

IRS**News Release****Media Relations Office****Washington, D.C.****Tel. 202.622.4000****For Release: 8/12/02****Release No: IR-2002-93****IRS ISSUES ITS FIRST CERTIFICATION OF HYBRID VEHICLE
FOR CLEAN FUEL DEDUCTION**

WASHINGTON – The Internal Revenue Service has certified the first hybrid gas-electric automobile as being eligible for the clean-burning fuel deduction, reflecting swift action under a procedure for automobile manufacturers put in place in mid-May.

Purchasers of a new Toyota Prius for model years 2001, 2002 and 2003 will be able to claim a deduction of \$2,000 for the year that the vehicle was first put into use.

Federal tax law allows individuals to claim a deduction for the incremental cost of buying a motor vehicle that is propelled by a clean-burning fuel. By combining an electric motor with a gasoline-powered engine, these hybrid vehicles obtain greater fuel efficiency and produce fewer emissions than similar vehicles powered solely by conventional gasoline-powered engines.

The amount of the deduction for the Prius was set after the manufacturer documented for the IRS the incremental cost related to the vehicle's electric motor and related equipment. Toyota Motor Sales, U.S.A., submitted the necessary information to the IRS under the process specified in Revenue Procedure 2002-42, which was issued in May.

Under the law, \$2,000 is the maximum amount of the one-time deduction, which must be taken in the year the vehicle was first used.

Individuals take this benefit as an adjustment to income. They do not have to itemize deductions on their tax returns to claim it. Taxpayers may claim the deduction for a past year by filing an amended return.

X X X