

INTERNAL REVENUE SERVICE

Number: **INFO 2000-0299**

Release Date: 12/29/2000

ULI #: 30.00-00

October 25, 2000



This letter is in response to your inquiry dated September 4, 2000, to Representative Peter A. DeFazio, asking why vehicles converted from non-electric vehicles to electric vehicles do not qualify for a federal tax credit for electric vehicles.

The credit for vehicles used from the start as electric vehicles and the deduction for the cost of parts used to convert a non-electric vehicle to an electric vehicle are mutually exclusive.

The Internal Revenue Code (the Code) provides a credit to taxpayers for qualified electric vehicles (Section 30). However, the Income Tax regulations prohibit a motor vehicle that has been used (for either personal or business use) as a non-electric vehicle from being a qualified electric vehicle [Section 1.30-1(a) of the Income Tax regulations].

The Code provides a deduction (rather than a credit) for the cost of qualified clean-fuel vehicle property not qualifying for the section 30 credit (Section 179A). Qualified clean-fuel vehicle property includes certain parts and components retrofitted to a motor vehicle so it can use clean-burning fuel (including electricity). The parts and components meeting this definition are engines (or modification of them) that can use the clean-burning fuel, and property used to store or deliver fuel to the engine. The cost of the underlying vehicle is not eligible for the deduction. You must acquire the parts and components for your own use (rather than for resale), and they cannot have been used by someone else. In addition, both the retrofit parts and the motor vehicle they are installed in must meet federal and state emissions requirements. Section 179A(b)(1)(A) places dollar limits on this deduction.

I hope this letter has been responsive to your inquiry. If we can help you further in this matter, please contact us at (202) 622-3110.

Sincerely,
CHARLES B. RAMSEY
Chief, Branch 6
Office of the Associate Chief Counsel
(Passthroughs and Special Industries)