

**Alliance for Automotive Innovation**

**Response to the U.S. Department of the Treasury’s Notice of Proposed Rulemaking on  
Section 45W Credit for Qualified Commercial Clean Vehicles**  
[IRS-2025-0005](#)

March 17, 2025

The Alliance for Automotive Innovation (Auto Innovators)<sup>1</sup> hereby submits a response on the U.S. Department of the Treasury’s (Department) Notice for Proposed Rulemaking (NPRM) on Section 45W Credit for Qualified Commercial Clean Vehicles.

The automotive industry is the nation’s largest manufacturing sector and contributes more than \$1 trillion to the United States economy, representing approximately 5 percent of the country’s GDP.<sup>2</sup> The auto industry has made substantial supply-side investments in transportation electrification, including \$125 billion in EV and battery facilities.<sup>3</sup> The Section 45W credit helps balance the demand side, and by preserving the economic premises under which these automotive manufacturing and supply chain investments were made, ensures that tens of thousands of newly created U.S. jobs are not lost. We urge the Department of the Treasury to finalize the Section 45W regulation as soon as possible.

**18-Month Recapture Provision**

The NPRM proposes that the Department would recapture the 45W credit if “a taxpayer ceases to use a qualified commercial clean vehicle for 100 percent trade or business use (other than incidental personal use) during the 18-month period beginning on the date the vehicle is placed in service....” This recapture provision creates an issue with leased vehicles that are terminated early.

Numerous financing entities of automotive manufacturers have chosen to support their consumers by advancing the value of the Section 45W credit as a capital cost reduction when

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<sup>1</sup> Auto Innovators represents the full auto industry, including the manufacturers producing most vehicles sold in the U.S., equipment suppliers, battery producers, semiconductor makers, technology companies, and autonomous vehicle developers. Our mission is to work with policymakers to realize a cleaner, safer, and smarter transportation future and to ensure a healthy and competitive auto industry that supports U.S. economic and national security. Representing approximately 5 percent of the country’s GDP, responsible for supporting nearly 10 million jobs, and driving \$1 trillion in annual economic activity, the automotive industry is the nation’s largest manufacturing sector.

<sup>2</sup> <https://www.autosinnovate.org/EconomicImpactReport>

<sup>3</sup> <https://www.autosinnovate.org/posts/communications/The%20Future%20is%20Electric%20Infographic.pdf>

finalizing an automotive lease. This capital cost reduction supports the consumer by reducing the monthly payments on their lease – in other words, any Section 45W credit value is effectively passed through to the consumer, thereby offsetting any potential direct credit benefit to the financing entity.

In the event of an early lease termination before 18 months, it would be nearly impossible with the processes that are in place today for a vehicle financing entity to subsequently recoup the \$7,500 credit they previously advanced to the consumer in good faith. To prepare, the proposed provision would require amendments to leasing contracts, adjustments to vehicle manufacturer and dealer systems, and training of dealers and customer service providers across the country. If this provision remains, we recommend that the 18-month recapture rule only apply to vehicles placed in service 60 days after the finalization of the rule. This lead time would allow manufacturers and dealers to adjust the leasing contracts for any business originated after the finalization of the rule and to have the appropriate systems up and running before implementation.

## **Conclusion**

Auto Innovators thanks the Treasury Department for the development of the NPRM and appreciates the opportunity to provide our comments and recommendations on the 18-month recapture provision. We stand ready to work with the Treasury Department to finalize the Section 45W credit regulations.

Respectfully submitted,



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