

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

The Energy Improvement and Extension Act of 2008 was enacted on Oct. 3, 2008. One of its provisions 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.