

Tesla bumps up Model Y price after EV tax credit adjustment

On Friday, the Treasury Department updated the way it classifies vehicles that qualify for its \$7,500 EV tax credit as part of the Inflation Reduction Act (IRA). The change should allow more vehicles – including the Model Y – to qualify for the credit, as it no longer puts certain SUV crossovers in the same category as sedans.

Previously, some models of the Model Y, alongside the Cadillac Lyriq, weren't eligible for the EV tax credit because their sticker prices exceeded the maximum \$55,000 suggested retail price for sedans.

But now that the government uses the Environmental Protection Agency's (EPA) Fuel Economy Labeling standard instead of the EPA's corporate average fuel economy (CAFE) standard to classify vehicles, the Model Y and Cadillac Lyriq now fall under the SUV category. This gives Tesla more wiggle room when it comes to pricing, as vehicles in this category can be priced at up to \$80,000 to qualify for the tax credit.

It's still unclear how the Treasury Department's list of qualified vehicles will change come March, though. That's when the agency's expected to release its guidance on how to apply the IRA's strict rules surrounding the sourcing and manufacturing of the minerals and battery components used in EVs.

<https://www.theverge.com/2023/2/4/23586035/tesla-model-y-price-increase-ev-tax-credit>