

## **Plug-in electric vehicles to get new tax credit under provisions of the 2008 Energy Act**

### **Dear Clients and Friends:**

I am writing to inform you of a provision in the Energy Improvement and Extension Act of 2008, which was enacted on Oct. 3, 2008. The provision may affect your car-buying plans in the future. The new law provides a tax incentive to purchase plug-in electric vehicles which, although they are still a couple of years away from reaching showrooms, are already poised for a tax break of up to \$7,500 in the form of a new tax credit.

The tax credit for plug-in electric vehicles 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-line credit will be \$2,500 for vehicles powered by a 4-kilowatt hour battery. (By way of comparison, the current Toyota Prius stores 1.3 kilowatt hours.) An additional \$417 will be added for each kilowatt hour of battery power beyond that, up to a total limit of \$7,500 for light-duty vehicles (up to \$15,000 for vehicles weighing more than 26,000 pounds). Thus, a light-duty vehicle with a 16-kilowatt hour battery pack (such as the prospective Chevrolet Volt) will get the maximum credit, which may help ease the burden of the expected steep sticker prices of plug-in electric vehicles. The new provision further encourages early buyers by stipulating that the credit will be phased out after the 250,000th plug-in electric vehicle has been sold.

I hope this information is helpful. If you would like more details about this new tax break, or any other aspect of the new law, please do not hesitate to call.

**Very truly yours,**

**Paresky Flitt & Company, LLP**