TAX DEDUCTION
HYBRID ELECTRIC VEHICLES

Can I get a tax deduction for my HEV?

FEDERAL

YES. The federal clean fuel vehicle property tax deduction can be claimed for the three currently available hybrid electric vehicles (HEVs) and applies to business and personal vehicles:
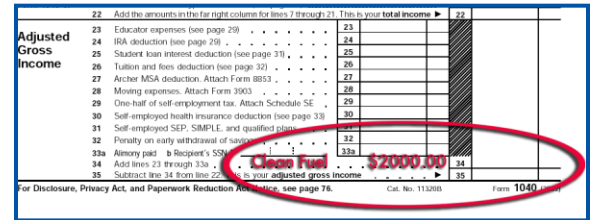
- Honda Civic Hybrid
- Honda Insight
- Toyota Prius

Future HEVs may qualify under this federal tax deduction.

Planned release of future HEVs*		
MANUFACTURER	**MODEL**	**YEAR**
Daimler-Chrysler	Dodge Ram Pickup	2005
	Mercedes S-class	2006
Ford	Escape SUV	2004
	Explorer SUV	2005+
General Motors	Saturn SUV	2004
	GM Pickups	2004
	ParadiGM SUV	2005
	Chevy Suburban	2005
Honda	Civic Hybrid	2004+
Toyota	Prius	2004+

* For current information on planned HEV releases see www.ott.doe.gov/hev/.

This federal tax deduction is also available for vehicles that run on alternative fuels. For more information see *Vehicle Buyer's Guide for Consumers* www.ccities.doe.gov/vbg/progs/laws.cgi.

How much can I deduct for my HEV?

Owners of the Honda Civic Hybrid, Honda Insight, or Toyota Prius can claim a one-time deduction of $2,000 in the year the vehicle is first used.

What other requirements are there for claiming the deduction?

You must purchase the vehicle new and for your own use (not for resale) and drive it mostly in the United States. The deduction cannot be claimed by government agencies, tax-exempt organizations, or foreign entities.

Where on my tax form do I put the HEV deduction?

The tax deduction is taken as an adjustment to income on line 34, IRS form 1040 in the "Adjusted Gross Income" section. Enter the amount of the deduction and the words "Clean Fuel" on the dotted line next to line 34. You can claim it whether you itemize or take the standard deduction. For vehicles purchased solely for business use, claim the deduction on the "Other expenses" line of Schedule C (1040) or Schedule F (1040).

What if I bought my car before this year?

You can file an amended tax return to claim the deduction for the tax year in which you purchased the vehicle.

Will future HEVs be eligible for a tax deduction?

Clean fuel vehicle property tax deduction through 2006	
PURCHASE YEAR	**MAXIMUM DEDUCTION PER VEHICLE**
1992-2003	$2,000
2004	$1,500
2005	$1,000
2006	$500

Probably. The deduction amount for future HEVs will be set as manufacturers complete a process to certify the incremental cost of the clean fuel equipment in each HEV. Current law phases out the clean fuel vehicle property tax deduction during tax years 2004–2006. However, Congress is considering legislation that may increase the tax incentives for HEVs purchased after September 30, 2002.

Can I also claim the electric vehicle tax credit for my HEV?

NO. Because current hybrid vehicles are certified as being primarily gasoline powered, they are not eligible for the electric vehicle tax credit (IRS form 8834). To learn more about tax incentives for dedicated electric vehicles, check the Financial Incentives section of the Vehicle Buyer's Guide for Consumers or call the National Alternative Fuels Hotline (see contact information below).

Does my state offer HEV tax incentives?

Some states offer incentives, rebates, or grant programs to encourage people to purchase or lease hybrid and low or zero emission vehicles. To find out what your state offers, check the Financial Incentives section of the Vehicle Buyer's Guide for Consumers or call the National Alternative Fuels Hotline (see contact information below).

Where can I find more information?

Vehicle Buyer's Guide for Consumers:
www.ccities.doe.gov/vbg/

Internal Revenue Service:
1-800-829-1040 or www.irs.gov

HEV press releases relating to:
Honda —www.irs.gov/pub/irs-news/ir-02-97.pdf
Toyota—www.irs.gov/pub/irs-news/ir-02-93.pdf

National Alternative Fuels Hotline:
1-800-423-1363 or hotline@afdc.nrel.gov

Fuel Economy Guide:
www.fueleconomy.gov/feg/tax_hybrid.shtml

DOE Hybrid Electric Vehicle Program:
www.ott.doe.gov/hev/