

The Federales Are Back in the Rebate Game



First it was Cash for Clunkers, now it is EV tax credits. Here the Federales go again.

BY GIL VAN OVER

CASH FOR CLUNKERS

The Car Allowance Rebate System, or CARS, was introduced in 2009. It was touted as an economic stimulus package during the Great Recession, with a secondary motive to reduce carbon emissions. The start of the Green New Deal?

When a consumer traded in a qualifying older, less fuel-efficient vehicle to purchase a newer, more fuel-efficient vehicle, the consumer was eligible for a \$3,500 to \$4,500 instant rebate per trade-in. The dealers had to file a 26-page claim for each vehicle, and reimbursement was noticeably slow.

Irony No. 1, the 26-page claim form stated that the form complied with the Federal Paperwork Reduction Act.

Irony No. 2, even though the Federales had bailed out GM and Chrysler during this time, they decided to create a 26-page form in lieu of asking the Incentive Gurus at GM or Chrysler how to run an efficient rebate program.

EV TAX CREDITS

The Federales were technically a manufacturer, given their position with GM and Chrysler in 2009, so I can see how the CARS rebate could be considered a manufacturer rebate. Of course, they reclaimed their boardrooms, and the Federales are no longer owners.

Last year, the Federales introduced EV tax credits as part of the Inflation Reduction Act to help stimulate the sale of electric vehicles. It was a true tax credit. A dealer would give the consumer a form verifying the purchase of a qualifying vehicle. The consumer could then claim the tax credit on a tax return.

Enter 2024 with an updated EV tax credit program. Now the consumer who purchases a qualifying vehicle and whose income falls within program guidelines has the option to receive an instant credit to reduce the total amount paid. It sounds like a rebate, looks like a rebate, but it continues to be called a tax credit. But I don't recall seeing a "Federales" nameplate on any vehicle.

Thankfully, the dealer does not need to complete a 26-page claim form. Instead, the dealer claims the reimbursement on a website the Federales created. Because of website glitches during the initial filing period of Jan. 1 through Jan. 16, 2024, the Federales extended the first filing period to Jan. 19. Kinda sounds like the Federales launch of the Affordable Care Act.

PROGRAM DETAILS

New and Used Vehicles

This article addresses the new-vehicle portion of the EV tax credit program. Some used vehicles are eligible for instant rebates with different pricing and income caps.

Instant Rebate

The instant rebate ranges from \$3,750 to \$7,500 depending on the vehicle that is purchased.

Eligible Vehicles

There appears to be a short list of vehicles that are currently eligible for the rebate, and the amounts of the rebates vary.

Vehicles must be assembled in North America to be eligible for the rebate. The current list is likely to change on a periodic basis, so you should stay informed of updates to the program.

The vehicle must also be for personal use, not commercial.

Vehicle Price and Income Cap

The maximum price for cars is \$55,000, while SUVs and trucks can have a retail price of \$80,000 or less.

The consumer's maximum income is based on tax filing status. Married couples filing jointly have an Adjusted Gross Income (AGI) cap of \$300,000. Heads of household are limited to \$225,000 AGI, and other filers are capped at \$150,000 (AGI).

Reimbursement

Dealers are to file for reimbursement within three days of the sale, expecting reimbursement within 15 days of accepted filing.

It is not likely that the dealer will have access to the consumer's tax return, but this program is managed by the Internal Revenue Service, and we know them.

The good news is that once the IRS accepts and pays the claim, the dealer will not be hit with a chargeback. The consumer will have to deal with the IRS if the income was misstated. I can foresee an IRS agent knocking on the dealer's door if it files several misstated income claims.

The tax credit must be approved at point of sale through the program's website. The dealer must provide the consumer with the submitted report and confirmation that the claim was accepted by the IRS. Good Luck, Good Health, and Good Selling! ■

ABOUT THE AUTHOR

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