

Part III – Administrative, Procedural, and Miscellaneous

Credit for New Qualified Alternative Motor Vehicles

Notice 2006-54

SECTION 1. PURPOSE

This notice sets forth interim guidance, pending the issuance of regulations, relating to the new qualified alternative fuel motor vehicle (QAFMV) credit under § 30B(a)(4) and (e) of the Internal Revenue Code (including the reduced credit under § 30B(e)(5) for mixed-fuel vehicles). Specifically, this notice provides procedures that a vehicle manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) may use if it chooses to certify:

(1) that a vehicle of a particular make, model, and year meets certain requirements that must be satisfied to claim the new QAFMV credit under § 30B(a)(4) and (e); and

(2) the amount of the credit allowable with respect to that vehicle.

This notice also provides guidance to taxpayers who purchase vehicles regarding the conditions under which they may rely on the vehicle manufacturer's (or, in the case of a foreign vehicle manufacturer, its domestic distributor's) certification in determining whether a QAFMV credit is allowable with respect to the vehicle, and the amount of the credit. In addition, the notice provides guidance with respect to certain issues relating to qualification for and computation of the credit. The Internal Revenue Service and the Treasury

Department expect that the regulations will incorporate the rules set forth in this notice.

SECTION 2. BACKGROUND

Section 30B(a)(4) provides for a credit determined under § 30B(e) for certain new QAFMVs. The credit is equal to the applicable percentage of the incremental cost of the new QAFMV. The minimum applicable percentage for QAFMVs is 50 percent, but the applicable percentage is 80 percent for qualified QAFMVs that meet the emissions standards of § 30B(e)(2)(B)(i) or (ii) (see section 7.03(2) of this notice).

Certain vehicles other than QAFMVs (*i.e.*, mixed-fuel vehicles described in section 5.01 and 5.02 of this notice) may qualify for a reduced credit under § 30B(e)(5). Mixed-fuel vehicles are eligible for a reduced credit equal to either 70 percent or 90 percent of the applicable credit allowable under § 30B(a)(4). For this purpose, the applicable credit allowable under § 30B(a)(4) is the 80-percent credit for mixed-fuel vehicles that satisfy the emissions standards of § 30B(e)(2)(B)(i) or (ii) and the 50-percent credit for other mixed-fuel vehicles. The reduced credit for mixed-fuel vehicles applies only to vehicles that have a gross vehicle weight rating of more than 14,000 pounds and that can operate efficiently on a combination of alternative fuel and a petroleum-based fuel.

SECTION 3. SCOPE OF NOTICE

This notice provides certification procedures for the QAFMV credit under § 30B(a)(4) and (e). In addition, the notice provides guidance with respect to certain issues relating to qualification for and computation of the QAFMV credit.

This notice does not address a number of other issues that are common to all motor vehicles that qualify for credits under § 30B. These include: (1) the rules under which lessors may claim the credits allowable under § 30B; (2) the rule preventing the credits from being used to reduce alternative minimum tax liability; and (3) recapture of the credits. The Service and Treasury Department expect to issue separate guidance relating to these issues.

SECTION 4. MEANING OF TERMS

The following definitions apply for purposes of this notice:

.01 In General. Terms used in this notice, but not specifically defined in this section, have the same meaning as when used in § 30B.

.02 Incremental Cost. The incremental cost of a new QAFMV or a mixed-fuel vehicle is equal to the amount of the excess of the manufacturer's suggested retail price for the vehicle over the manufacturer's suggested retail price for a gasoline or diesel fuel motor vehicle of the same model.

.03 Manufacturer's Suggested Retail Price. If the manufacturer of a QAFMV or a mixed-fuel vehicle is required under 15 U.S.C. § 1232 to provide a manufacturer's suggested retail price for the vehicle, then the manufacturer's suggested retail price for the vehicle is the price provided in accordance with 15 U.S.C. § 1232 for that vehicle. Similarly, if the manufacturer of a QAFMV or a mixed-fuel vehicle is required under 15 U.S.C. § 1232 to provide a manufacturer's suggested retail price for a gasoline or diesel fuel vehicle of the same model, then the manufacturer's suggested retail price for the gasoline or diesel fuel vehicle is the price provided in accordance with 15 U.S.C. § 1232 for

that vehicle. In all other cases, the manufacturer's suggested retail price is the amount the manufacturer (or in the case of a foreign vehicle manufacturer, its domestic distributor) specifies as the manufacturer's suggested retail price under section 7.03(1)(g) and (h) of this notice.

.04 Mixed Fuel. A mixed fuel is a combination of an alternative fuel and a petroleum-based fuel.

SECTION 5. MIXED-FUEL VEHICLES

.01 90/10 Mixed-Fuel Vehicles. A mixed-fuel vehicle qualifies for a credit equal to 90 percent of the applicable credit allowable under § 30B(a)(4) only if the vehicle is not able to perform efficiently in normal operation unless its fuel contains at least 90 percent alternative fuel and not more than 10 percent petroleum-based fuel.

.02 75/25 Mixed-Fuel Vehicles. A mixed-fuel vehicle qualifies for a credit equal to 70 percent of the applicable credit allowable under § 30B(a)(4) only if the vehicle is not able to perform efficiently in normal operation unless its fuel contains at least 75 percent alternative fuel and not more than 25 percent petroleum-based fuel.

.03 Mixed-Fuel Percentages. The percentages of alternative fuel and petroleum-based fuel contained in a mixed fuel are determined on the basis of the Btu content of the alternative fuel and the petroleum-based fuel. If the alternative fuel contained in the mixed fuel is a liquid at least 85 percent of the volume of which consists of methanol, the Btu content of any petroleum-based fuel included in such liquid is treated, for purposes of determining the

percentages, as part of the Btu content of the alternative fuel contained in the mixed fuel and not as part of the Btu content of the petroleum-based fuel contained in the mixed fuel.

SECTION 6. CONVERTED VEHICLES

.01 In General. The definitions and rules in this section apply solely with respect to converted vehicles. For this purpose, a converted vehicle is an alternative fuel motor vehicle or a mixed-fuel vehicle that was converted from a new or used gasoline or diesel fuel motor vehicle.

.02 *Made by a Manufacturer*. A converted vehicle is made by a manufacturer only if a person is required under title II of the Clean Air Act (or as a condition of receiving an exemption from the tampering prohibitions in § 203 of the Clean Air Act) to obtain a certificate of conformity covering the converted vehicle or the engine used in the converted vehicle.

.03 *Manufacturer*. (1) Except as provided in section 6.03(2) of this notice, the manufacturer of a converted vehicle is the person required under title II of the Clean Air Act (or as a condition of receiving an exemption from the tampering prohibitions in § 203 of the Clean Air Act) to obtain the certificate of conformity covering the converted vehicle or, if no person is so required, the person required under title II of the Clean Air Act (or as a condition of receiving an exemption from the tampering prohibitions in § 203 of the Clean Air Act) to obtain a certificate of conformity covering the engine used in the converted vehicle.

(2) If an importer of a converted vehicle would be treated as the manufacturer of the vehicle under section 6.03(1) of this notice, the manufacturer

is the person that manufactured or assembled the vehicle. If an importer of an engine would be treated as the manufacturer of the converted vehicle in which it is used under section 6.03(1) of this notice, the manufacturer of the converted vehicle is the person that manufactured or assembled the engine.

.04 *Original Use.* The original use of the alternative fuel motor vehicle or mixed-fuel vehicle commences with the first person to place the vehicle in service after the conversion.

SECTION 7. MANUFACTURER'S CERTIFICATION

.01 *When Certification Permitted.* A vehicle manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) may certify to purchasers that a vehicle of a particular make, model, and year meets all requirements (other than those listed in section 7.02 of this notice) that must be satisfied to claim the new QAFMV credit, and the amount of the credit allowable under § 30B(a)(4) and (e) with respect to that vehicle, if the following requirements are met:

(1) The manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) has submitted to the Service, in accordance with section 8 of this notice, a certification with respect to the vehicle and the certification satisfies the requirements of section 7.03 of this notice; and

(2) The manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) has received an acknowledgment of the certification from the Service.

.02 *Purchaser's Reliance.* Except as provided in section 7.05 of this

notice, a purchaser of a motor vehicle may rely on the manufacturer's (or, in the case of a foreign vehicle manufacturer, its domestic distributor's) certification concerning the vehicle and the amount of the credit allowable with respect to the vehicle (including in cases in which the certification is received after the purchase of the vehicle). The purchaser may claim a credit in the certified amount with respect to the vehicle if the following requirements are satisfied:

(1) The vehicle is placed in service by the taxpayer after December 31, 2005, and is purchased on or before December 31, 2010;

(2) The original use of the vehicle commences with the taxpayer;

(3) The vehicle is acquired for use or lease by the taxpayer, and not for resale; and

(4) The vehicle is used predominantly in the United States.

.03 Content of Certification. The certification must contain the information required in section 7.03(1) of this notice and any applicable additional information required in section 7.03(2), section 7.03(3), or section 7.03(4) of this notice.

(1) *All Vehicles.* For all vehicles, the certification must contain—

(a) The name, address, and taxpayer identification number of the certifying entity;

(b) The make, model, year, and any other appropriate identifiers of the motor vehicle;

(c) A statement that the vehicle, as configured to operate only on an alternative fuel or a mixed fuel, is made by a manufacturer;

(d) The type of credit for which the vehicle qualifies (*i.e.*, either the

credit for alternative fuel motor vehicles or the reduced credit for mixed-fuel vehicles);

(e) The amount of the credit for such vehicle (showing computations);

(f) The gross vehicle weight rating of the vehicle;

(g) The manufacturer's suggested retail price for the vehicle;

(h) The manufacturer's suggested retail price for a gasoline or diesel fuel motor vehicle of the same model;

(i) The alternative fuel used by the vehicle;

(j) A statement that the vehicle complies with the applicable provisions of the Clean Air Act;

(k) A statement that the vehicle complies with the applicable air quality provisions of state law of each state that has adopted such provisions under a waiver under § 209(b) of the Clean Air Act or a list identifying each such state that has adopted applicable air quality provisions with which the vehicle does not comply;

(l) A statement that the vehicle complies with the motor vehicle safety provisions of 49 U.S.C. §§ 30101 through 30169; and

(m) A declaration, applicable to the certification and any accompanying documents, signed by a person currently authorized to bind the manufacturer (or, in the case of a foreign manufacturer, its domestic distributor) in such matters, in the following form:

"Under penalties of perjury, I declare that I have examined this

certification, including accompanying documents, and to the best of my knowledge and belief, the facts presented in support of this certification are true, correct, and complete.”

(2) *80 Percent Credit.* If the manufacturer (or, in the case of a foreign manufacturer, its domestic distributor) is certifying that the vehicle is eligible for the 80-percent credit (or is a mixed-fuel vehicle for which the applicable credit allowable under § 30B(a)(4) is the 80-percent credit), the certification must also contain one of the following:

(a) a copy of the vehicle’s certificate of conformity under the Clean Air Act and evidence that the vehicle meets or exceeds the most stringent applicable standard (other than a zero emission standard) available for certification under the Clean Air Act--

(i) as of the date of the certification in the case of a vehicle with a gross vehicle weight rating of not more than 14,000 pounds; and

(ii) as of August 8, 2005, in the case of a vehicle with a gross vehicle weight rating of more than 14,000 pounds; or

(b) a copy of an order certifying the vehicle as meeting the same requirements as vehicles that may be sold or leased in California and evidence that the vehicle meets or exceeds the most stringent applicable standard (other than a zero emission standard) available for certification under California state laws enacted in accordance with a waiver granted under § 209(b) of the Clean Air Act--

(i) as of the date of the certification in the case of a vehicle with a gross

vehicle weight rating of not more than 14,000 pounds; and

(ii) as of August 8, 2005, in the case of a vehicle with a gross vehicle weight rating of more than 14,000 pounds;

(3) *Alternative Fuel Motor Vehicles.* A certification relating to an alternative fuel motor vehicle must also contain a statement that the vehicle is only capable of operating on the identified alternative fuel.

(4) *Mixed-Fuel Motor Vehicles.* A certification relating to a mixed-fuel vehicle must also contain—

(a) a statement that the vehicle is able to perform efficiently in normal operation on a mixed fuel;

(b) a statement identifying the alternative fuel contained in the mixed fuel;

(c) a statement specifying either--

(i) that the vehicle is not able to perform efficiently in normal operation unless its fuel contains at least 90 percent alternative fuel and not more than 10 percent petroleum-based fuel; or

(ii) that the vehicle is not able to perform efficiently in normal operation unless its fuel contains at least 75 percent alternative fuel and not more than 25 percent petroleum-based fuel ; and

(d) one of the following:

(i) a copy of the certificate of conformity under the Clean Air Act; or

(ii) a copy of an order certifying that the vehicle meets the

same requirements as vehicles that may be sold or leased in California, and evidence that the vehicle meets or exceeds the applicable low emission vehicle standard under 40 C.F.R § 88.105-94, for that make and model year.

.04 Acknowledgment. The Service will review the original signed certification and issue an acknowledgment letter to the vehicle manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) within 30 days of receipt of the request for certification. This acknowledgment letter will state whether purchasers may rely on the certification.

.05 Effect of Erroneous Certification. The acknowledgment that the Service provides for a certification is not a determination that a vehicle qualifies for the credit, or that the amount of the credit is correct. The Service may, upon examination (and after any appropriate consultation with Department of Transportation or the Environmental Protection Agency), determine that the vehicle is not a new QAFMV or a mixed-fuel vehicle or that the amount of the credit determined by the manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) to be allowable with respect to the vehicle is incorrect. In either event, the manufacturer's (or, in the case of a foreign vehicle manufacturer, its domestic distributor's) right to provide a certification to future purchasers will be withdrawn, and purchasers who acquire vehicles after the date on which the Service publishes an announcement of the withdrawal may not rely on the certification. Purchasers may continue to rely on the certification for vehicles they acquired before the date on which the announcement of the withdrawal is published (including in cases in which the vehicle is not placed in

service and the credit is not claimed until after that date), and the Service will not attempt to collect any understatement of tax liability attributable to such reliance. Manufacturers (or, in the case of foreign manufacturers, their domestic distributors) are reminded that an erroneous certification may result in the imposition of penalties--

(a) under § 7206 for fraud and making false statements; and

(b) under § 6701 for aiding and abetting an understatement of tax liability in the amount of \$1,000 (\$10,000 in the case of understatements by corporations) per return on which a credit is claimed in reliance on the certification.

SECTION 8. TIME AND ADDRESS FOR FILING CERTIFICATION

.01 Time for Filing. In order for certifications under section 7 of this notice to be effective for new QAFMVs or mixed-fuel vehicles placed in service during a particular calendar year, the certification must be received by the Service not later than December 31st of that calendar year.

.02 Address for Filing. Certifications under section 7 of this notice must be sent to:

Internal Revenue Service,
Industry Director, Large and Mid-Size Business, Heavy
Manufacturing and Transportation,
Metro Park Office Complex - LMSB,
111 Wood Avenue, South,
Iselin, New Jersey 08830.

SECTION 9. PAPERWORK REDUCTION ACT

The collection of information contained in this notice has been reviewed and approved by the Office of Management and Budget in accordance with the

Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1993.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collections of information in this Notice are in section 7. This information is required to be collected and retained in order to ensure that vehicles meet the requirements for the new QAFMV credit under § 30B(a)(4) and (e). This information will be used to determine whether the vehicle for which the credit is claimed by a taxpayer is property that qualifies for the credit. The collection of information is required to obtain a benefit. The likely respondents are corporations and partnerships.

The estimated total annual reporting burden is 600 hours.

The estimated annual burden per respondent varies from 16 hours to 25 hours, depending on individual circumstances, with an estimated average burden of 20 hours to complete the certification required under this notice. The estimated number of respondents is 30.

The estimated annual frequency of responses is on occasion.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. § 6103.

SECTION 10. DRAFTING INFORMATION

The principal author of this notice is Nicole R. Cimino of the Office of

Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this notice, contact Ms. Cimino at (202) 622-3120 (not a toll-free call).