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RE: Current Events Memorandum Tax Incentives for New Auto Purchases

A new provision designed to stimulate new auto purchases has been signed into law via the *American Recovery and Reinvestment Act of 2009*.

Incentives? Qualifying buyers can deduct state and local sales taxes and excise tax for the purchase of eligible vehicles from their federal income-tax returns.

Who qualifies? Individuals with an adjusted gross income of less than \$125,000 per year, or joint filers whose adjusted gross income is less than \$250,000 per year qualify.

What vehicles are eligible? New model-year vehicles on a dealer's lot with no prior purchase history are permissible. Purchases only; leases are not eligible. Applies to vehicles retailing for up to \$49,500 for full tax deduction; for more expensive vehicles, the first \$49,500 would be the basis for the tax deduction.