

IRS News Release

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2005 Toyota Prius Certified for Clean-Fuel Deduction; New Law Restores Full Deduction Amount for 2004 and 2005

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WASHINGTON —The Internal Revenue Service has certified the Toyota Prius for model year 2005 as being eligible for the clean-burning fuel deduction. The certification means taxpayers who purchase this vehicle new may claim a tax deduction of \$2,000 on Form 1040.

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.

Under the recently signed Working Families Tax Relief Act of 2004, the clean-burning fuel deduction is up to \$2,000 for certified vehicles first put into service in 2004 and 2005. The deduction will be limited to \$500 for vehicles placed in service in 2006 and no deduction will be allowed after that year.

The one-time deduction must be taken in the year the vehicle is originally used. The taxpayer must be the original owner. Individuals take this benefit as an adjustment to income on Form 1040. They do not have to itemize deductions on their tax returns to claim it.

The amount of the deduction for the 2005 model year Prius was set after the manufacturer, Toyota Motor Sales, U.S.A., Inc., documented for the IRS the incremental cost related to the vehicle's electric motor and related equipment.

The IRS previously certified the Toyota Prius for model years 2001, 2002, 2003 and 2004. The IRS also previously certified the Honda Insight for model years 2000, 2001, 2002, 2003 and 2004 and the Honda Civic Hybrid for model year 2003 and 2004.