

Plug-in Electric Vehicle Credit

Electric-powered vehicles are receiving a great deal of attention lately because of the high cost of gasoline. These vehicles should be available to consumers for purchase within the next few years. Surprisingly, Congress seems to be on top of things and, in the recently passed Energy Improvement and Extension Act of 2008 (Energy Act), has authorized a tax credit as an incentive to purchase a plug-in vehicle.

The new qualified plug-in electric drive motor vehicle credit (plug-in vehicle credit) will range from \$2,500 to \$7,500 for light-duty vehicles, with factors such as battery capacity determining how much buyers will receive. The base credit will be \$2,500 for vehicles powered by a 4-kilowatt battery. An additional \$417 will be added to the credit for each additional kilowatt hour of battery power, up to a maximum of \$7,500 for light-duty vehicles (gross vehicle weight rating of not more than 10,000 pounds).

Heavier vehicles can qualify for a credit of up to \$15,000. This credit will serve to ease the anticipated sticker-shock prices of plug-in electric vehicles. The plug-in vehicle credit is available for vehicle purchases after December 31, 2008 and before January 1, 2015. This credit will be phased out after the 250,000th plug-in electric vehicle has been sold.