

Primer on Clean Diesel Vehicle Tax Credit Provisions in the Energy Bill (HR 6).

What does the new Tax Credit for advanced technology vehicles do?

Provides an incentive for consumers to purchase clean diesel cars, trucks and SUVs.

What does “advanced lean-burn technology” vehicle mean?

Advanced lean-burn technology is a technical term that means compression ignition diesel technology. Technically it is a vehicle designed to operate primarily using more air than is necessary for complete combustion of the fuel.

When is it effective?

January 1, 2006- December 31, 2010. *However*, on a practical basis the earliest possible diesel vehicles that will meet the emissions requirements and hence be eligible are not likely until 2008 or later model years, when cleaner diesel fuel becomes available, and manufacturers have made advances in emissions control systems. Efforts are underway to urge Congress to extend the credit period and make other changes to the credit provision.

Which vehicles will be eligible for the tax credit?

There are two categories of vehicles eligible—consumer vehicles up to 6,000 lbs GVWR –(gross vehicle weight rating) these include passenger cars, SUVs and light trucks. Credits are also available to vehicles from 6,000 lbs to 8,500 lbs GVWR. These are heavier medium duty pick up trucks.

An important feature of the eligibility of obtaining these tax credits is meeting more stringent emissions certification levels. To be eligible for the tax credit, these vehicles must also meet EPA emissions requirements, at the Tier II Bin 5 level for 0-6000lbs class; and Tier II Bin 8 for 6,000-8500 lbs GVWR. EPA will make the determination about vehicle certification to the manufacturer.

Can any of today’s diesel vehicles earn the credit? How about 2007 models?

No. Currently available diesel engines do not meet the specified emissions standards. At the present time, no anticipated 2007 models are likely to qualify for the credit. A number of manufacturers have made announcements about the likelihood of their vehicles meeting the Emissions requirements (and thus being eligible for the credit) in the 2008 -2010 model years.

How is the amount of the tax credit determined?

The dollar amount of the credit is based on the percentage improvement in fuel economy of the purchased diesel vehicle, as compared to a baseline 2002 model year vehicle, and the overall lifetime fuel savings. The more fuel efficient the vehicle is over the 2002 baseline, the higher the credit. Ultimately, the IRS certifies vehicle eligibility and determines the specific amount of the credit based on fuel economy performance data from the manufacturer. *The maximum eligible credit is \$3400; (\$2400 + \$1,000).*

Fuel Economy improvement over 2002 Baseline Vehicle	Credit Amount
At least 125 percent but less than 150 percent	\$400
At least 150 percent but less than 175 percent	\$800
At least 175 percent but less than 200 percent	\$1,200
At least 200 percent but less than 225 percent	\$1,600
At least 225 percent but less than 250 percent	\$2,000
At least 250 percent	\$2,400.
	Additional Credit Amount
Gallons of life-time fuel savings (gasoline equivalent)	
At least 1,200 but less than 1,800	\$250
At least 1,800 but less than 2,400	\$500
At least 2,400 but less than 3,000	\$750
At least 3,000	\$1,000

How will I know if the vehicle I want to purchase is eligible?

Check with your dealer. They will have information about specific models and eligibility. The IRS will ultimately determine the proper vehicle tax credit amounts, and make an announcement and posting on their website.

The IRS has issued guidance on the Clean Fuel Vehicle Tax Credits for Hybrids and we expect that the diesel tax credits are likely to follow the same format. There are other IRS requirements for claiming the credit (forms to use, etc). visit www.irs.gov for more information.

What can I do to encourage more tax incentives for clean diesel vehicles?

Write your elected officials in Congress (www.house.gov and www.senate.gov) and state officials as well to express your concerns and highlight why more diesel incentives are needed.

Please visit the Diesel Technology Forum website for the latest information on currently available diesel vehicles and their eligibility.

For more information visit www.dieselforum.org/consumer

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