New GfK study shows EV tax credit restrictions will alter many car purchase decisions, upend brand loyalties

May suppress EV sales, driving buyers to delay purchases or revert to hybrids, gas-powered engines

NEW YORK, NEW YORK, UNITED STATES, November 17, 2022 /EINPresswire.com/ -- New limitations on the $7,500 tax credit for those purchasing electric vehicles (EVs) have gotten the attention of car shoppers – and could have dramatic effects on their buying or leasing decisions, according to new GfK AutoMobility® research.
Added as part of the Inflation Reduction Act, the restrictions reduce or eliminate the tax credit based on whether final assembly of the vehicle occurred in North America, how many EV units the automaker has sold, and other factors.

Write to david.stanton@gfk.com to request additional data from this study

GfK's new "The Future of Mobility" report shows that intenders in the highest income bracket (earning $150,000 or more annually) are almost twice as likely – 70% vs. 39% – to know about the tax credit, compared to those in the lowest income group (under $75,000 annually).

The research also shows that 57% of those who are aware of the credit feel it will be "very important" to their EV buying decision. Overall, 93% of "intenders" say the credit will be either "somewhat" or "very important" to their purchase. Likelihood to say that the credit is "very" or "somewhat" important is roughly equal across income groups.

The new limitations on the tax credit have the potential to short circuit purchase preferences and brand loyalties – in some cases driving intenders to delay EV buying or opt for hybrid or gas-powered vehicles. GfK found that 70% of intenders who view the credit as "very important" would change their plans in some way if their first-choice vehicle was not eligible for the credit:
- 29% would switch to an eligible EV or plug-in hybrid
- 15% would buy a conventional gas-powered car
- 13% would opt for a non-plug-in hybrid
- 13% would delay their purchase to see if the tax credit rules change

Only 15% of those who consider the credit "very important" would go ahead and buy their first-choice vehicle now – foregoing the tax savings.

Differences between Luxury and Non-Luxury vehicle intenders are minimal when it comes to the tax credit. Among those who consider the credit “very important,” Non-Luxury intenders are slightly more likely than Luxury (16% versus 14%) to say they would switch to a gas-powered vehicle, and the two groups are essentially even when it comes to purchase delay (14% Non-Lux versus 13% Lux).

Those who are “very interested” in getting an EV do not cite the tax credit as a top way to “justify” their purchase; fuel economy, reducing emissions, and reducing reliance on oil all rank higher. The tax credit is somewhat more important to those “mostly interested” in an EV – although it is still not one of the top three justifications.

“EV prices are still beyond the means of many potential buyers,” said Julie Kenar, SVP at GfK AutoMobility®. “For those who qualify, the tax credit can be a game changer – one that many buyers will not give up on easily. The new restrictions on this important incentive seem destined to have the opposite effect intended – driving people to delay their purchases, or to just buy a conventional gas-powered vehicle until manufacturers can meet the assembly and content requirements.”

“The Future of Mobility” – produced by the GfK AutoMobility® team – is based on interviews with over 3,100 new vehicle intenders during Q3 of 2022. The report includes extensive coverage of EVs and hybrids, as well as autonomous driving and other key car technologies.

GfK AutoMobility® is the leading Auto Intenders Brand and Attitude Insights research in the US. Since 1982, GfK’s Automotive Purchase Funnel has been the bedrock for analysis and insights throughout the automotive industry. The funnel consistently tracks performance throughout each stage of the purchase process, determines competitive strengths and weaknesses, assesses consumer responses to marketing actions, and provides overall guidance and diagnostics for managing marketing activities.

David Stanton
GfK
+1 908-875-9844
david.stanton@gfk.com
