THE OPPORTUNITY FOR NEW INCENTIVES AND BENEFITS OF A FIRST-TIME EV BUYER REBATE IN CALIFORNIA

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The Opportunity for Additional EV Incentives

Electric vehicles (EVs) are expected to reach cost parity with gas vehicles in the next several years, and already some EVs are cheaper than gas passenger vehicles when taking into account savings from fuel and maintenance costs over several years. Upfront cost premiums remain a key barrier for drivers looking to make the switch in the near term, however, and the early phase-out of the federal Clean Vehicle Credits in September 2025 (which provided up to $7,500 for new and $4,000 for used EVs) heightens this challenge.

KEY TAKEAWAYS:
EV ON-RAMP REBATE

Program Structure

- Point-of-sale rebate (ranging from $1,000 to $7,500)
- Available to new EV owners (i.e., households without a registered EV)
- New or used battery electric vehicles

Program Estimated Impact

- About 1.3-1.5 million rebates over three years for unconstrained program
- About 0.2-1.5 million rebates for program capped at $500 million/year

Program Estimated Cost (Unconstrained)

- $1,000/vehicle → $420-490 million/year
- $3,500/vehicle → $1.5-1.7 billion/year
- $7,500/vehicle → $3.1-3.7 billion/year

Already, some states are looking to fill the gap from lost federal support. For example, Colorado recently announced that it will increase its EV rebates for low- and medium-income residents ($9,000 for new, $6,000 for used EVs). California has long had the highest EV adoption (both sales and market share) in the country and is committed to sustaining progress. California's former Clean Vehicle Rebate Project (CVRP) provided rebates of up to $7,500 and was important for enabling adoption, but the incentive ended in 2023.

This brief explores a renewed point-of-sale rebate for California households that do not already own an EV – an "EV On-Ramp" Rebate. Surveys show that once people drive EVs, they tend to stick with them: according to J.D. Power and McKinsey, most EV owners report that they are likely to buy

another EV, and experience with EVs tends to reduce concerns like range and charging anxiety. Thus, incentives that target buyers that do not already have an EV at home can have a greater bang for the buck and provide a pathway to follow-on EV purchases in the future. **By bringing EVs to more people, these public investments can earn returns for California residents in many ways, such as supporting local manufacturing and EV charging jobs, delivering health and environmental benefits, and allowing drivers to save money in some cases.**

Structure and Impact of an EV On-Ramp Rebate

We explored a program structure for an EV On-Ramp Rebate and estimated a range of potential programs costs, which varies based on sales growth scenarios over the program period. For more details on the methodology, see Appendix A.

While there are many considerations that go into incentive program design, the following were essential considerations for program implementation and the total program cost:

1. **Eligibility.** We assumed that battery-electric vehicles are eligible for the rebate. Unlike the prior CVRP guidelines, vehicles can be new or used, and we do not include any income limits. Only California households that do not currently have a registered EV will be eligible. Additional requirements such as minimum length of ownership (e.g., at least 30 months for the CVRP program) can ensure public funds are used appropriately.
2. **Rebate Size.** We explored multiple possible rebate sizes to understand the range of potential funding needed. We chose $1,000 and $7,500 as the lower and upper bounds, as these are the minimum and maximum values for the former CVRP program, as well as a midpoint value of $3,500. There are tradeoffs between rebate sizes: lower rebates can reach a larger number of transactions for the same overall budget, but higher rebates are more likely to capture buyers who would not have otherwise purchased an EV. A recent EVs for All America survey shows that most California multifamily residents support a $3,500 rebate for new and used EVs.
3. **Layering Incentives.** We assumed the rebate does not preclude buyers from claiming other vehicles incentives available in California.
4. **Duration.** We assumed the program will initially last three years, in line with the duration of the California Energy Commission's latest multiyear transportation spending plan.

Historically, the CVRP program allowed buyers to pre-qualify based on income and receive the rebate at the point of sale at a dealership. A similar model could be used to verify whether households have a registered EV, relying on records from the California Department of Motor Vehicles, so that an EV On-Ramp Rebate could be available for vehicles purchased at dealerships.

To estimate the total rebates claimed and funding needed, we assumed a range of growth rates for sales to non-EV households, as described in Appendix A. This leads to the range of estimated costs

for each rebate level shown in Table 1. Actual program costs could vary significantly based on program design, implementation, and market developments, but this analysis attempts to represent a range of possible costs for an unconstrained program. These estimates are assuming about 93 percent of eligible buyers claim the rebate, as some may not take advantage of it if the process is burdensome or they do not know they are eligible (particularly used EV buyers). We also consider a program cap of $500 million per year, which could be scaled up or down based on budget constraints. Such a program could cover the entire market with a $1,000 rebate but only a portion of the market for higher rebate sizes.

Table 1: Estimated Program Uptake and Cost for Various Rebate Sizes

Rebate Size	Unconstrained Program			Capped at $500 Million/Year
	Program Cost per Year	Program Cost Over Three Years	Rebates Claimed Over Three Years	Rebates Claimed Over Three Years
$1,000	$420 - $490 million	$1.3 - $1.5 billion	1.3 - 1.5 million	1.5 million
$3,500	$1.5 - $1.7 billion	$4.4 - $5.1 billion	1.3 - 1.5 million	0.4 million
$7,500	$3.1 - $3.7 billion	$9.4 - $11.0 billion	1.3 - 1.5 million	0.2 million

The prior CVRP provided over 586,000 rebates for a total of about $1.5 billion. This program included more eligibility requirements than the program proposed here, including vehicle and household income restrictions. Putting this in context further: before the federal EV credits were phased out early, they were estimated to provide nearly $400 billion across the United States through 2032, a significant portion of which would have likely gone to California due to its high EV adoption.

A Multifaceted Approach to Sustain Momentum

California continues to lead the way in adopting electric vehicles, even as federal policies evolve. State officials are committed to sustaining this progress by prioritizing the expansion of charging infrastructure, including opportunities for multifamily charging. Offering vehicle subsidies could also help make EV ownership more accessible for residents. By taking a multifaceted approach, California can maintain its leadership in EV adoption and show more Californians the benefits of making the switch.

Acknowledgements

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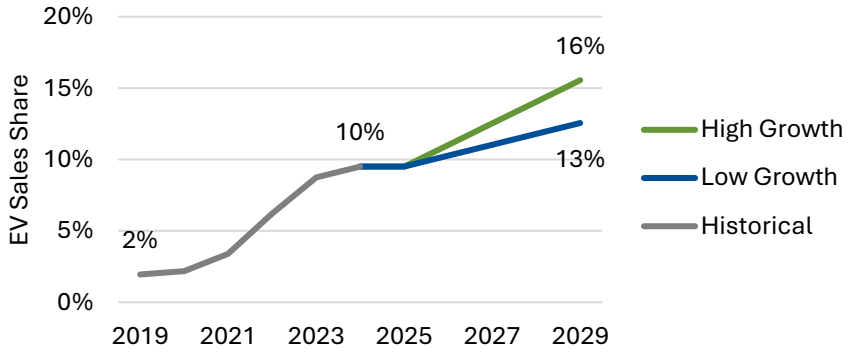
Appendix A: Methodology

To estimate current number of households without EVs, we start with current battery electric vehicle (BEV) population share in California, about five percent. We took into consideration the portion of EV households that have either a single or multiple EVs to allocate the total vehicles into households. We assume that the total number of households is constant over the modeled period for simplicity.

To determine how often each household is replacing a vehicle, we divide the average number of years a vehicle is retained (accounting for length of ownership and length of leases, weighted by the proportion of each) by the average number of vehicles per household in California (2.4 vehicles).

We then assumed that the EV sales share (for new and used vehicles combined) is a proxy for the likelihood that a household will purchase an EV, allowing us to estimate the number of households purchasing EVs for the first time each year. We created a set of simple linear growth trajectories based on recent sales data from the California Energy Commission and Experian (see Figure 1). **High Growth** is based on the average year-on-year growth over the last five years (1.5 percentage points per year). This represents a continuation of the recent rapid growth California has seen with support from state incentives, regulations, and federal EV tax credits. **Low Growth** is based on the growth in 2024 (0.8 percentage points per year), representing a scenario where adoption plateaus slightly for the next few years. We did not include partial data from 2025. These scenarios do not capture all impacts of a rapidly changing policy landscape and market but are a reasonable near-term estimate.

Figure 1: Historical California BEV Sales Share (New and Used) and Estimated Growth



Source: California Energy Commission for historical new vehicle sales; Experian for used sales. Atlas analysis for growth scenarios. Share in 2025 assumed to be the same as 2024, given partial 2025 data. Program costs estimated 2027-2029.

Finally, not all eligible buyers will take advantage of a rebate. Most buyers at dealerships (new or used) will likely claim it, but a larger portion of private used car buyers may not if the process is burdensome or they do not know they are eligible. We assume about 95 percent of new or used dealership sales claim the rebate and about 75 percent of private used sales claim it. About 21 percent of California EV sales are used, and about half of those are at dealerships, leading to an average rebate uptake of 93 percent.