

U.S. DEPARTMENT OF THE TREASURY

Press Center



Treasury Announces Additional Tax Deductions for New Auto Purchases New Auto Purchase Tax Deduction Available in States Without Sales Tax

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WASHINGTON --The Department of Treasury today announced that a tax deduction for the purchase of new motor vehicles is available in states that do not have a state sales tax. Under the American Recovery and Reinvestment Act of 2009, taxpayers who buy a new motor vehicle this year are entitled to deduct state or local sales or excise taxes paid on the purchase. The Treasury Department has determined that purchases made in states without a sales tax—such as Alaska, Delaware, Hawaii, Montana, New Hampshire and Oregon—can also qualify for the deduction.

"Building on the Recovery Act, the Treasury Department is taking steps to make sure every American, in every state qualifies for a tax deduction when purchasing a new car," said Deputy Secretary Neal Wolin. "This tax deduction not only increases support for the auto industry as it seeks to rebuild, but also puts money back into the pockets of hardworking Americans."

Taxpayers who purchase a new motor vehicle in states that do not impose state sales or excise taxes are entitled to deduct other fees or taxes imposed by the state or local government that are based on the vehicle's sales price or as a per unit fee. According to the IRS and Treasury, the intent of the provision is that these other fees or taxes could qualify for purposes of the special tax deduction.

To qualify for the deduction, the vehicle must be purchased after Feb. 16, 2009, and before Jan. 1, 2010. The special deduction is available regardless of whether taxpayers itemize deductions on their returns. Taxpayers can claim this special deduction only on their 2009 tax returns next year.

The deduction is limited to the fees or taxes paid on up to \$49,500 of the purchase price of a qualified new car, light truck, motor home, or motorcycle.

The amount of the deduction is phased out for taxpayers whose modified adjusted gross income is between \$125,000 and \$135,000 for individual filers and between \$250,000 and \$260,000 for joint filers.

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