# US Treasury Releases Final Regulations for $7,500 EV Tax Credit, Maintains Exclusions for Foreign Entities of Concern

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On May 3, the US Treasury Department (Treasury) released final regulations under Section 30D of the Internal Revenue Code. The Section 30D regulations provide guidance for the up to $7,500 electric vehicle (EV) tax credit available to qualifying individuals and businesses purchasing eligible new clean vehicles. The final regulations include a more detailed process for automakers to trace the battery supply chain to qualify for the credit's domestic content requirements. The new process — called the traced qualifying value test — is more precise than the 50 percent value-added test that was offered in the proposed regulations released in December 2023. For the test, automakers must conduct a more detailed supply chain tracing process to assess the amount of minerals in the battery that meet the domestic content requirements for the $3,750 critical minerals portion of the credit.

Treasury received a large volume of comments to the proposed regulations requesting, among other things, that the final rules revise a controversial provision that prohibits battery parts and critical minerals from "excluded entities" — defined as foreign entities of concern, or FEOCs — from qualifying for the credit. Such FEOCs have close ties to foreign governments that the United States has deemed hostile, such as China, which dominates the EV battery supply chain. Treasury and the US Department of Energy, which developed the FEOC definition, declined to revise the excluded entities rule and also adopted most of the proposed regulations' other key provisions, leaving them largely unchanged.

Click here to see the final regulations released today. We will continue to monitor developments regarding EV tax credits and will be providing a more comprehensive analysis of the new Section 30D regulations in the coming days.

## CONTACTS

For more information regarding EV tax credits, please contact Katten's [Structured Finance and Securitization] practice, or any of the following:

**Chris DiAngelo**
+1.212.940.6452
chris.diangelo@katten.com

**Brandon D. Hadley**
+1.202.625.3633
brandon.hadley@katten.com

**Anna-Liza Harris**
+1.202.625.3635
anna-liza.harris@katten.com

**John P. Keiserman**
+1.212.940.6385
jpk@katten.com

**Howard Schickler**
+1.212.940.6391
howard.schickler@katten.com

**Joseph Topolski**
+1.212.940.6312
joseph.topolski@katten.com

**Mitchell A. Fagen**
+1.202.625.3560
mitchell.fagen@katten.com

**Rich Nguyen-Le**
+1.202.625.3551
richard.nguyen-le@katten.com



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