



Neighborhood Electric Vehicles (NEVs)

The National Highway Transportation Safety Administration has defined a new category "low-speed vehicles" or "Neighborhood Electric Vehicles." These are small, 4-wheeled motor vehicles with top speeds of 20 to 25 miles per hour. NEVs must comply with safety standards that require them to have automotive grade headlights, seatbelts, windshields, brakes and other safety equipment. These vehicles can only be used on streets with a posted speed limit of 35 mph or less.

Tax Credits for NEVs

The IRS offers a tax credit for using electric vehicles. [IRS Form 8834 – Qualified Electric Vehicle Credit \(PDF format\)](#) details the following guidelines for this tax credit.

Qualified Electric Vehicle

- A qualified electric vehicle is any motor vehicle that is:
- Manufactured primarily for use on public streets, roads, and highways, and has at least four wheels;
- Powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electrical current;
- Originally used by you; and
- Acquired for your own use and not for resale.
- Exceptions. The qualified electric vehicle credit does not apply to vehicles that are:
 - Used primarily outside the United States,
 - Used by a governmental unit or agency or any foreign person or entity, or
 - Used by a tax-exempt organization (other than a section 521 farmers' cooperative) unless the property is used mainly in an unrelated trade or business taxed under section 511.
- **Caution:** Gasoline/electric hybrid vehicles (such as the Honda Insight or Toyota Prius) that are not powered primarily by an electric motor are not qualified electric vehicles. However, part of the cost of these vehicles (up to \$2,000 for a vehicle with a gross vehicle weight rating that does not exceed 10,000 pounds) may qualify for the deduction for clean-fuel vehicles, even if you do not use the vehicle for business purposes. See [Pub. 535, Business Expenses \(PDF format\)](#) for more details.