EnVironmentalMotors.com

SM09003

Subject: 10% Tax Credit for New Low Speed Vehicles
(ARRA, Division B, Title 1, Tax Provisions)

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The American Recovery & Reinvestment Act of 2009 included an important provision for new owners of electric-powered vehicles. A non refundable income tax credit (applicable to income tax owing) is available after February 17, 2009 to those who purchase a plug-in electric drive motor vehicle, including low speed electric vehicles. This bulletin is provided to help you understand how the legislation may affect you and your customers. This information is for general guidance only. We recommend that you consult with a tax advisor if you have questions.

New Federal Tax Credit for Owners of Plug-in Electric Vehicles

How much of a tax credit can ZENN buyers receive?
Effective Feb 17, 2009, a tax credit of 10% of the purchase price to a maximum of $2,500 is available for buyers of the ZENN low speed electric vehicle. This tax credit is applicable against the federal income tax owing for the year that the vehicle is purchased.

> For example: If an individual or business purchases an eligible vehicle at a purchase price of $20,000, they could deduct the $2,000 credit against their federal income taxes, provided that they pay more than $2,000 in federal income taxes in the tax year. They will either receive a larger refund or reduce the tax owing to the federal government.

Is the tax credit refunded at the time of vehicle purchase?
No. The Federal tax credit is applied against any income tax amount owing when the individual or business files their annual 2009 tax return. The credit reduces the amount of income tax that would otherwise be payable.

How long is the Tax Credit available?
The current understanding of the Federal tax credit is that it would be effective through to December 31, 2011.

Can State sales taxes be claimed?
The final Recovery Act legislation provides a deduction (from taxable income) for qualified motor vehicle taxes. It expands the definition of taxes allowed as a deduction to include "qualified motor vehicle taxes" paid or accrued within the taxable year.

Qualified motor vehicle taxes include any State or local sales or excise tax imposed on the purchase of a qualified motor vehicle. A qualified motor vehicle means a passenger automobile, light truck, or motorcycle which has a gross vehicle weight rating of not more than 8,500 pounds, or a motor home acquired for use by the taxpayer after the date of enactment and before January I, 2010, the original use of which commences with the taxpayer.

The deduction is limited to the tax on up to $49,500 of the purchase price of a qualified motor vehicle. The deduction is phased out for taxpayers with modified adjusted gross income between $125,000 and $135,000 ($250,000 and $260,000 in the case of a joint return).

The provision is effective for purchases on or after the date of enactment (Feb 17, 2009) and before January 1, 2010.

What other provisions are there?
The Act provides $400 million dollars for the purchase of alternative fuel vehicles for the federal fleet through GSA. An additional $300 million dollars will be distributed through the Clean Cities coalitions for state sponsored projects. (http://www1.eere.energy.gov/cleancities/)

Please be alert to the many sales opportunities that will become available in every region this year. News about current and proposed projects being funded through the Act may be found at:

Disclaimer: While we endeavor to be accurate in our assessment of the US tax legislation, EnVironmental Motors makes no representation as to the accuracy of its interpretation of the legislation and will not be held accountable for errors in our. We encourage you to consult a professional tax advisor for further guidance and interpretation of this legislation.