



## Colorado Automobile Dealers Association

## American Recovery and Reinvestment Act of 2009

### Summary of Vehicle Tax Deductions for New Car Purchasers

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#### **Effective Date**

- New vehicle purchases made on or after the date of enactment (February 17, 2009) through December 31, 2009
- Purchases made prior to February 17, 2009 are not eligible

#### **What Taxes are Deductible?**

- State or local motor vehicle sales or excise taxes imposed on the purchase of a motor vehicle
  - In Colorado, “use” taxes and other local district taxes would be included in the deduction
  - Auto loan interest is NOT deductible; while earlier versions of the bill included this, it did not make it into the final bill
- In Colorado, ownership tax is not levied as part of the “purchase” like sales/use taxes are, so is likely not covered under this new deduction; however, it is generally deductible already (but, unlike this new deduction, is only available to those who itemize)

#### **What Purchases are Eligible?**

- **New** vehicle purchases only (does not apply to used vehicles)
- The deduction only applies to the “purchase” of vehicles; this would not include leased vehicles;

#### **What Customers Qualify for the Deduction?**

- Individual customers with modified adjusted gross income of less than \$125,000 or joint-filers making less than \$250,000 a year in 2009 would qualify for the deduction.
  - Corporations/businesses are not included (only individual taxpayers)
- A partial deduction is allowable for customers with income greater than \$125,000 but less than \$135,000 (\$250,000 and \$260,000 respectively, for joint returns).
- The deduction is available “above the line” (available to both itemizers and non-itemizers) on the purchaser’s federal income tax return.
- The deduction IS allowable for the alternative minimum tax (AMT)

#### **What New Vehicles Qualify for the Deduction?**

- Any new vehicle under 8,500 pounds gross vehicle weight\*
- Including passenger cars, pickups, vans, SUVs, motorcycle, motor homes, etc.
- Motor homes are explicitly allowed.
  - Under the law, motor home means a multi-purpose vehicle with motive power that is designed to provide temporary residential accommodations, as evidenced by the presence of at least four of the following facilities: Cooking; refrigeration or ice box; self-contained toilet; heating and/or air conditioning; a potable water supply system including a faucet and a sink; and a separate 110–125 volt electrical power supply and/or an LP gas supply.
  - \*The 8,500 pounds gross vehicle weight requirement does not apply to motor homes
- New vehicles of any model year – as long as the original use commences with the taxpayer.
- New vehicles sold for under \$49,500 qualify for the full deduction. Consumers may deduct sales taxes on the first \$49,500 of new vehicles sold above this price.

#### **How Do Consumers Obtain the Deduction?**

- The deduction will be taken on the customer’s 2009 Federal tax return in 2010.
- The customer is still responsible for paying Colorado sales taxes at the time of the vehicle sale.
- Colorado income tax is generally computed on a person’s federal taxable income, so Colorado income tax (4.63%) will be reduced as well

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