

1. [IRC](#)
2. [Subtitle A](#)
3. [Chapter 1](#)
4. [Subchapter A](#)
5. [Part IV](#)
6. [Subpart A](#)
7. § 25e

Sec. 25E. Previously-Owned Clean Vehicles

Editor's Note: Pub. L. 117-169, Sec. 13402(a), added Sec. 25E, effective for vehicles acquired after December 31, 2022.

I.R.C. § 25E(a) Allowance Of Credit —

In the case of a qualified buyer who during a taxable year places in service a previously-owned clean vehicle, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the lesser of—

I.R.C. § 25E(a)(1) —

\$4,000, or

I.R.C. § 25E(a)(2) —

the amount equal to 30 percent of the sale price with respect to such vehicle.

I.R.C. § 25E(b) Limitation Based On Modified Adjusted Gross Income

I.R.C. § 25E(b)(1) In General —

No credit shall be allowed under subsection (a) for any taxable year if—

I.R.C. § 25E(b)(1)(A) —

the lesser of—

I.R.C. § 25E(b)(1)(A)(i) —

the modified adjusted gross income of the taxpayer for such taxable year, or

I.R.C. § 25E(b)(1)(A)(ii) —

the modified adjusted gross income of the taxpayer for the preceding taxable year, exceeds

I.R.C. § 25E(b)(1)(B) —

the threshold amount.

I.R.C. § 25E(b)(2) Threshold Amount —

For purposes of paragraph (1)(B), the threshold amount shall be—

I.R.C. § 25E(b)(2)(A) —

in the case of a joint return or a surviving spouse (as defined in section 2(a)), \$150,000,

I.R.C. § 25E(b)(2)(B) —

in the case of a head of household (as defined in section 2(b)), \$112,500, and

I.R.C. § 25E(b)(2)(C) —

in the case of a taxpayer not described in subparagraph (A) or (B), \$75,000.

I.R.C. § 25E(b)(3) Modified Adjusted Gross Income —

For purposes of this subsection, the term “modified adjusted gross income” means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

I.R.C. § 25E(c) Definitions —

For purposes of this section—

I.R.C. § 25E(c)(1) Previously-Owned Clean Vehicle —

The term “previously-owned clean vehicle” means, with respect to a taxpayer, a motor vehicle—

I.R.C. § 25E(c)(1)(A) —

the model year of which is at least 2 years earlier than the calendar year in which the taxpayer acquires such vehicle,

I.R.C. § 25E(c)(1)(B) —
the original use of which commences with a person other than the taxpayer,
I.R.C. § 25E(c)(1)(C) —
which is acquired by the taxpayer in a qualified sale, and
I.R.C. § 25E(c)(1)(D) —
which—
I.R.C. § 25E(c)(1)(D)(i) —
meets the requirements of subparagraphs (C), (D), (E), (F), and (H) (except for clause (iv) thereof) of section 30D(d)(1), or
I.R.C. § 25E(c)(1)(D)(ii) —
is a motor vehicle which—
I.R.C. § 25E(c)(1)(D)(ii)(I) —
satisfies the requirements under subparagraphs (A) and (B) of section 30B(b)(3), and
I.R.C. § 25E(c)(1)(D)(ii)(II) —
has a gross vehicle weight rating of less than 14,000 pounds.
I.R.C. § 25E(c)(2) Qualified Sale —
The term “qualified sale” means a sale of a motor vehicle—
I.R.C. § 25E(c)(2)(A) —
by a dealer (as defined in section 30D(g)(8)),
I.R.C. § 25E(c)(2)(B) —
for a sale price which does not exceed \$25,000, and
I.R.C. § 25E(c)(2)(C) —
which is the first transfer since the date of the enactment of this section to a qualified buyer other than the person with whom the original use of such vehicle commenced.
I.R.C. § 25E(c)(3) Qualified Buyer —
The term “qualified buyer” means, with respect to a sale of a motor vehicle, a taxpayer—
I.R.C. § 25E(c)(3)(A) —
who is an individual,
I.R.C. § 25E(c)(3)(B) —
who purchases such vehicle for use and not for resale,
I.R.C. § 25E(c)(3)(C) —
with respect to whom no deduction is allowable with respect to another taxpayer under section 151, and
I.R.C. § 25E(c)(3)(D) —
who has not been allowed a credit under this section for any sale during the 3-year period ending on the date of the sale of such vehicle.
I.R.C. § 25E(c)(4) Motor Vehicle; Capacity —
The terms “motor vehicle” and “capacity” have the meaning given such terms in paragraphs (2) and (4) of section 30D(d), respectively.
I.R.C. § 25E(d) VIN Number Requirement —
No credit shall be allowed under subsection (a) with respect to any vehicle unless the taxpayer includes the vehicle identification number of such vehicle on the return of tax for the taxable year.
I.R.C. § 25E(e) Application Of Certain Rules —
For purposes of this section, rules similar to the rules of section 30D(f) (without regard to paragraph (10) or (11) thereof) shall apply for purposes of this section.
Editor's Note: Sec. 25E(f), below, before being redesignated by Pub. L. 117-169, Sec. 13402(b)(1), is effective for vehicles acquired before January 1, 2024.
I.R.C. § 25E(f) Termination —
No credit shall be allowed under this section with respect to any vehicle acquired after December 31, 2032.
Editor's Note: Sec. 25E(f), below, as added by Pub. L. 117-169, Sec. 13402(b)(2), is effective for vehicles acquired after December 31, 2023.
I.R.C. § 25E(f) Transfer Of Credit —
Rules similar to the rules of section 30D(g) shall apply.
Editor's Note: Sec. 25E(g), below, after being redesignated by Pub. L. 117-169, Sec. 13402(b)(1), is effective for vehicles acquired after December 31, 2023.
I.R.C. § 25E(g) Termination —
No credit shall be allowed under this section with respect to any vehicle acquired after December 31, 2032.
(Added and amended by Pub. L. 117-169, title I, Sec. 13402(a), 13402(b), Aug. 16, 2022; 136 Stat. 1818.)
BACKGROUND NOTES

AMENDMENTS

2022 — Subsecs. (f), (g). Pub. L. 117-169, Sec. 13402(b), redesignated subsec. (f) (as added by Sec. 13402(a)) as subsec. (g) and added new subsec. (f).

EFFECTIVE DATE OF 2022 AMENDMENTS

Pub. L. 117-169, Sec. 13402(e)(1) provided: “Except as provided in paragraph (2), the amendments made by this section shall apply to vehicles acquired after December 31, 2022.”

Pub. L. 117-169, Sec. 13402(b), effective for vehicles acquired after December 31, 2023.

Pub. L. 117-169, Sec. 13402(e)(2) provided: “The amendments made by subsection (b) shall apply to vehicles acquired after December 31, 2023.”

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