

What EV buyers should know

State, federal breaks to end or go under the knife by start of 2026

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Incentives worth thousands of dollars to help people buy electric vehicles will begin expiring in the coming months amid federal policy changes and Colorado's budget struggles.

Coloradans interested in buying an EV shouldn't wait, said Will Toor, the executive director of the Colorado Energy Office.

"The next three months are going to be the best time in the next several years to buy an electric vehicle," he said. "If you're thinking about an EV, now's the time to go get it."

President Donald Trump and congressional Republicans have targeted for elimination policies that incentivize electric vehicle adoption. On the first day of his second term in January, he issued an executive order that reversed a goal from the Biden administration — that EVs make up half of all cars sold by 2030 — and pledged to implement other anti-EV policies.

The order called credits toward EV purchases "unfair subsidies" that distorted the market. *

Colorado's credit cuts will come not from a shift in policy but a budget crunch. State leaders want to put 1 million EVs on the road by 2030, but underwhelming revenue forecasts triggered a clause that will automatically halve some of the state's tax credits, which were already set to decrease.

Here's what Colorado EV buyers need to know.

How much will discounts decrease? And when?

Federal tax credits worth up to \$7,500 for the purchase of a new electric vehicle will end on Oct. 1. A \$4,000 credit for the purchase of a used vehicle will also end.

State tax credits for a new electric vehicle will decrease from \$3,500 to \$750 beginning Jan. 1. Note

That means purchasers of new electric vehicles will lose out on significant tax breaks from the two programs if they wait until next year to buy.

What's happening to the federal credits?

Congress eliminated the federal tax credits when Republican lawmakers passed the budget reconciliation bill, which implemented Trump's policy agenda. Trump signed the bill into law on July 4.

Lawmakers established the federal tax credits in 2022's bipartisan Inflation Reduction Act. Under that law, they were set to expire at the end of 2032.

The move is part of a larger effort by Trump and Republican leadership to roll back climate action taken by the Biden administration. Trump has singled out electric vehicle policies specifically and made several other changes in that sector, including barring California from implementing a ban on the sale of gasoline vehicles and stricter vehicle emissions standards.

Eliminating the tax credits could reduce the share of new electric vehicles expected by 2030 from 48% of all new vehicle sales to 42%, according to an analysis by the Salata Institute for Climate and Sustainability at Harvard University. That share could decrease to 32% if the Trump administration were to implement other anti-electric vehicle policies also under consideration.

Why are state discounts decreasing?

Because the state budget is in trouble.

The state law that created the EV credits also included a mechanism that automatically halves the amount available if state revenue forecasts don't reach certain benchmarks. *

In June, state economists announced those benchmarks won't be hit. Lawmakers will need to cut at least \$700 million in spending from the next budget — an estimate that doesn't account for hundreds of millions in new expected costs to the state caused by the federal reconciliation bill.

The new vehicle tax break was scheduled to decline from \$3,500 to \$1,500 next year, but the budget trouble means the drop will be even steeper — to half that reduced rate, totaling a three-quarters reduction from the current credit. State tax credits for other climate-friendly purchases — like heat pumps and electric bicycles — will also be halved due to the budget forecast. *

The state EV program was designed to complement the federal one, Toor said.

The federal policy limits qualifying vehicles to those that undergo final assembly in the U.S. The state policy was meant to ramp down as the domestic EV market strengthened and more models qualified for the federal credit.

"We did not anticipate the extreme action that has just been taken by Congress and President Trump to simply terminate the federal credit," Toor said.

State officials are contemplating ways to continue incentivizing EV purchases, he said.

"The state budget is going to be extremely tight ... so it's probably pretty difficult to think about tapping into general fund revenue for additional EV incentives at this point," he said.

What's staying the same?

Two state incentive programs will remain the same.

Coloradans will still be able to claim \$2,500 toward the purchase of an EV priced at less than \$35,000.

A \$4,000 tax break for participants in Colorado's vehicle exchange program will also remain. The program incentivizes income-qualified Coloradans to trade in old and heavily polluting vehicles for EVs.

Why is Colorado incentivizing EV purchases?

Gov. Jared Polis set a goal in 2019 of putting 940,000 EVs on the road by 2030 to reduce climate-changing greenhouse gas emissions and improve air quality.

Transportation is the top source of greenhouse gases in Colorado.

"It's not the only strategy, but it's probably the largest single thing we can do to reduce climate pollution from transportation," Toor said.

How is that effort going?

As of May, Coloradans were driving 187,689 EVs — more than double the number on the road in 2023, according to the Colorado Energy Office.

Electric vehicles (including hybrids) represented 38% of all new car sales in Colorado in the first three months of 2025, according to a quarterly report from the Colorado Automobile Dealers Association. That's up from 29% of all new car sales in the same quarter in 2024.

It's hard to determine how much of that growth was fueled by tax incentives, Toor said. Other changes, like an expanded charging network, more available models and more familiarity with the technology, have also helped speed the transition to EVs, he said.

Colorado has one of the strongest markets in the country for EVs and offers one of the largest credits, he said.

"We certainly think that partially reflects the tax credits here in Colorado," he said of the growth.

