

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.
(Also Part I, §§ 30, 50, 179, 179A.)

Rev. Proc. 2002-42

SECTION 1. PURPOSE

This revenue procedure sets forth a process that allows taxpayers who purchase certain clean-fuel vehicle property to rely on a manufacturer's certification of the incremental cost of the property for purposes of the clean-fuel vehicle property deduction provided in § 179A of the Internal Revenue Code. This revenue procedure applies to motor vehicles (other than buses, and trucks and vans with a gross vehicle weight rating greater than 10,000 pounds) that are propelled by both a gasoline internal combustion engine and an electric motor that is recharged as the motor vehicles operate (hybrid vehicles) and that otherwise meet the requirements of § 179A.

SECTION 2. BACKGROUND

.01 In general. Section 179A allows a deduction for certain costs of "qualified clean-fuel vehicle property" for the tax year in which the property is placed in service. In the case of hybrid vehicles, only the incremental cost of permitting the use of the clean-burning fuel (electricity) can be taken into account when determining the allowable deduction under § 179A.

The Internal Revenue Service has received numerous inquiries from taxpayers concerning the determination of the incremental cost for specific hybrid vehicles for

purposes of § 179A. This revenue procedure sets forth a process allowing a taxpayer who purchases a hybrid vehicle to rely on the original equipment manufacturer's (or, in the case of a foreign original equipment manufacturer, its domestic distributor's) certification of the incremental cost of the property for purposes of § 179A.

.02 Qualifying Motor Vehicles. This revenue procedure applies only to motor vehicles that meet the requirements of § 179A. In order to be eligible for the deduction under § 179A, a motor vehicle must: (1) be acquired for use by the taxpayer and not for resale and have its original use commence with the taxpayer; (2) meet the applicable federal and state emissions standards with respect to each fuel by which the vehicle is propelled; (3) be manufactured primarily for use on public streets, roads, and highways; (4) have at least four wheels; and (5) not operate exclusively on a rail or rails. Section 179A and this revenue procedure do not apply to motor vehicles that are primarily powered by electricity and qualify for the credit provided in § 30 or to motor vehicles that are used predominantly outside the United States.

.03 Deduction Amount Limitations. Under § 179A, except in the case of any truck or van with a gross vehicle weight rating greater than 10,000 pounds or any bus with a seating capacity of at least 20 adults (not including the driver), the maximum cost that may be taken into account when determining the deduction is \$2,000 for motor vehicles placed in service on or before December 31, 2003. The \$2,000 maximum is reduced by 25 percent for motor vehicles placed in service in calendar year 2004, 50 percent for motor vehicles placed in service in calendar year 2005, and 75 percent for motor vehicles placed in service in calendar year 2006. No deduction is allowed for motor

vehicles placed in service after December 31, 2006. No deduction is allowed with respect to the portion of the cost of any property taken into account under § 179.

SECTION 3. PROCEDURE

.01 Original Equipment Manufacturer's Certification. An original equipment manufacturer (or in the case of a foreign original equipment manufacturer, its domestic distributor) may prepare a certification concerning the incremental cost of permitting the use of electricity to propel its vehicles. The certification should contain the following information:

- (1) the name and address of the certifying entity;
- (2) the make, model, year, and any other appropriate identifiers of the motor vehicle; and
- (3) a statement disclosing the total per-vehicle cost to acquire and install the motor vehicle's electric motor and related generating, storage, and delivery equipment. If the total cost exceeds \$2,000, the statement may so indicate without disclosing the specific amount of the cost.

The certification should be signed by an officer of the original equipment manufacturer (or, in the case of a foreign original equipment manufacturer, an officer of its domestic distributor). This original signed certification must be sent to the Internal Revenue Service, Industry Director, Large and Mid-Size Business, Heavy Manufacturing and Transportation, Metro Park Office Complex - LMSB, 111 Wood Avenue, South, Iselin, New Jersey 08830.

.02 Internal Revenue Service's Acknowledgment. The Internal Revenue Service will review the original signed certification and issue an acknowledgment letter to the

original equipment manufacturer (or, in the case of a foreign original equipment manufacturer, its domestic distributor). This acknowledgment letter will state whether purchasers may rely on the certification.

.03 Purchaser's Reliance. Copies of the certification and acknowledgment may be made available to purchasers. Except as otherwise provided in the acknowledgment, a purchaser of a hybrid vehicle may rely on the certification concerning the incremental cost of permitting the use of electricity to propel the vehicle.

SECTION 4. DRAFTING INFORMATION

The principal author of this revenue procedure is Jolene J. Shiraishi of the Office of the Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding this revenue procedure contact Ms. Shiraishi at (202) 622-3120 (not a toll free call).