



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

OFFICE OF THE CHIEF COUNSEL

March 20, 2012

Number: **2012-0007**
Release Date: 3/30/2012

CC:PSI:B06
CONEX-108776-12

UIL: 30B.00-00

The Honorable Robert P. Casey, Jr.
United States Senate
Washington, DC 20510

Attention:

Dear Senator Casey:

Thank you for your letter dated February 23, 2012, on behalf of your constituent, . asked why a tax credit is not available for a 2011 Ford Escape Hybrid he purchased during 2011. stated that according to the Form 8910 Instruction sheet, credits are available for vehicles manufactured by some foreign automakers but not for vehicles manufactured by Ford and certain other United States automakers.

In order to respond clearly to concerns, allow me to explain how the credit for alternative motor vehicles operates. Congress enacted section 30B in 2005. That section authorized a federal tax credit for several different types of alternative motor vehicles, including new qualified hybrid vehicles, which were placed in service in tax years after 2005. Other types of qualifying vehicles included vehicles with qualified fuel cells, vehicles that used a particular advanced lean burn technology, and vehicles that used certain new alternative fuels.

Congress provided that the credit under section 30B would expire at different times, depending on the type of vehicle. For qualifying passenger automobiles and light truck hybrid vehicles, Congress provided that the section 30B credit would expire under either a "phase-out" rule or a "termination" rule, whichever occurred first. The credit for hybrid vehicles manufactured by Ford expired under the phase out rule. Under the phase out rule in section 30B(f), the credit for hybrid vehicles was reduced for each manufacturer beginning in the second quarter after the quarter in which that manufacturer sold 60,000 of its qualified vehicles, and then was reduced further in subsequent quarters until it fully expired. The Internal Revenue Service announced the credit phase-out schedule for Ford hybrid vehicles in Notice 2009-37 (copy enclosed) after sales of Ford hybrids reached the 60,000 vehicle threshold. That Notice provided that the credit for Ford vehicles would completely phase out with respect to vehicles purchased on or after April 1, 2010. The credit for hybrid vehicles remained available for certain other

manufacturers whose sales of hybrid vehicles had not reached the 60,000 sale threshold or were still in the phase-out period.

Even if the credit for hybrid vehicles sold by Ford had not expired in April of 2010 under the phase-out rule, [redacted] would not have been eligible to claim a credit for his purchase of a Ford Escape Hybrid in 2011 because of the “termination” rule. Under the termination rule, the section 30B credit for passenger automobiles and light truck hybrid vehicles ended for all manufacturers at the end of 2010, regardless of how many vehicles they had sold.

Finally, as I noted above, the credit under section 30B expires at different times depending on the type of vehicle. For example, even though the credit expired for passenger and light truck hybrid vehicles purchased after 2010, the section 30B credit remains available for certain other types of vehicles. In addition, a vehicle purchased in 2010 and placed in service in 2011 can also qualify for a credit in 2011. So references to the credit in the Instructions to Form 8910 referenced in [redacted] letter pertain to vehicles for which the credit was still available in 2011.

I hope this information helps you in responding to [redacted]. Please contact me at ([redacted]) [redacted] if I can assist you further regarding his questions.

Sincerely,

Curt Wilson
Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosure