

Part III - Administrative, Procedural, and Miscellaneous

Phase-out of Credit for New Qualified Hybrid Motor Vehicles and New Advanced Lean Burn Technology Motor Vehicles

Notice 2009-37

SECTION 1. PURPOSE

This notice announces the credit phase-out schedule for advanced lean burn technology motor vehicles and hybrid passenger automobiles and light trucks manufactured by Ford Motor Company.

SECTION 2. BACKGROUND

Section 30B(a)(2) of the Internal Revenue Code provides for a credit determined under § 30B(c) for certain new advanced lean burn technology motor vehicles. Section 30B(a)(3) provides for a credit determined under § 30B(d) for certain new qualified hybrid motor vehicles. Both the new advanced lean burn technology motor vehicle credit and the new qualified hybrid motor vehicle credit begin to phase out for a manufacturer's passenger automobiles and light trucks in the second calendar quarter after the calendar quarter in which at least 60,000 of the manufacturer's passenger automobiles and light trucks that qualify for either credit have been sold for use or lease in the United States (determined on a cumulative basis for sales after December 31, 2005). Taxpayers purchasing the manufacturer's vehicles during the first two calendar

quarters of the phase-out period may claim only 50 percent of the otherwise allowable credit. Taxpayers purchasing the manufacturer's vehicles during the third and fourth calendar quarters of the phase-out period may claim only 25 percent of the otherwise allowable credit. No credit is available for vehicles purchased after the last day of the fourth calendar quarter of the phase-out period.

Notice 2006-9, 2006-1 C.B. 413, provides procedures for a vehicle manufacturer (or in the case of a foreign vehicle manufacturer, its domestic distributor) to certify to the Internal Revenue Service (Service) both (1) that a particular make, model and model year of vehicle qualifies for either the new advanced lean burn technology motor vehicle credit or the new qualified hybrid motor vehicle credit and (2) the amount of the credit allowable with respect to that vehicle.

Section 5.05 of Notice 2006-9 requires a manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) that has received from the Service an acknowledgement of its certification for a particular make, model, and model year of vehicle to submit to the Service a report of the number of qualified vehicles sold by the manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) to retail dealers during the calendar quarter. A qualified vehicle is defined for this purpose as any passenger automobile or light truck that is a new advanced lean burn technology motor vehicle or a new qualified hybrid motor vehicle.

In accordance with section 5.05 of Notice 2006-9, Ford Motor Company has submitted quarterly reports that indicate that its cumulative sales of qualified vehicles to retail dealers reached the 60,000-vehicle limit during the calendar quarter ending

December 31, 2008. Accordingly, the credit for all new advanced lean burn technology motor vehicles or new qualified hybrid passenger automobiles or light trucks manufactured by Ford Motor Company will begin to phase out on April 1, 2009.

SECTION 3. SCOPE OF NOTICE

This notice applies to any make, model, or model year of new advanced lean burn technology motor vehicle or new qualified hybrid passenger automobile or light truck that is –

- (1) manufactured by Ford Motor Company; and
- (2) purchased for use or lease in the United States on or after April 1, 2009.

SECTION 4. CREDIT AMOUNT

.01 *In general.* If a new advanced lean burn technology motor vehicle or a new qualified hybrid passenger automobile or light truck manufactured by Ford Motor Company is purchased for use or lease after March 31, 2009, the allowable credit is as follows:

(1) For vehicles purchased for use or lease on or after April 1, 2009, and on or before September 30, 2009, the credit is 50 percent of the otherwise allowable amount determined under § 30B(c) or (d) (whichever is applicable);

(2) For vehicles purchased for use or lease on or after October 1, 2009, and on or before March 31, 2010, the credit is 25 percent of the otherwise allowable amount determined under § 30B(c) or (d) (whichever is applicable); and

(3) For vehicles purchased for use or lease on or after April 1, 2010, no credit is allowable.

.02 Certified Vehicles. The following tables set forth the credit available on or after April 1, 2009, for hybrid motor vehicles for which Ford Motor Company received an acknowledgement of its certification from the Service on or before April 8, 2009.

Table 1

| April 1, 2009 – September 30, 2009 | | |
|------------------------------------|--------------------------------|----------------------|
| Model Years | Model | Credit Amount |
| 2005 | Ford Escape 2WD | \$1,300 |
| 2006 | Ford Escape 2WD | \$1,300 |
| 2007 | Ford Escape 2WD | \$1,300 |
| 2008 | Ford Escape 2WD | \$1,500 |
| 2009 | Ford Escape 2WD | \$1,500 |
| 2005 | Ford Escape 4WD | \$975 |
| 2006 | Ford Escape 4WD | \$975 |
| 2007 | Ford Escape 4WD | \$975 |
| 2008 | Ford Escape 4WD | \$1,100 |
| 2009 | Ford Escape 4WD | \$975 |
| 2010 | Ford Fusion | \$1,700 |
| 2008 | Mercury Mariner 2WD | \$1,500 |
| 2009 | Mercury Mariner 2WD | \$1,500 |
| 2006 | Mercury Mariner 4WD | \$1,700 |
| 2007 | Mercury Mariner 4WD | \$975 |

| | | |
|------|---------------|---------|
| 2010 | Mercury Milan | \$1,700 |
|------|---------------|---------|

Table 2

| October 1, 2009 – March 31, 2010 | | |
|----------------------------------|---------------------|----------------------|
| Model Years | Model | Credit Amount |
| 2005 | Ford Escape 2WD | \$650 |
| 2006 | Ford Escape 2WD | \$650 |
| 2007 | Ford Escape 2WD | \$650 |
| 2008 | Ford Escape 2WD | \$750 |
| 2009 | Ford Escape 2WD | \$750 |
| 2005 | Ford Escape 4WD | \$487.50 |
| 2006 | Ford Escape 4WD | \$487.50 |
| 2007 | Ford Escape 4WD | \$487.50 |
| 2008 | Ford Escape 4WD | \$550 |
| 2009 | Ford Escape 4WD | \$487.50 |
| 2010 | Ford Fusion | \$850 |
| 2008 | Mercury Mariner 2WD | \$750 |
| 2009 | Mercury Mariner 2WD | \$750 |
| 2006 | Mercury Mariner 4WD | \$487.50 |
| 2007 | Mercury Mariner 4WD | \$487.50 |
| 2008 | Mercury Mariner 4WD | \$550 |

| | | |
|------|---------------------|----------|
| 2009 | Mercury Mariner 4WD | \$487.50 |
| 2010 | Mercury Milan | \$850 |

Table 3

| On or after April 1, 2010 | | |
|---------------------------|--------------------------------|----------------------|
| Model Years | Model | Credit Amount |
| 2005 | Ford Escape 2WD | \$0.00 |
| 2006 | Ford Escape 2WD | \$0.00 |
| 2007 | Ford Escape 2WD | \$0.00 |
| 2008 | Ford Escape 2WD | \$0.00 |
| 2009 | Ford Escape 2WD | \$0.00 |
| 2005 | Ford Escape 4WD | \$0.00 |
| 2006 | Ford Escape 4WD | \$0.00 |
| 2007 | Ford Escape 4WD | \$0.00 |
| 2008 | Ford Escape 4WD | \$0.00 |
| 2009 | Ford Escape 4WD | \$0.00 |
| 2010 | Ford Fusion | \$0.00 |
| 2008 | Mercury Mariner 2WD | \$0.00 |
| 2009 | Mercury Mariner 2WD | \$0.00 |
| 2008 | Mercury Mariner 4WD | \$0.00 |
| 2009 | Mercury Mariner 4WD | \$0.00 |

| | | |
|------|---------------|--------|
| 2010 | Mercury Milan | \$0.00 |
|------|---------------|--------|

The principal author of this notice is Patrick S. Kirwan of the Office of Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding this notice contact Mr. Kirwan on (202) 622-3110 (not a toll-free call).