

# Hybrid Cars and Alternative Motor Vehicles

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## Vehicles Purchased or Placed in Service in 2006

The Energy Policy Act of 2005 replaced the clean-fuel burning deduction with a tax credit. A tax credit is subtracted directly from the total amount of federal tax owed, thus reducing or even eliminating the taxpayer's tax obligation. The tax credit for hybrid vehicles applies to vehicles purchased or placed in service on or after January 1, 2006.

The credit is only available to the original purchaser of a new, qualifying vehicle. If a qualifying vehicle is leased to a consumer, the leasing company may claim the credit.

Hybrid vehicles have drive trains powered by both an internal combustion engine and a rechargeable battery. Many currently available hybrid vehicles may qualify for the tax credit.

These models have been certified for the credit in the following amounts:

### Model Year 2007

- Chevrolet Silverado 2WD Hybrid Pickup Truck — \$250
- Chevrolet Silverado 4WD Hybrid Pickup Truck — \$650
- Ford Escape Hybrid 2WD — \$2,600
- Ford Escape Hybrid 4WD — \$1,950
- GMC Sierra 2WD Hybrid Pickup Truck — \$250
- GMC Sierra 4WD Hybrid Pickup Truck — \$650
- Lexus GS 450h — \$1,550
- Mercury Mariner 4WD Hybrid — \$1,950
- Saturn Vue Green Line — \$650
- Toyota Camry Hybrid — \$2,600

### Model Year 2006

- Chevrolet Silverado 2WD Hybrid Pickup Truck — \$250
- Chevrolet Silverado 4WD Hybrid Pickup Truck — \$650
- Ford Escape Hybrid (Front) 2WD — \$2,600
- Ford Escape Hybrid 4WD — \$1,950
- GMC Sierra 2WD Hybrid Pickup Truck — \$250
- GMC Sierra 4WD Hybrid Pickup Truck — \$650
- Honda Accord Hybrid AT w/updated calibration and Navi AT w/updated calibration — \$1,300\*
- Honda Civic Hybrid CVT — \$2,100
- Honda Insight CVT — \$1,450
- Lexus RX400h 2WD — \$2,200
- Lexus RX400h 4WD — \$2,200
- Mercury Mariner Hybrid 4WD — \$1,950
- Toyota Highlander 2WD Hybrid — \$2,600
- Toyota Highlander 4WD Hybrid — \$2,600
- Toyota Prius — \$3,150

\*2006 Honda Accord Hybrid AT and Navi AT without updated calibration qualify for a credit of \$650.

### Model Year 2005

- Honda Accord Hybrid AT and Navi AT — \$650
- Honda Civic Hybrid MT and CVT — \$1,700
- Honda Insight CVT — \$1,450
- Toyota Prius — \$3,150

Consumers seeking the credit may want to buy early since the full credit is only available for a limited time. Taxpayers may claim the full amount of the allowable credit up to the end of the first calendar quarter after the quarter in which the manufacturer records its sale of the 60,000th hybrid or advanced lean burn technology. For the second and third calendar quarters after the quarter in which the 60,000th vehicle is sold, taxpayers may claim 50 percent of the credit. For the fourth and fifth calendar quarters, taxpayers may claim 25 percent of the credit. No credit is allowed after the fifth quarter. For example, F Company is a manufacturer of hybrid motor vehicles, but not advanced lean burn technology motor vehicles. F Company sells its 60,000th hybrid car on March 31, 2006.

- Ms. Smith buys an F Company hybrid car on June 30, 2006, and claims the full credit.
- Ms. Maple buys an F Company hybrid car on Dec. 31, 2006, and claims 50 percent of the credit.
- Mr. Grey buys an F Company hybrid car on June 30, 2007, and claims 25 percent of the credit.
- Mr. Green buys an F Company hybrid car on July 1, 2007, and is unable to claim the credit, because the credit has phased out for F Company vehicles.

More detailed information may be found in the [Summary of the Credit for Qualified Hybrid Vehicles](#)

**Related Items:**

- [IR-2006-110](#), GM's 2007 Saturn Vue Green Line Certified for the New Energy Tax Credit
- [IR-2006-109](#), Honda Vehicles Certified to Operate on Compressed Natural Gas
- [IR-2006-108](#), Several GM Vehicles Certified for the Alternative Vehicle Tax Credit
- [IR-2006-98](#), Several 2007 Ford and Mercury Vehicles Certified for the New Energy Tax Credit
- [IR-2006-67](#), Additional Toyota and Lexus Vehicles Certified for New Tax Credit
- [IR-2006-57](#), Some Toyota and Lexus Vehicles Certified for New Tax Credit
- [IR-2006-56](#), Some Ford and Mercury Vehicles Certified for the New Tax Credit
- [IR-2006-12](#), IRS and Treasury Provide Guidance to Hybrid Manufacturers
- [FS-2006-14](#), Highlights of the Energy Act for Individuals

## Vehicles Purchased or Placed in Service 2001 through 2005

In August 2002, the IRS announced that it had certified the first hybrid gas-electric automobile as eligible for the clean-burning fuel deduction, effective 2001. Federal law allowed individuals to claim a deduction for the incremental cost of buying a motor vehicle propelled by a clean-burning fuel. A tax deduction is subtracted from income, thus reducing the amount of adjusted gross income on which the taxpayer is taxed.

The deduction is only available to the original purchaser of a new, qualifying vehicle. If a qualifying vehicle is leased to a consumer, the leasing company may claim the credit.

**Related Items:**

- [Clean Fuel Vehicle Deduction Available for Certain Models](#)
- [Tax Tip 2006-56, Deduction for Hybrid Vehicles](#)

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