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Dealers Can Get Tax Credits for Hybrid Vehicles Sold

As you know, certain energy-efficient passenger vehicles that are sold to customers qualify for the federal hybrid tax credits, which can exceed \$3,000 per vehicle. But did you know that if you sell the car to an organization that cannot use the credit because they don't pay federal income taxes, your dealership may still be able to claim the credit? As long as certain requirements are met, including notification to the nonprofit or governmental entity that the vehicle sold to them qualified for the federal tax credit, you can claim the credit on your dealership's tax return. The notification does NOT have to take place at the time of the sale, but instead can be made before you file the dealership tax return for 2007. So now is a good time to determine if there were any qualifying sales to credit unions, nonprofit associations, towns or government agencies in 2007, quantify the credit that can be used by the dealership, and then make sure that the required notifications have been made.

Franchises with vehicles that qualify for the hybrid credit include Chevrolet, Ford, GMC, Honda, Lexus, Mazda, Mercury, Nissan, Saturn and Toyota.

To see if you can get some benefit from these credits, take the following steps now:

1. Extract a listing of all sales of eligible new vehicles to nonprofit and governmental entities during the year (2007). Be careful NOT to include leases of vehicles since the dealer does not qualify for the credit on leases. The vehicle must be purchased for use predominantly within the United States.
2. Determine the allowable credit per vehicle.
3. Calculate the tax benefit of the available credits to the dealership and owner(s). It is possible that the dealer may be in an Alternative Minimum Tax (AMT) situation that would force the credits to be carried forward instead of being used to offset taxes in the current year.
4. Prepare and send the notification to the nonprofit organizations and governmental entities. The notification must include the amount of credit allowable. We have a sample notification form that meets the IRS requirements available to you which is attached.



Please contact a member of the Somerset Dealership Team with any questions, including guidance on what vehicles qualify. We can be reached at 317.472.2200, 800.469.7206 or info@somersetcpas.com.

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Tax
Wealth Management



**NOTIFICATION AS REQUIRED BY INTERNAL REVENUE CODE SECTION 30B(h)(6)
REGARDING THE QUALIFYING PURCHASE OF AN ENERGY EFFICIENT VEHICLE**

Our records indicate that on _____(date), _____(entity name) purchased a _____(vehicle year and description) from _____(dealership name). Based on information provided by the vehicle manufacturer to the Internal Revenue Service, this particular vehicle qualified for a federal income tax credit of _____(amount). This credit is not available to your organization to the extent that your organization does not pay federal income taxes. Please contact us if you have any questions.