

## Vehicle Credits

### Cross References

- Form 8834, *Qualified Electric Vehicle Credit*
- Form 8910, *Alternative Motor Vehicle Credit*
- Form 8911, *Alternative Fuel Vehicle Refueling Property Credit*
- IRS Pub. 535, *Business Expenses*
- IRC §30, *Credit for Qualified Electric Vehicles*
- IRC §30B, *Alternative Motor Vehicle Credit*
- IRC §30C, *Alternative Fuel Vehicle Refueling Property Credit*

### Alternative Motor Vehicle Credit

The alternative motor vehicle credit consists of four credits:

- Fuel-cell motor vehicle credit.
- Advanced lean-burn technology motor vehicle credit.
- Hybrid motor vehicle credit.
- Alternative fuel motor vehicle credit.



Credit is available in the year the vehicle is placed in service. Only the taxpayer who originally acquires the vehicle for use or lease qualifies for the credit. Taxpayers who lease vehicles do not qualify—credit is claimed by the leasing company.

Credit amounts vary by model. The manufacturer determines the credit and certifies to the IRS that a particular year's model meets the criteria for credit at that amount. The manufacturer can certify to purchasers that the model qualifies for the credit after the IRS acknowledges certification. The IRS maintains a list of models that have been certified and the amount of the credit allowed. See *Credits for Vehicles Placed in Service*, next column.

The credit can be claimed as a personal credit. The credit does not offset AMT. File Form 8910, *Alternative Motor Vehicle Credit*, to claim the credit. The business portion is transferred to Form 3800, *General Business Credit*. Credit reduces taxpayer's basis.

**Phase-out.** Credits for hybrid vehicles and advanced lean-burn vehicles phase out once the manufacturer has sold its 60,000th qualified vehicle.

- Full credit is allowed through the end of the calendar quarter after the quarter when the 60,000th vehicle is sold.
- 50% credit is allowed for vehicles sold in the next six months.
- 25% is allowed for vehicles sold in the following six months.

**Example:** Toyota sold its 60,000th qualifying vehicle in May, 2006 (second quarter). The credit for all hybrid and advanced lean-burn vehicles manufactured by Toyota is phased out as follows:

- 100% credit for vehicles purchased by September 30, 2006.
- 50% credit for vehicles purchased from October, 2006–March, 2007.
- 25% credit for vehicles purchased from April–September, 2007.

See *Toyota/Lexus Credits*, next column.

**Did You Know?** AMT can wipe out the credit.

**Example:** Eileen purchased a hybrid vehicle in 2006 certified for a \$2,600 credit. Eileen's AGI is \$150,000. She deducts state taxes of \$17,500. Before the credit, her federal tax is \$30,508 and her tentative minimum tax is \$30,388. Eileen's credit is \$120—the amount her regular tax exceeds her tentative minimum tax.

### Alternative Fuel Vehicle Refueling Property

Taxpayers can claim a credit of 30% of the cost of qualified property placed in service during the year up to:

- \$30,000 for a depreciable property.
- \$1,000 for property installed at taxpayer's principal residence.

Qualifying property. Property other than buildings and structural components used to store or dispense clean-burning fuel into

the fuel tank of a motor vehicle. Clean burning fuels are natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, electricity, 85% ethanol, and diesel fuel mixtures of at least 20% biodiesel. Only the taxpayer who originally acquires the property qualifies for the credit.

File Form 8911, *Alternative Fuel Vehicle Refueling Property Credit*, to claim the credit. The business portion is transferred to Form 3800, *General Business Credit*. Credit reduces taxpayer's basis. The credit is available for property placed in service in 2006 through 2009 (through 2014 for hydrogen property).

### Qualified Electric Vehicle Credit

Taxpayers can claim a credit of 2.5% (for 2006) of the cost of a qualifying vehicle up to a maximum credit of \$1,000. 2006 was the final year of this credit. File Form 8834, *Qualified Electric Vehicle Credit*.

#### Hybrid Cars and Alternative Motor Vehicles—Credit Amounts

Model Year	2008	2007	2006
Chevrolet Malibu hybrid	\$1,300		
Chevrolet Silverado 2WD hybrid pickup truck		\$ 250	\$ 250
Chevrolet Silverado 4WD hybrid pickup truck		\$ 650	\$ 650
Ford Escape hybrid 2WD	\$3,000	\$2,600	\$2,600
Ford Escape hybrid 4WD	\$2,200	\$1,950	\$1,950
GMC Sierra 2WD hybrid pickup truck		\$ 250	\$ 250
GMC Sierra 4WD hybrid pickup truck		\$ 650	\$ 650
Honda Accord hybrid AT and Navi AT		\$1,300	\$1,300*
Honda Civic hybrid CVT		\$2,100	\$2,100
Honda Civic GX		\$4,000	
Honda Civic Insight CVT			\$1,450
Mazda Tribute 2WD hybrid	\$3,000		
Mazda Tribute 4WD hybrid	\$2,200		
Mercury Mariner 2WD hybrid	\$3,000		
Mercury Mariner 4WD hybrid	\$2,200	\$1,950	\$1,950
Nissan Altima hybrid		\$2,350	
Saturn Aura hybrid	\$1,300	\$1,300	
Saturn Vue Green Line		\$ 650	

\* 2006 Honda Accord hybrid AT and Navi AT without updated calibration qualify for a credit of \$650. Check the IRS website for updates: [www.irs.gov/newsroom/article/0,,id=157632,00.html](http://www.irs.gov/newsroom/article/0,,id=157632,00.html)

#### Toyota/Lexus Credits

Model Year	Qualifying Vehicle	Bought by 9/30/06	Bought 10/1/06 – 3/31/07	Bought 4/1/07 – 9/30/07	Bought 10/1/07
2007	Toyota Camry hybrid	\$2,600	\$1,300	\$650.00	\$0
2005 – 2007	Toyota Prius	\$3,150	\$1,575	\$787.50	\$0
2006 – 2007	Toyota Highlander 2WD and 4WD	\$2,600	\$1,300	\$650.00	\$0
2006 – 2007	Lexus RX 400h 2WD and 4WD	\$2,200	\$1,100	\$550.00	\$0
2007	Lexus GS 450h	\$1,550	\$ 775	\$387.50	\$0

**Hydrogen-powered Honda.** The 2005 and 2006 Honda FCX, which are capable of running only on hydrogen, qualify for the alternative motor vehicle credit in the amount of \$12,000. This is the first qualified fuel cell vehicle to be acknowledged by the IRS. Use Form 8910, *Alternative Motor Vehicle Credit*.

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