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Bulletin

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Illinois Sales Tax Treatment of Point-of-Sale Transfer of Federal Clean Vehicle Tax Credits

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

To: All registered Illinois retailers filing Form ST-556, Sales Tax Transaction Return, and Form ST-556-LSE, Transaction Return for Leases

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This bulletin is being issued to inform clean vehicle retailers and purchasers that clean vehicle credits that are applied toward the purchase of a clean vehicle are included as part of the taxable selling price of the vehicle.

What is a clean vehicle credit?

A clean vehicle credit is a federal income tax credit offered to eligible purchasers of qualifying new or used clean vehicles.

The Inflation Reduction Act of 2022 provides a federal income tax credit for a qualifying new or used clean vehicle (certain electric vehicles (“EVs”), plug-in hybrids (“PHEVs”), and fuel cell vehicles (“FCVs”)) that a taxpayer purchases and places in service.

Can a purchaser transfer a clean vehicle credit?

Yes. For clean vehicles purchased on or after January 1, 2024, the federal Internal Revenue Service (IRS) authorizes purchasers to elect to transfer their clean vehicle credit (vehicle transfer election) to qualifying new or used vehicle dealers, thus reducing the amount the purchaser pays out of pocket.

In order to receive payment from the IRS for the transferred credit, a vehicle dealer must show that it made “payment to [the purchaser] (whether in cash or in the form of a partial payment or down payment for the purchase of such vehicle) in an amount equal to the credit otherwise allowable to [the purchaser].” 26 U.S.C. 30D(g)(2)(C).

Are clean vehicle credits transferred at point-of-sale subject to sales tax?

Yes. The Retailers' Occupation Tax Act imposes a tax upon persons engaged in the business of selling at retail tangible personal property ([35 ILCS 120/2](#)). Retailers incur Retailers' Occupation Tax (sales tax) liability upon their gross receipts from the sale of tangible personal property. "Gross receipts" from sales of tangible personal property at retail means the total selling price or the amount of such sales. The "selling price" or "amount of sale" means the consideration for a sale valued in money whether received in money or otherwise, and shall be determined without any deduction on account of the cost of the property sold or any other expense whatsoever. See [86 Ill. Adm. Code 130.410](#).

The federal government provides purchasers a federal income tax credit for the purchase of clean vehicles. It authorizes purchasers to transfer the federal income tax credit to the vehicle dealer at the time of purchasing a clean vehicle in exchange for a payment from the vehicle dealer. The payment may be made either as a cash payment to the purchaser or as a payment applied to the purchase price of the vehicle. If the payment is applied to the purchase price of the vehicle, it is included as taxable consideration for the sale of the vehicle. This is similar to manufacturer rebates or manufacturer-reimbursed coupons. Like any third-party payment to a retailer, the federal clean vehicle income tax credit, if applied to the purchase of a clean vehicle, is included in gross receipts and fully taxable under the Retailers' Occupation Tax.

Where can I get more information on clean vehicle credits?

For additional information on clean vehicle credits, visit the Internal Revenue Service's (IRS) web page: [Clean vehicle credits can help car buyers pay less at the dealership](#).