



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D. C. 20224

OFFICE OF THE CHIEF COUNSEL

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The Honorable Lisa Murkowski  
United States Senate  
Washington, DC 20510

Dear Senator Murkowski:

Thank you for your letter dated December 7, 2010, on behalf of your constituent, . asked why a tax break is not available for the purchase of a 2009 Toyota Hybrid Highlander. explained that media sources reported that tax credits were available for the purchase of hybrid vehicles.

A credit is available for certain new, qualified hybrid motor vehicles placed in service after December 31, 2005 (section 30B of the Internal Revenue Code). This credit begins to phase out for a manufacturer's vehicles in the second calendar quarter after the calendar quarter in which the manufacturer sells for use or lease in the United States at least 60,000 of its passenger automobiles and light trucks that qualify for the credit (for sales occurring after December 31, 2005). Taxpayers purchasing the manufacturer's vehicles during the first two calendar quarters of the phase-out period can 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 can 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.

In Notice 2006-9, we published procedures for manufacturers to certify that their vehicles qualify for the credit. Notice 2006-9 explains that the credit for a manufacturer's vehicles begins to phase out when the manufacturer sells for use or lease in the United States 60,000 vehicles that qualify for the credit.

Toyota sold at least 60,000 qualified vehicles during the period beginning on January 1, 2006, and ending on June 30, 2006. Thus, the phase-out period for the tax credit for qualified vehicles Toyota manufactured began on October 1, 2006, and ended on September 30, 2007. No tax credit has been available since September 30, 2007, for the purchase of qualified hybrid vehicles Toyota manufactured.

On November 9, 2006, we issued press release IR-2006-172, detailing the Toyota phase-out period. On October 10, 2006, we published Notice 2006-78 to announce the phase-out schedule for Toyota vehicles. Notice 2006-78 lists the Toyota vehicles eligible for a credit and the amount of the credit available for each vehicle during the phase-out period. The notice makes clear that Toyota vehicles purchased on or after October 1, 2007, do not qualify for a credit. I have attached a copy of Notice 2006-78 and the November 2006 press release for your convenience.

I hope this information is helpful in responding to . Please contact me at  
if I can be of further assistance.

Sincerely,

Curt Wilson  
Associate Chief Counsel  
(Passthroughs & Special Industries)

Enclosures: (2)