



NADA's

LEGISLATIVE BULLETIN

February 17, 2009

CONSUMER AUTO INCENTIVE INCLUDED IN FINAL STIMULUS BILL (H.R. 1) “AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009”

*****NOTE: INCENTIVE EFFECTIVE UPON PRESIDENT’S SIGNATURE*****

Today, the President is expected to sign the American Recovery and Reinvestment Act of 2009. Upon becoming law, car buyers will be permitted to deduct sales/excise tax from their yearly income tax bill for vehicles purchased before the end of this year.

What Taxes are Deductible?¹

- State Motor Vehicle Sales
- Local Motor Vehicle Sales
- Motor Vehicle Excise Taxes

What Customers Qualify for the Deduction?

- Individual customers with modified adjusted gross income of less than \$125,000 or joint-filers making less than \$250,000 a year in 2009 would qualify for the deduction.
- Deductible as an “above the line” (for itemizers and non-itemizers) deduction on federal tax return.

Effective Date

- New vehicle purchases shall apply to purchases on or after the date of enactment (expected February 16, 2009) until Dec. 31st, 2009.

What New Vehicles Qualify for the Deduction?

- Any new vehicle under 8,500 pounds gross vehicle weight.
- New vehicles of any model year – when the original use commences with the taxpayer.
- Any vehicle sold for under \$49,500 qualifies for the full deduction. Consumers may deduct sales taxes on the first \$49,500 of any vehicle sold above this price.

THIS IS A GENERALIZED SUMMARY. For more specific information on eligible customers, taxes and applicability, dealers are encouraged to consult with a qualified tax attorney or professional.

¹ “For purposes of this section, the term ‘qualified motor vehicle taxes’ means any state or local sales or excise tax imposed on the purchase of a qualified motor vehicle.”- (Text of H.R. 1)

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