

Part III - Administrative, Procedural, and Miscellaneous

Phase-out of Credit for New Qualified Hybrid Motor Vehicles and New Advanced Lean Burn Technology Motor Vehicles

Notice 2007-98

SECTION 1. PURPOSE

This notice announces the credit phase-out schedule for new advanced lean burn technology motor vehicles and new qualified hybrid passenger automobiles and light trucks manufactured by American Honda Motor Company, Inc.

SECTION 2. BACKGROUND

Section 30B(a)(2) of the Internal Revenue Code provides for a credit determined under § 30B(c) for certain new advanced lean burn technology motor vehicles. Section 30B(a)(3) provides for a credit determined under § 30B(d) for certain new qualified hybrid motor vehicles. Both the new advanced lean burn technology motor vehicle credit and the new qualified hybrid motor vehicle credit begin to phase out for a manufacturer's passenger automobiles and light trucks in the second calendar quarter after the calendar quarter in which at least 60,000 of the manufacturer's passenger automobiles and light trucks that qualify for either credit have been sold for use or lease in the United States (determined on a cumulative basis for sales after December 31, 2005). Taxpayers purchasing the manufacturer's vehicles during the first two calendar

quarters of the phase-out period may claim only 50 percent of the otherwise allowable credit. Taxpayers purchasing the manufacturer's vehicles during the third and fourth quarters of the phase-out period may claim only 25 percent of the otherwise allowable credit. No credit is available for vehicles purchased after the last day of the fourth quarter of the phase-out period.

Notice 2006-9, 2006-6 I.R.B. 413, provides procedures for a vehicle manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) to certify to the Internal Revenue Service (Service) both (1) that a particular make, model, and model year of vehicle qualifies for either the advanced lean burn technology motor vehicle credit or the new qualified hybrid motor vehicle credit and (2) the amount of the credit allowable with respect to that vehicle.

Section 5.05 of Notice 2006-9 requires a manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) that has received from the Service an acknowledgement of its certification for a particular make, model, and model year of vehicle to submit to the Service a report of the number of qualified vehicles sold by the manufacturer (or, in the case of a foreign vehicle manufacturer, its domestic distributor) to retail dealers during the calendar quarter. A qualified vehicle is defined for this purpose as any passenger automobile or light truck that is a new advanced lean burn technology motor vehicle or a new qualified hybrid motor vehicle.

In accordance with section 5.05 of Notice 2006-9, American Honda Motor Company, Inc. has submitted quarterly reports that indicate that its cumulative sales of

qualified vehicles to retail dealers reached the 60,000-vehicle limit during the calendar quarter ending September 30, 2007. Accordingly, the credit for all new advanced lean burn technology motor vehicles or new qualified hybrid passenger automobiles or light trucks manufactured by American Honda Motor Company, Inc. will begin to phase out on January 1, 2008.

SECTION 3. SCOPE OF NOTICE

This notice applies to any make, model, or model year of new advanced lean burn technology motor vehicle or new qualified hybrid passenger automobile or light truck that is--

- (1) manufactured by American Honda Motor Company, Inc.; and
- (2) purchased for use or lease in the United States on or after January 1, 2008.

SECTION 4. Credit Amount

.01 *In general.* If a new advanced lean burn technology motor vehicle or new qualified hybrid passenger automobile or light truck manufactured by American Honda Motor Company, Inc. is purchased for use or lease after December 31, 2007, the allowable credit is as follows:

- (1) For vehicles purchased for use or lease on or after January 1, 2008, and on or before June 30, 2008, the credit is 50 percent of the otherwise allowable amount determined under § 30B(c) or (d) (whichever is applicable);

(2) For vehicles purchased for use or lease on or after July 1, 2008, and on or before December 31, 2008, the credit is 25 percent of the otherwise allowable amount determined under § 30B(c) or (d) (whichever is applicable); and

(3) For vehicles purchased for use or lease on or after January 1, 2009, no credit is allowable.

.02 Certified Vehicles. The following tables set forth the credit available on or after January 1, 2008, for hybrid motor vehicles for which American Honda Motor Company, Inc. received an acknowledgement of its certification from the Service on or before November 19, 2007:

Table 1

January 1, 2008 – June 30, 2008		
Model Year	Model	Credit Amount
2005	Accord Hybrid AT	\$325
2005	Accord Hybrid Navi AT	\$325
2005	Civic Hybrid MT	\$850
2005	Civic Hybrid CVT	\$850
2005	Insight CVT	\$725
2006	Accord Hybrid AT with updated calibration	\$650

2006	Accord Hybrid Navi AT with updated calibration	\$650
2006	Accord Hybrid AT without updated calibration	\$325
2006	Accord Hybrid Navi AT without updated calibration	\$325
2006	Civic Hybrid CVT	\$1050
2006	Insight CVT	\$725
2007	Accord Hybrid AT	\$650
2007	Accord Hybrid Navi AT	\$650
2007	Civic Hybrid CVT	\$1050
2008	Civic Hybrid CVT	\$1050

Table 2

July 1, 2008 – December 31, 2008		
Model Year	Model	Credit Amount
2005	Accord Hybrid AT	\$162.50

2005	Accord Hybrid Navi AT	\$162.50
2005	Civic Hybrid MT	\$425
2005	Civic Hybrid CVT	\$425
2005	Insight CVT	\$362.50
2006	Accord Hybrid AT with updated calibration	\$325
2006	Accord Hybrid Navi AT with updated calibration	\$325
2006	Accord Hybrid AT without updated calibration	\$162.50
2006	Accord Hybrid Navi AT without updated calibration	\$162.50
2006	Civic Hybrid CVT	\$525
2006	Insight CVT	\$362.50
2007	Accord Hybrid AT	\$325
2007	Accord Hybrid Navi AT	\$325
2007	Civic Hybrid CVT	\$525

2008	Civic Hybrid CVT	\$525
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Table 3

On or After January 1, 2009		
Model Year	Model	Credit Amount
2005	Accord Hybrid AT	\$0.00
2005	Accord Hybrid Navi AT	\$0.00
2005	Civic Hybrid MT	\$0.00
2005	Civic Hybrid CVT	\$0.00
2005	Insight CVT	\$0.00
2006	Accord Hybrid AT with updated calibration	\$0.00
2006	Accord Hybrid Navi AT with updated calibration	\$0.00
2006	Accord Hybrid AT without updated calibration	\$0.00
2006	Accord Hybrid Navi AT without updated calibration	\$0.00
2006	Civic Hybrid CVT	\$0.00

2006	Insight CVT	\$0.00
2007	Accord Hybrid AT	\$0.00
2007	Accord Hybrid Navi AT	\$0.00
2007	Civic Hybrid CVT	\$0.00
2008	Civic Hybrid CVT	\$0.00

The principal author of this notice is Nicole R. Cimino of the Office of Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding this notice contact Ms. Cimino at (202) 622-3110 (not a toll-free call).