



The Green Credits: Are They Worth It?

The government is providing a lot of subsidies and tax credits for going green right now. Let's take a look at the tax credits and see if it might be worth it for you.

There are a few different Residential Energy Credits and Energy Efficient Home Improvement Credits:

Solar Panels & Battery Storage Technology:

30% of the costs of new qualified clean energy property. Ex. \$10,000 of solar panels leads to a \$3,000 Federal Income tax credit (*nonrefundable). You do not include interest or origination fees - just the cost of the solar panels.

Energy Efficient Home Improvements: Up to \$3,200 credit - this is for improving the home where you live (whether you pay rent or a mortgage).

Credits are broken down as follows, but based on 30% of the qualified expenses:

- \$1,200 is the max each year for energy property costs, there are limits on doors (\$250 per door or \$500 total), windows (\$600), and home energy audits (\$150).
 - Energy property costs can include qualified energy efficiency expenses such as skylights, insulation, air sealing materials, central air conditioners, etc.
- \$2,000 is the max each year for qualified heat pumps, biomass stoves or biomass boilers.

These apply only to existing homes and not for newly constructed homes.



***Nonrefundable:**

You cannot get more money back than you owe in tax for the year. If you have a \$3,000 credit, but only owe \$1,000 in tax, then you only get a \$1,000 refund. The other \$2,000 does get carried forward and applied to future years income tax.

****Does Not Carryforward:**

In other words, use it or lose it. Make sure you do your tax planning so that you don't end up losing out on tax credits you thought you were going to get, but lose out on.

New EV Credits: \$3,750 up to \$7,500 based on where the vehicle is assembled AND the critical minerals and battery components. (Nonrefundable & **does not carry forward)

- If you purchase a qualifying EV on/after January 1st, 2023, then you could qualify for the new tax credit up to \$7,500.

It has to have the following:

Critical Minerals minimum % value requirement:

2023: 40%

2024: 50%

Battery Components minimum % value requirement:

2023: 50%

2024: 60%



In Addition:

If it is a: Van, SUV, or Pickup Truck then MSRP must be less than \$80,000

All Other Vehicles then MSRP must be less than \$55,000

Be Aware:

Your MAGI (Modified Adjusted Gross Income):

[IRS Credits For New Electric Vehicles Link](#)

Must be less than:

- \$300,000 for Joint-Filers
- \$225,000 for Head of Household
- \$150,000 for Single Filers

****Beginning in 2024, taxpayers have the option to transfer the credit to the dealer at the time of purchase to directly lower the price of the vehicle by the corresponding credit amount. ****

In Summary:

Do your due diligence and tax planning before purchasing a qualifying EV. If you have children or other tax deductions/credits, then you need to make sure the credit is helping you out. 2024 may be the better year for most average income households because you have the option to transfer credits to the dealer at the time of purchase (rather than taking the tax credit on your tax return).

Note, the tax credit is Nonrefundable & Does Not Carryover. That means if you have a total federal income tax bill in 2023 of \$5k and your EV credit is \$7,500, then you LOSE OUT on the rest of the \$2,500 credit. It does NOT carryover to the next year.

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My Solar Panels:

I decided to purchase solar panels in late 2021 with the following information:

Cost: \$14,000 for 12 panels on my home by paying it in whole and putting it on my HELOC at ~4% at the time. I could have had a loan at 1.99%, but their are additional finance fees >\$4,000 so the total would have been greater than \$18,000.

- Federal income tax credit: \$3,640 - I won't use this until my adoption tax credit has been fully used up, but this should happen before five years.
- Utah income tax credit: \$1,200 - applied in 2021 giving me an instant credit and savings.

The cost savings between my electricity bill and the solar panels bill/electricity savings was about even. It didn't really save me much money on my bill by switching in the short-run, but would likely save me money down the road if electricity rates increased.

I also planned on likely moving within 5-7 years. In the end, it was a short-term money saving decision. The tax credits were going to save me money in the short run and I could simply pay interest payments on my solar cost until I moved. Ideally the house will also sell a tad higher because of the solar panels which would offset that cost as well. The risk was paying for the solar panels with the HELOC where interest rates have increased substantially. Once they increased enough then I have put the cost on a credit card at 0% interest with a 3% fee for 15 months). This is actually a lower interest rate than the HELOC rate at the beginning. However, the negative consequence is my credit utilization has shot up and therefore caused my credit score to go down. As long as I do not need to apply for a loan, then it doesn't hurt me financially.

Used EV Cars:

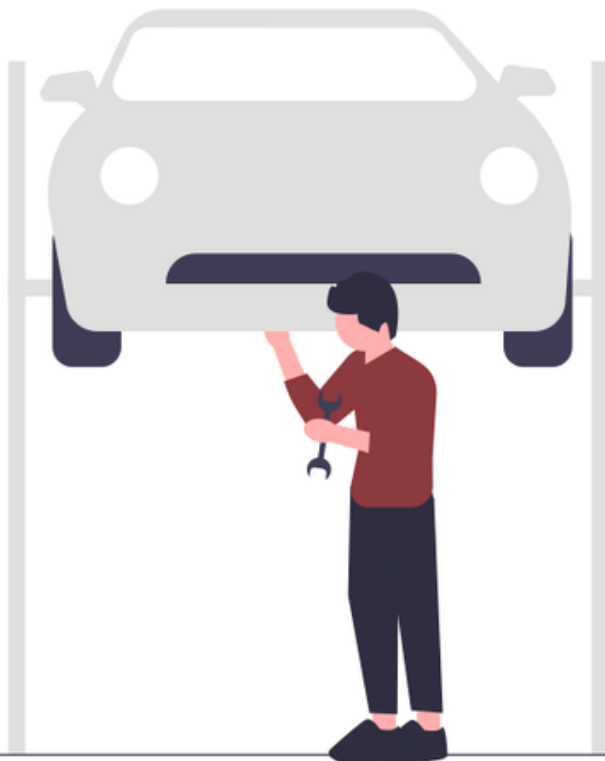
Used EV cars (qualifying) can lead to a credit of up to \$4,000. This is limited to 30% of the car's purchase price.

- Used car must be plug-in electric or fuel cell.
- Only qualifies for the first transfer of a vehicle.
- Purchase price of car must be \$25,000 or less.
- Car model must be at least 2 years old.
- Credit can only be claimed once every three years.

MAGI Limits:

- Single: \$75k
- HOH: \$112,500
- Married Joint: \$150k
- Married Separate: \$75k

For example, a 2020 Tesla Model 3 for \$24,999 being sold by the original owner should qualify for the Used EV credit of \$4,000. This would be an outstanding deal if the car is in good shape and does not have too many miles on it.



Additional Notes & Updates:

New & Used EV tax credit:

- You must buy it for your own use, not for resale.
- Use it primarily in the U.S.

The IRS states on their website that you can choose this year or the year before (if purchasing this year) for your MAGI. Here is the quote exactly:

"You can use your modified AGI from the year you take delivery of the vehicle or the year before, whichever is less. If your modified AGI is below the threshold in 1 of the two years, you can claim the credit.

The credit is nonrefundable, so you can't get back more on the credit than you owe in taxes. You can't apply any excess credit to future tax years."

Additional details if your NEW vehicle was placed in service between January 1st to April 17th, 2023:

There's a \$2,500 base amount

Then it goes up to \$7,500 based on the following:

- "Plus \$417 for a vehicle with at least 7 kilowatt hours of battery capacity
- Plus \$417 for each kilowatt hour of battery capacity beyond 5 kilowatt hours"

This is only if your purchased your vehicle before April 18th this year.

Going forward:

As stated by the IRS:

Vehicles have to meet all the above requirements plus meet the new critical mineral and battery component.

- **Check out the link for more detailed information: [Qualified Vehicles](#)**
- **Here is a quick link to look up a vehicle and see if it qualifies for the EV tax credit: [Fuel Economy](#)**
- **I won't go into detail around the business tax credits, but here's a link: [Commercial Clean Vehicle Credit](#)**

Used Car EV Credit - additional information:

You must be an individual who bought the vehicle. You are not the original owner. You are not claimed as a dependent on another person's tax return. You cannot claim the credit again for three years from the purchase date. The model has to be 2021 or older.

You have to buy the vehicle from a dealer. The dealer reports the required information at time of sale to the IRS.

It's important to note then that you cannot claim the Used EV Credit if you are buying from another person, even if they are the original owner. They have to be a dealer.

Here's the link for qualified used clean vehicles: [IRS Qualified Used Clean Vehicles List](#)