

Nine Facts about the New Vehicle Sales and Excise Tax Deduction

Taxpayers who buy new motor vehicles this year may be entitled to a special tax deduction for the sales or excise taxes on those purchases when they file their 2009 federal tax returns next year. This tax break is part of the American Recovery and Reinvestment Act of 2009.

Taxpayers in states that do not have state sales taxes may be entitled to deduct other fees or taxes imposed by the state or local government.

Here are nine important facts the IRS wants you to know about the deduction.

1. State and local sales and excise taxes paid on up to \$49,500 of the purchase price of each qualifying vehicle are deductible.
2. Qualified motor vehicles generally include new cars, light trucks, motor homes and motorcycles.
3. To qualify for the deduction, the new cars, light trucks and motorcycles must weigh 8,500 pounds or less. Motor homes are not subject to the weight limit.
4. Purchases must occur after Feb. 16, 2009, and before Jan. 1, 2010.
5. Taxpayers who purchase new motor vehicles in states that do not have state sales taxes may be entitled to deduct other fees or taxes assessed on the purchase of those vehicles. Fees or taxes that qualify must be based on the vehicles' sales price or as a per unit fee. These states include Alaska, Delaware, Hawaii, Montana, New Hampshire and Oregon.
6. Taxpayers who purchase qualified motor vehicles may claim the deduction when they file their 2009 tax return in 2010.
7. The deduction may not be taken on 2008 tax returns.
8. This deduction can be taken regardless of whether the buyers itemize their deductions or choose the standard deduction. Taxpayers who do not itemize will add this additional amount to the standard deduction on their 2009 tax return.
9. The amount of the deduction is phased out for taxpayers whose modified adjusted gross income is between \$125,000 and \$135,000 for individual filers and between \$250,000 and \$260,000 for joint filers.

For more information on this and other key tax provisions of the Recovery Act visit the official IRS Website at IRS.gov.

Links:

- [Sales Tax Deduction for Vehicle Purchases](#)
- YouTube Video: [Vehicle Tax Deduction](#)
- Audio File for Podcast - ARRA Vehicle Tax Deduction: [English](#) | [Spanish](#)
- The American Recovery and Reinvestment Act of 2009: [Information Center](#)