But Dan Becker, director of the Safe Climate Transport Campaign at the Center for Biological Diversity, offers this suggestion: Decide in terms of buying soon versus after January 1. "Don't wait until 2030 because there might be something better. There will always be something better sometime in the future," Becker said.

First figure out if you want an EV and then if it can actually do whatever it is you plan to do with it, Becker recommended. That means looking at how far you're likely to drive; the kinds of vehicles that are available; the support structure such as public charging stations where you're likely to travel, and availability of charging at home. And anything else that may have a bearing on your driving. Then look at all the incentives.

"Buying something that costs tens-of-thousands-of-dollars should be complicated," he said. "Don't ever rush to buying a car. Never, no matter what."

Thinking of buying an EV? Hurry up … and wait … or?

The newly enacted Inflation Reduction Act (IRA) is packed with incentives for buying electric vehicles and with a bunch of new rules for how things are to work. But those rules make it tricky for consumers trying to figure out the best time to buy an EV.

By Jan Ellen Spiegel
September 28, 2022

The rush to buy for many is on when it comes to thinking about electric vehicles, EVs.

Hurry and buy now? Maybe.

Wait and buy later? Maybe.

It's complicated.

And that's not just because of the new Inflation Reduction Act. Many states also have incentive programs designed to get residents to buy electric vehicles. And there are all kinds of state and federal one-off endeavors designed to lay groundwork so you can actually *use* the EV when you buy it.

Yup – it can get very, very complicated and would-be EV buyers are going to have to spend time and effort figuring it all out.

"I don't know how it's going to look moving forward, but the beginning will be difficult," said Brian Willis, communications director for the Zero Emission Transportation Association (ZETA). "It will get better over time."

"We wanted incentives, like tax credits, that make that process more attractive and hopefully easier for people to do," said James Morton Turner, an environmental policy and politics historian at Wellesley College in Massachusetts. "This program introduces a lot of confusion and complexity for consumers and automakers alike," said Turner, author of *Charged: A History of Batteries and Lessons for a Clean Energy Future*. "That's not what we want to do with EV sales."

But that's what we're doing so …

What's in the IRA for EVs … and in it for you?

Short answer – a lot. **BUT** – did we mention it's complicated?

A federal tax credit for EV's has been in place for quite awhile, but it had a cap on it. The cap meant when an EV model hit a certain sales volume, tax credits wouldn't be available anymore. So as of right now you can pretty much forget about them for

Chevy Bolts and Teslas: Sales of those models have exceeded the cap.

That cap does, however, go away under the new law. **BUT** – not until next year.

Another **BUT** – other rules kick in then that will make getting the tax credit harder. Some have already kicked in that also make it harder. And easier. And in light of all kinds of factors including residual COVID supply chain problems and Russia's invasion of Ukraine, demand for at least certain EVs far outstrips supplies.

So figuring out when to buy – there's a lot to consider.

Here are some of the main components of the new federal EV program.

- Federal tax credit: Up to $7,500 for a new car. Up to $4,000 for a used one starting next year – that's a first for the fed – but they must be purchased through a dealer. Notice "up to." Leased cars are not eligible; fuel cell vehicles are.

- Final vehicle assembly: Must be in North America. That provision went into effect immediately in August, knocking gobs of vehicles out of eligibility. If you had a binding contract for a 2022 or 2023 vehicle when the program started but hadn't received it yet – you're still OK.

- Quotas: They end Jan. 1, 2023 which makes Teslas, Bolts and Hummers eligible for the first time in a long time so long as they and the buyer meet all the other criteria.

- Cost and income limits: Also starting next year – only new EVs that cost less than $55,000 or $80,000 depending on size, and used vehicles under $25,000 are eligible for tax credits. There are also income limits – which are lower for used vehicles. In other words, super-expensive luxury vehicles will not qualify. Nor will super rich folks who make a lot of money, even if they're buying a less expensive EV.

- The battery: Here you get to the really complicated stuff. There will now be regulations governing where battery components come from – and where the difficult-to-find minerals for them come from. The rules ramp up over several years to a point that in some cases no tax credit will be allowed. Those components must come from the U.S. or one of its free-trade partners. The rule is designed partly to keep China and Russia out of the mix.

(For more detailed information see links below.)

So if you make a lot of money and want to buy a more expensive EV that's assembled in the U.S., your best shot may be before the end of the year. If you're worried that the battery restrictions will make it harder or more expensive – then you have until 2024 to make your move. You can also hedge your bets that the whole system will incentivize changes to manufacturing locations and battery component sourcing: In that case, you can wait and more vehicles will be eligible. Theoretically anyway.

The problem right now is that the program designed at the federal level arguably is long-term – it is guaranteed for 10 years. But regulations spelling out the rules of the road are playing out in such a short time frame that many worry that vehicle manufacturers just can't rejigger their operations fast enough to qualify for the tax credits to meet consumer demand.

"There are a lot of incentives and reasons for consumers to plan to purchase an electric vehicle, but in the short term there are many complexities around infrastructure, local incentives and other kinds of policies that may have bearing on their decisions," Turner said. "It takes a lot of effort on the part of a consumer to wade through. It's not an easy decision for many consumers right now."

That said, Turner and others point out that a big, big component of the whole effort is really to get industry to move its base to the U.S. from overseas, where it's been for decades and bring the jobs and tax revenue back home. That incentive may be there now.

"There are a lot of advantages to having 10 years of regulatory certainty which lots of these industries have not had," Turner said.

But focusing only on the federal tax credit may not be the best move for consumers.

Look beyond the federal IRA

There's a whole lot more going on related to EVs that could help consumers decide what to do. The federal government is providing $900 million to 35 states over the next two years to build out charging infrastructure – important for folks who may live in areas where there isn't much of it – now or perhaps any time soon. Uncle Sam is also to put $5 billion over five years into chargers on U.S. highways.

The California Air Resources Board's recent decision to stop selling new gas cars by 2035, already being embraced by several other states, is also likely to add pressure on car companies to move quickly to ramp up their U.S. operations.

But a really big and potentially decisive component for consumers is what their own state is doing to increase EV adoption. Lots of states are taking lots of actions allowing consumers to help get locally what might not be available at the federal level. Or better yet – get help from both.

Take Connecticut, which earlier this year dramatically expanded its incentive program for EVs – a program known as CHEAPR, which stands for Connecticut Hydrogen and Electric Automobile Purchase Rebate.

CHEAPR has multiple rebates at the point of purchase – including for leased vehicles and special deals for income-qualified buyers, and it's covered used vehicles for quite some time. It will even be covering E-bikes. The point for EV buyers is that there is more out there to help defray some of the costs.

But you're going to have to root around a bit. (See below for links to state programs.)

"Our goal is to make it as frictionless and as easy as possible for folks to tap into funding dollars that are coming from multiple different sources without having to make the consumer figure all that out," said Katie Dykes, commissioner of the Connecticut Department of Energy and Environmental Protection.

The state is going through the IRA provisions to figure out where to target state dollars to complement the federal funding and cover the gaps and underserved consumers, Dykes said. At this point, she is not seeing the complexity of the federal program causing consumers to give up.

Suggestion: Consider waiting for a cheaper EV … but not for a 'better' one

"Actually, I think it's the opposite," according to Dykes. "I think people are throwing up their hands and running towards this opportunity. The passage of the IRA has certainly increased consumer interest in EVs. The high price of gasoline consumers have been experiencing because of global disruptions over the last several months – we've been hearing from dealers that inquiries about switching to electric have reached an all-time high."

Connecticut utilities are also making money available to those installing charging stations – and recent state legislation makes it easier for renters to install charging stations. These are the kinds of one-off incentives would-be EV buyers should be on the lookout for as they consider if and when to make a purchase. Many times such incentives are not open-ended, so timing is essential.

Another big consideration for purchasers is whether it's worth waiting out EV improvements coupled with cost decreases – especially those related to the battery. Battery performance is much better than it used to be. Its cost – arguably the chief driver of the overall vehicle cost – has come down considerably. More reasons here to not jump into an EV purchase immediately?

"I think it would be smarter to wait for a cheaper car than a better car," Turner said. "I think holding out in the expectation that the range of cars is going to double would be a mistake. But we should expect kind of a steady incremental improvement in performance."

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Yeah, sorry about that. **But** we warned you: It's complicated.

Additional program information

Department of Energy
Alternative Fuels Data Center List of Vehicles Assemble in America
Alternative Fuels Data Center Tax Credit Stipulations
IRS Tax Credits
Plug In America
Consumer Reports
Kelley Blue Book

State programs

Alternative Fuels Data Center State Laws and Incentives
Kelley Blue Book

https://yaleclimateconnections.org/2022/09/thinking-of-buying-an-ev-hurry-up-and-wait-or/