

Tax News

June 2009

“Cash for Clunkers” Bill Signed Into Law

Enacted June 24, 2009, the Supplemental Appropriations Act of 2009 contains the Consumer Assistance to Recycle and Save (“CARS”) Act, more commonly referred to as the “cash for clunkers” law. This provision is designed to provide incentives to individuals and businesses to “trade-up” older vehicles for newer models that are more fuel efficient.

Trade-In Voucher

Under the new law, a taxpayer may be entitled to a voucher in an amount up to \$4,500, depending on the type of vehicle being traded in and the fuel efficiency of the vehicle being purchased. In order to qualify for a voucher under the program, a qualifying new vehicle must be purchased between July 1 and November 1, 2009.

Different rules apply to passenger automobiles and for various truck categories (light-duty, large light-duty, and work). The amount of the voucher will not be considered taxable income under the federal tax laws or for purposes of qualifying for federal or state assistance programs.

Eligible Trade-In Vehicles

Certain minimum requirements must be satisfied in order for a vehicle to be eligible for trade in under the CARS Act. At the time of trade in, the vehicle needs to be in drivable condition. Furthermore, the same owner must have continuously insured and registered the vehicle for a period of not less than one year prior to the trade-in date. The vehicle sought to be traded in must have been manufactured less than 25 years prior to the trade-in date and achieve a maximum fuel efficiency of 18 miles per gallon (mpg) or less (in the case of a passenger automobile).

New passenger automobiles with fuel efficiency of at least 22 mpg (based on the “EPA window sticker mileage”) are eligible for vouchers. If the mileage on the new car is at least four mpg higher than the old vehicle, the maximum voucher value is \$3,500. For new cars that get at least 10 mpg more than the old car, the voucher will be worth \$4,500, the maximum amount permitted under the law.

As to light-duty passenger trucks, old vehicles must get 18 mpg or less. New light trucks or SUVs attaining mileage of at least 18 mpg will be eligible for a voucher. The new truck or SUV must achieve at least two mpg more in fuel efficiency as compared to the old truck in order to qualify for a voucher worth \$3,500. If the mileage of the new truck or SUV is at least five mpg more than the old truck, the voucher will be worth \$4,500.

Under the Act, an unmarried taxpayer is eligible to trade in only one qualifying vehicle for a voucher. In situations where two or more joint registered owners exist for one vehicle, only one voucher is eligible to be received.

Doeren Mayhew Can Help

If you have any questions in regard to qualifying for a voucher under the new CARS Act, please call Doeren Mayhew today at (248) 244-3000 and speak to one of our professionals.