



UNITED STATES
DEPARTMENT OF
THE TREASURY



Alternative Energy Vehicles Tax Credit

Furthering his commitment to offer every American better energy security at lower costs, the President recently signed the Energy Policy Act of 2005, which includes a tax credit for Americans who purchase a qualified energy alternative car or truck. Here are some quick facts about this tax relief and how Americans can begin taking advantage of the benefits.

| | HYBRID | FUEL CELL | ALTERNATIVE MOTOR FUEL | ADVANCED LEAN BURN TECHNOLOGY |
|------------------------|--|---|--|---|
| DEFINITION | Draws its power for driving the vehicle from both an internal combustion engine or heat engine using combustible fuel and a rechargeable energy storage system. | Propelled by power derived from one or more cells that convert chemical energy directly into electricity. | Operates only on qualifying alternative fuels (compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen and any liquid fuel that is at least 85 percent methanol) and incapable of operating on gasoline or diesel fuel. Reduced credit allowed for vehicles that can operate on a 90/10 or 75/25 mixture of alternative fuel and gasoline or diesel fuel. | Passenger automobile or light truck with internal combustion engine using more air than necessary for complete combustion, incorporating direct injection, and achieving at least 125 percent of the 2002 model year fuel economy standard. |
| EFFECTIVE DATES | Placed in service after December 31, 2005 and purchased before January 1, 2011 (January 1, 2010 in the case of a qualified hybrid vehicle weighing more than 8,500 pounds). | Placed in service after December 31, 2005 and purchased before January 1, 2015. | Placed in service after December 31, 2005 and before January 1, 2011. | Placed in service after December 31, 2005 and purchased before January 1, 2011. |
| CREDIT AMOUNT | Less than or equal to 8,500 pounds: 1. Fuel economy credit of \$400 to \$2,400, depending upon the city fuel economy compared to the 2002 standard; and 2. Conservation credit of \$250 to \$1,000 – based on estimated lifetime fuel savings compared to vehicle meeting 2002 model year standard. More than 8,500 pounds (a medium or heavy truck) based on estimated increase in fuel economy compared similar standard model. | From \$8,000 (\$4,000 after December 31, 2009) to \$40,000 based on weight class of rated fuel economy of the vehicle compared to the 2002 model year standard. | 1. 50 percent of incremental cost compared to a comparable gasoline or diesel fuel vehicle; and 2. An additional 30 percent of the incremental cost for vehicles meeting the most stringent emissions standards. | Less than or equal to 8,500 pounds: 1. Fuel economy credit of \$400 to \$2,400, depending upon the city fuel economy compared to the 2002 standard; and 2. Conservation credit of \$250 to \$1,000 – based on estimated lifetime fuel savings compared to vehicle meeting 2002 model year standard. |
| PHASE IN/OUT | Credit phases out beginning in July 2006 if manufacturer sells 60k hybrid and advanced lean burn automobiles and light trucks before April 2006. | | | Credit phases out beginning in July 2006 if manufacturer sells 60k hybrid and advanced lean burn automobiles and light trucks before April 2006. |

