns
- K-1s
- State Information Returns
- FinCEN Information Returns



IRIS Submission Methods

Submission Method	Description	Notes/Discussion Points
<p>Manual Form Submission</p>	<ul style="list-style-type: none"> • Individual users (Issuer or Transmitter) can manually enter data into IRIS via user interface screens on desktop or mobile device. • Users can enter Form(s) 1099 data for multiple recipients and issuers. • IRIS will provide inline validation as the user enters data. 	<ul style="list-style-type: none"> • The creation of downloadable Form(s) 1099 for distribution to recipients • Inline validation will occur and display data input error notifications immediately after the user types data into form fields. • Examples of items for inline validation: money amounts must be numeric, negative money amounts only in certain fields, if a money amount must be present, required fields must have an entry, etc.
<p>Simple File Upload (Formerly Batch Filing) Submission</p>	<ul style="list-style-type: none"> • Issuers or Transmitters can upload data files to IRIS to pre-populate the user interface screens. • The file can contain data for multiple recipients of the same Form 1099 type. • A single upload is limited to 100 forms of a single type and for a single year; however, a user can make an unlimited number of uploads. • The user will download a template from IRIS in which they will input their data and upload to IRIS. 	<ul style="list-style-type: none"> • The creation of downloadable Form(s) 1099 for distribution to recipients. • Comma-separated Values (CSV) will be the format of the upload for purposes of populating the user interface screens.
<p>Bulk Submission</p>	<ul style="list-style-type: none"> • Issuers or Transmitters can use the A2A interface or a file transfer interface to submit Form(s) 1099 in bulk. 	<ul style="list-style-type: none"> • Will not create Form(s) 1099 for distribution; Creation of Form(s) 1099 must occur elsewhere. • Similar to FIRE; however, it is not in the American Standard Code for Information Interchange (ASCII) format (i.e., not in Publication 1220 format); formatting is in Extensible Markup Language (XML). • This capability is beyond the requirements of TFA Sec. 2102 and is a part of the IRS' Information Returns Modernization efforts.





IRIS Resources

Publications

Publication 5717 Information Returns Intake System (IRIS) Taxpayer Portal User Guide
<https://www.irs.gov/pub/irs-pdf/p5717.pdf>

Coming Soon! Publication 5718 Information Returns Intake System (IRIS) Electronic Filing Application to Application (A2A) Specifications

Coming Soon! Publication 5719 Information Returns Intake System (IRIS) Test Package for Information Returns

Websites

www.irs.gov/inforeturn - a website that provides an overview of the three different intake channels (FIRE, AIR and IRIS)

www.irs.gov/iris - a website that provides general information about IRIS

www.irs.gov/iris-ats and www.irs.gov/iris-schema - websites that provide information about Assurance Testing Scenarios (ATS) for the Application to Application (A2A) filer for IRIS



- ❖ National Security Awareness Week
- ❖ November 27, 2023 – December 1, 2023



Scams, Security Plan, Identity Theft



Stay Safe while SHOPPING ONLINE



Pub 5461 Protect Personal and
Financial Information Online

- ✓ Shop only on secure sites
- ✓ Use only secured networks
- ✓ Update security software
- ✓ Secure devices
- ✓ Use malware stoppers and firewalls
- ✓ Use strong passwords
- ✓ Use multi-factor authentication





Tax Pros Stay Safe by having a WRITTEN INFORMATION SECURITY PLAN (WISP)



- ✓ Develop a WISP
- ✓ Use IRS Secure Online Tools (Tax Pro Account)
- ✓ Use Multi-Factor Authentication
- ✓ Know what to do if you have a Data Breach
- ✓ **Pub 5708** Creating a WISP
- ✓ Nov 30 WISP Webinar

Pub 5461-D Tax professionals should review their security protocols

Pub 5461-F Review account details on secure portal





Businesses Stay Safe by SAFEGUARDING INFORMATION



- ✓ Safeguard customer data
- ✓ Beware of phishing and impersonation schemes
- ✓ Review tips in the business section of Identity Theft Central on [IRS.gov](https://www.irs.gov)

Pub 5461-C Businesses should watch out for tax-related scams and implement safeguards





Inflation Reduction Act: *Clean Vehicle Credits*



Objectives

- Inflation Reduction Act Goals
- Clean Vehicle Tax Credit (IRC § 30D)
 - Credits for New Clean Vehicle in 2023 or After
 - Credits for New Electric Vehicles Purchased in 2022
- Previously Owned Clean Vehicle Credit (IRC § 25E)
- Commercial Clean Vehicle Credit (IRC § 45W)
- Requirements for Dealers or Sellers of Clean Vehicles
- IRS Clean Vehicle Resources:

www.irs.gov/cleanvehicles





IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After

Who Qualifies:

- A Taxpayer may qualify for a credit up to \$7,500 if they buy a new qualified electric vehicle.
- The Inflation Reduction Act of 2022 changed the rules for this credit for vehicles purchased from 2023 to 2032. This is now referred to as the *New Clean Vehicle Credit*



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

To qualify, the taxpayer must:

- Buy it for their own use, not for resale
- Use it primarily in the U.S.



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

Modified Adjusted Gross Income Limitations:

Modified adjusted gross income (MAGI) may not exceed:

- \$300,000 for married couples filing jointly
- \$225,000 for heads of households
- \$150,000 for all other filers

**Taxpayer can use their modified AGI from the year they take delivery of the vehicle or the year before, whichever is less. If their income is below the threshold for one of the two years, they can claim the credit.*



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

Qualified Vehicles

To qualify, a vehicle must:

- Have a battery capacity of at least 7 kilowatt hours
- Have a gross vehicle weight rating of less than 14,000 pounds
- Be made by a qualified manufacturer.
- Undergo final assembly in North America

Fuel Cell Vehicles (FCVs) do not need to be made by a qualified manufacturer to be eligible. But qualified manufacturers of EVs must also report for their FCVs. See Rev. Proc. 2022-42 for more detailed guidance.





IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

A list of eligible clean vehicles may be found at federal government's website:

<https://www.fueleconomy.gov/feg/tax2023.shtml>





IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

The sale qualifies only if:

- The taxpayer buys the vehicle new
- The seller reports required information to the taxpayer at the time of sale and to the IRS.
 - Sellers are required to report the buyer's name and taxpayer identification number to the IRS for you to be eligible to claim the credit.



IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

In addition, the vehicle's manufacturer suggested retail price (MSRP) can't exceed:

- \$80,000 for vans, sport utility vehicles and pickup trucks
- \$55,000 for other vehicles

MSRP is the retail price of the automobile suggested by the manufacturer, including options, accessories and trim installed by manufacturer. Excludes destination fees. It isn't necessarily the contract price





IRC 30D Credit for New Clean Vehicles

Purchased in *2023 or After (Cont.)*

- To confirm whether a vehicle is a van, sport utility vehicle, pickup truck or other, see **Plug-in Electric and Fuel Cell Electric Vehicles Purchased in 2023 or After**
- You can find the vehicle's weight, battery capacity, final assembly location (listed as “final assembly point”) and VIN on the vehicle's window sticker.
- To check online if a specific vehicle meets the requirements for final assembly location, go to the Department of Energy's page on **Electric Vehicles with Final Assembly in North America** and use the VIN Decoder tool under "Specific Assembly Location Based on VIN."





Proposed IRC 30D Regulations

- Published in Federal Register on April 18, 2023
- For purchases of new clean vehicles after the publication of these proposed regulations there will be two new requirements to calculate the amount of the credit



Proposed IRC 30D Regulations:

The amount of the tax credit for the purchase of a new clean vehicle is equal to the total amount determined based on two factors:

1. The critical minerals used in the battery from which the EV or FEV draws electricity, a factor that may account for a maximum credit of \$3,750
2. The battery components, a manufacture/assembly factor that may account for a maximum credit of \$3,750.





IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

Seller ***must*** provide specific information to the taxpayer purchasing the clean vehicle:

- Name and taxpayer identification number of the taxpayer
- Vehicle identification number of the new clean vehicle
- Battery capacity of the new clean vehicle
- Verification that the taxpayer is the original user of the new clean vehicle
- Name and taxpayer identification number of the seller
- The date of the sale and the sales price of the vehicle
- Maximum credit allowable for the new clean vehicle being sold
- For sales after December 31, 2023, the amount of any transfer credit applied to purchase
- A declaration under penalties of perjury from the seller





IRC 30D Credit for New Clean Vehicles Purchased in 2023 or After (Cont.)

How to Claim the Credit:

- File Form 8936 (check back soon for a revised Form 8936) that will be completed to claim the new clean vehicle credit for vehicles placed in service in 2023 and later)
- The taxpayer will need to provide the vehicle's VIN
- Along with make, model, model year and placed in service date



IRC 25E Credit for Previously Owned Vehicles (Cont.)

Who Qualifies

To qualify for a credit for purchasing a previously owned clean vehicle (EV) or a fuel cell vehicle (FCV) the taxpayer must:

- Be an individual who bought the vehicle for use and not for resale
- Not be the original owner
- Not be claimed as a dependent on another person's tax return
- Not have claimed another previously owned clean vehicle credit in the 3 years before the purchase date



IRC 25E Credit for Previously Owned Vehicles (Cont.)

Modified adjusted gross income (MAGI) may not exceed:

- \$150,000 for married filing jointly or a surviving spouse
- \$112,500 for heads of household
- \$75,000 for all other filers

Taxpayers may use their modified AGI from the year they take delivery of the vehicle or the year before, whichever is less. If the taxpayer's income is below the threshold for one of the two years, the taxpayer can claim the credit.



IRC 25E Credit for Previously Owned Vehicles (Cont.)

To qualify, a vehicle must meet all these requirements:

- Have a sale price of \$25,000 or less
- Have a model year at least 2 years earlier than the calendar year when you buy it. For example, a vehicle purchased in 2023 would need a model year of 2021 or older.
- Not have already been transferred after August 16, 2022, to a qualified buyer
- Have a gross vehicle weight rating of less than 14,000 pounds
- Be an eligible FCV or plug-in EV with a battery capacity of least 7 kilowatt hours
- Be for use primarily in the United States





IRC 25E Credit for Previously Owned Vehicles (Cont.)

Qualified Vehicles and Sales

The sale qualifies only if:

- The vehicle is purchased from a dealer
- For qualified previously owned EVs, the dealer reports required information to the buyer at the time of sale and to the IRS.

A dealer is a person licensed to sell motor vehicles in a state, the District of Columbia, the Commonwealth of Puerto Rico, any other territory or possession of the United States, an Indian tribal government, or any Alaska Native Corporation.





IRC 25E Credit for Previously Owned Vehicles (Cont.)

Qualified Vehicles and Sales

Required information includes:

- Dealer's name and taxpayer ID number
- Buyer's name and taxpayer ID number
- Sale date and sale price
- Maximum credit allowable under IRC 25E
- Vehicle identification number (VIN), unless the vehicle is not assigned one
- Battery capacity



IRC 25E Credit for Previously Owned Vehicles (Cont.)

How to Claim the Credit:

- File Form 8936 (check back soon for a revised Form 8936) that will be completed to claim the used clean vehicle credit for vehicles placed in service in 2023 and later)
- The vehicle's VIN should be entered on Form 8936
- Also, the make, model, model year and placed in service date are entered on Form 8936





IRC 45W Credit for Commercial Clean Vehicles

Businesses and tax-exempt organizations that buy a qualified commercial clean vehicle may qualify for a clean vehicle tax credit of up to \$40,000 under Internal Revenue Code (IRC) § 45W

The credit equals the lesser of:

- 15% of the tax basis in the vehicle (30% if the vehicle is not powered by gas or diesel) or
- The incremental cost of the vehicle

The maximum credit is \$7,500 for qualified vehicles with gross vehicle weight ratings (GVWRs) of under 14,000 pounds and \$40,000 for all other vehicles.





IRC 45W Credit for Commercial Clean Vehicles (Cont.)

Who Qualifies:

- Businesses and tax-exempt organizations qualify for the credit.
- There is no limit on the number of credits the business can claim.
- For businesses, the credits are general business credits and non-refundable, which means the business cannot get back more on the credit than you owed in taxes. However, this credit may be carried over to a subsequent year.



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

To qualify, a vehicle must be subject to a depreciation allowance, with an exception for purchased vehicles placed in service by a tax-exempt organization.

The vehicle must also:

- Be made by a qualified manufacturer as defined in IRC 30D(d)(1)(C). Qualified manufacturers list is at [IRS.gov](https://www.irs.gov)
- Be for use in the business and not for resale
- Be for use primarily in the United States
- Not have been allowed a credit under IRC sections 30D or 45W



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

In addition, the vehicle must either be:

1. Treated as a motor vehicle for purposes of Title II of the Clean Air Act and manufactured primarily for use on public roads (not including a vehicle operated exclusively on a rail or rails);
2. Mobile machinery as defined in IRC 4053(8) (including vehicles that are not designed to perform a function of transporting a load over a public highway)





IRC 45W Credit for Commercial Clean Vehicles (Cont.)

The vehicle or machinery must also either be:

1. A plug-in electric vehicle that draws significant propulsion from an electric motor with a battery capacity of at least:
 - 7 kilowatt hours if the gross vehicle weight rating (GVWR) is under 14,000 pounds
 - 15 kilowatt hours if the GVWR is 14,000 pounds or more; or
2. A fuel cell motor vehicle that satisfies the requirements of IRC 30B(b)(3)(A) and (B)





IRC 45W Credit for Commercial Clean Vehicles (Cont.)

Claiming the Credit:

- IRS is finalizing a form for you to claim the credit. Please check back to www.irs.gov/cleanvehicles for updates.
- You will need to provide your vehicle's VIN along with the amount of the credit.
- The depreciable basis of the vehicle is reduced by the amount of the commercial clean vehicle credit you receive.



IRC 45W Credit for Commercial Clean Vehicles (Cont.)

How to Claim the Credit:

- File Form 8936 (check back soon for a revised Form 8936) that should be completed to claim the commercial clean vehicle credit for vehicles placed in service in 2023 and later)
- The vehicle's VIN will be reported on Form 8936
- Along with make, model, model year and placed in service date
- The depreciable basis of the vehicle is reduced by the amount of the commercial clean vehicle credit received





Clean Vehicle Resources

- [Frequently Asked Questions About the New, Previously-Owned and Qualified Commercial Clean Vehicles Credit Publication](#)
- [Publication 5724, Credit for Previously Owned Clean Vehicles](#)
- [Publication 5724-A, Credit for Clean Vehicles](#)
- [Publication 5724-B, Credit for Commercial Clean Vehicles](#)
- [Publication 5724-D, Credit for Previously Owned Clean Vehicles](#)
- [Publication 5724-E, Credit for Clean Vehicles, Poster](#)
- [Publication 5724-F, Credit for Commercial Clean Vehicles](#)

WWW.IRS.GOV/CLEANVEHICLES





Home and Residential Energy Credits





Energy Efficient Home Improvement Credit

30% credit, with a \$1,200 annual credit limit for

- (1) qualified energy efficiency improvements – known as building envelope components, which are described later – installed during the year,
- (2) residential energy property expenditures made during the year, and
- (3) home energy audits conducted during the year (maximum of \$150)

30% credit, with a \$2,000 annual credit limit for

- (1) heat pumps and heat pump water heaters, and
- (2) biomass stoves and boilers.

The credit is allowed for qualifying property placed in service on or after January 1, 2023, and before January 1, 2033.





Energy Efficient Home Improvement Credit Eligible improvements & expenditures

❖ Building Envelope components:

- Exterior doors
- Exterior windows and skylights
- Insulation and air sealing materials

❖ Qualified Energy Property:

- Central air conditioners
- Natural gas, propane, or oil,
 - ❖ water heaters, furnaces & hot water boilers
- Panel boards & feeders

❖ Home Energy Audits

❖ Qualified Energy Property

- Heat pumps
 - Electric or natural gas heat pumps
 - Electric or natural gas heat pump water heaters
- Biomass stoves and boilers





Energy Efficiency Home Improvement Credit limits

❖ \$1200 maximum credit

- Building envelope components – exterior window, doors, skylights and insulation/sealing materials
- Residential Energy Property – Central air, water heaters, furnaces and boilers, panelboards
- Home energy audit

❖ \$2000 maximum credit

- Heat pumps,
- Biomass stoves and
- Biomass boilers



❖ Potential credit \$3200





Energy Credits – Qualifying Residence

❖ Energy Efficient Home Improvement Credit

- Home in the US, owned & principal residence; (doors, windows, skylights, insulation and/or air sealing material or system)
- Home in US, owned or rented and used as a residence (AC/heaters, furnaces, boilers, panelboard, feeders, home audits)
- Existing home and renovation
- Solely used for business – no credit

❖ Residential Clean Energy Credit

- Home located in U.S., owned or rented and used as a residence. Solar expenditures, small wind energy property, geothermal heat pump property, battery storage
- Fuel cell expenditures, principal residence (within the meaning of IRC Section 121)
- Existing home or newly constructed home.
- Solely used for business – no credit





How to claim Residential Energy Credits: Form 5695

Form **5695**

Department of the Treasury
Internal Revenue Service

Name(s) shown on return

Residential Energy Credits

Go to www.irs.gov/Form5695 for instructions and the latest information.

Attach to Form 1040, 1040-SR, or 1040-NR.

OMB No. 1545-0074

2022
Attachment
Sequence No. 158

Your social security number

Part I Residential Clean Energy Credit (See instructions before completing this part.)

Note: Skip lines 1 through 11 if you only have a credit carryforward from 2021.

1	Qualified solar electric property costs	1	
2	Qualified solar water heating property costs	2	
3	Qualified small wind energy property costs	3	
4	Qualified geothermal heat pump property costs	4	
5	Qualified biomass fuel property costs	5	
6a	Add lines 1 through 5	6a	
b	Multiply line 6a by 30% (0.30)	6b	
7a	Qualified fuel cell property. Was qualified fuel cell property installed on, or in connection with, your main home located in the United States? (See instructions.)	7a	<input type="checkbox"/> Yes <input type="checkbox"/> No
Caution: If you checked the "No" box, you cannot take a credit for qualified fuel cell property. Skip lines 7b through 11.			
b	Print the complete address of the main home where you installed the fuel cell property.		
	Number and street		Unit No.
	City, State, and ZIP code		
8	Qualified fuel cell property costs	8	
9	Multiply line 8 by 30% (0.30)	9	
10	Kilowatt capacity of property on line 8 above x \$1,000	10	
11	Enter the smaller of line 9 or line 10	11	
12	Credit carryforward from 2021. Enter the amount, if any, from your 2021 Form 5695, line 16	12	
13	Add lines 6b, 11, and 12	13	
14	Limitation based on tax liability. Enter the amount from the Residential Clean Energy Credit Limit Worksheet (see instructions)	14	
15	Residential clean energy credit. Enter the smaller of line 13 or line 14. Also include this amount on Schedule 3 (Form 1040), line 5	15	
16	Credit carryforward to 2023. If line 15 is less than line 13, subtract line 15 from line 13	16	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 13640P

Form **5695** (2022)



2023 IRS Updates

Thank You