

IRS TAX TIP 2003-44

CLEAN FUEL TAX DEDUCTION FOR HYBRID VEHICLES

If you are the original owner of a qualifying hybrid vehicle – one that combines an electric motor with a gasoline-powered engine – you may be eligible to claim a one-time tax deduction on your federal income tax return, says the IRS.

There are three Toyotas – the 2001, 2002 and 2003 Prius models – and four Hondas – the 2000, 2001 and 2002 Insight and the 2003 Civic Hybrid – that qualify for this tax deduction.

The maximum allowable deduction amount is \$2,000. That amount was set after the Toyota and Honda corporations documented for the IRS the incremental costs of buying their hybrid vehicles. The deduction must be taken for the year in which the vehicle was first used. For a car first used before 2002, a taxpayer may claim the deduction on an amended tax return.

This benefit is taken as an adjustment to income. You do not have to itemize deductions on your tax return to claim it. Include your deduction on line 34 of Form 1040, and identify as “clean fuel.”

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. Hybrid vehicles obtain greater fuel efficiency and produce fewer emissions than similar vehicles powered solely by conventional gasoline-powered engines.

For more information on the clean fuel deduction, see IRS Publication 535, “Business Expenses” (hybrid vehicles do not have to be owned or used by businesses to qualify for the deduction). This publication is available on the IRS Web site, *IRS.gov*, or by calling 1-800-TAX-FORM (1-800-829-3676).

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