



Colorado Automobile Dealers Association

*** * * IMPORTANT DEALER ALERT * * ***

Consumer Tax Incentives in Federal Stimulus Bill

TO: CADA Members
FROM: Tim Jackson
RE: Consumer Tax Incentives in Federal Stimulus Bill, *American Recovery and Reinvestment Act of 2009*
DATE: February 20, 2009

The final federal stimulus bill, signed this week by the President in Denver, included consumer tax incentives for the purchase of new vehicles. The attached summary provides an overview and various clarifications on the application of these new tax incentives. A few additional reminders are provided below along with a hypothetical example.

- **Advertising:** A note of caution on advertising: dealerships are prohibited under Colorado law from advertising that they will pay any tax on behalf of consumers.
- **Refrain from giving tax / legal advice to consumers:** Dealers should ensure that personnel do not offer to calculate the deduction or estimate savings for individual customers; be especially careful that salespersons are not offering tax or legal advice.
- **Other tax credits:** As a reminder, there are also federal tax credits for hybrid vehicles still available on select vehicles. For more information on available credits, visit www.hybridcars.com (under Research / Incentives & Laws). See also <http://www.energytaxincentives.org>
- Colorado also has state-level alternative fuel income tax credits.
 - See the Department of Revenue, FYI – Income #9, *Alternative Fuel Income Tax Credits*, available at: www.colorado.gov/revenue/tax, under “FYI Publications” (or contact CADA to request a copy)

A hypothetical example is included below to provide a general idea of how this deduction could apply:

Hypothetical – For illustration purposes only

- \$40,000 purchase, 8% estimated state and local sales/use taxes = \$3,200 sales/use tax liability
 - Individual in a 25% federal income tax bracket could save approximately \$800 on federal income taxes and \$148 on Colorado state income taxes
 - Total possible tax savings = \$948.00

Please contact us with any further questions you may have.

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Disclaimer: CADA is not authorized to dispense legal or tax advice. This general summary and clarifications are the best available information we could compile from consulting industry professionals. It is provided for informational purposes only. Dealerships are encouraged to consult with an accountant or tax professional, and suggest that consumers do the same.