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Cash for Clunkers



Just when you think they really don't get it in Washington, they pass a bill that seems to be well-crafted and right on target. As a part of the Consumer Assistance to Recycle and Save Act of 2009, Congress approved cash-for-clunkers vouchers in an attempt to get gas guzzling, high pollutant vehicles off the roads and jump start fuel savings for consumers.

The vouchers are electronic and are used to offset the purchase price or lease price for a qualifying lease of a new fuel efficient vehicle when the "gas-guzzler" is traded into a participating dealer. The dealer deducts the voucher amount from the purchase price and is subsequently reimbursed by the government. Checks are not mailed to the consumer. The vehicles that are traded-in will be titled to the US Government and subsequently crushed or shredded.

A qualified trade in must be driveable; have held continuous insurance coverage and been registered to the same owner for the past year. It must also have been manufactured in 1984 or later and have a "combined fuel economy value" of 18 miles per gallon or less.

A qualified new vehicle for the purposes of this act must have a sales price of \$45,000 or less and have a "combined fuel economy value" equal to or greater than 22 for passenger vehicles, 18 for category 1 trucks and 15 for category 2 trucks.

There are two levels of vouchers as follows:

~ A \$3,500 voucher will be issued if:

- (a) The new vehicle is a passenger vehicle and gets at least 4 miles per gallon higher than the vehicle that was traded in based on combined fuel economy value.
- (b) The new vehicle is a category 1 truck and gets at least 2 miles per gallon higher than the vehicle that was traded in based on combined fuel economy value.
- (c) The new vehicle is a category 2 truck and gets at least 15 miles per gallon and is at least 1 mile per gallon higher than the vehicle that was traded in based on combined fuel economy value or the trade-in vehicle is a category 3 truck of model year 2001 or earlier.
- (d) The new vehicle is a category 3 truck and the eligible trade-in vehicle is a category 3 truck of model year of 2001 or earlier and is of similar size or larger than the new fuel efficient automobile.

~ A \$4,500 voucher will be issued if:

- (a) The new vehicle is a passenger vehicle and gets at least 10 miles per gallon higher than the vehicle that was traded in based on combined fuel economy value.
- (b) The new vehicle is a category 1 truck and gets at least 5 miles per gallon higher than the vehicle that was traded in based on combined fuel economy value.
- (c) The new vehicle is a category 2 truck and gets at least 15 miles per gallon and is at least 2 miles per gallon higher than the vehicle that was traded in based on combined fuel economy value and it was a category 2 truck that was traded in.

The program was passed on June 9, 2009 and will cover qualifying vehicles acquired between July 1 and November 1, 2009, unless appropriated funds run out before then. The program has proven so popular in its first month that an additional \$2 billion was appropriated on July 31. Interested consumers may want to purchase sooner rather than later in case funds run out. Only one voucher can be issued per person and only one voucher can be used for a single purchase, no matter if there are joint-purchasers. There is a cap on the category 3 vehicle purchase of 7.5% of the total funds made available. This voucher can be combined with other Federal, State, or local incentive or a State-issued vouchers. A dealer participating in the program may not charge a person purchasing or leasing a new fuel efficient automobile any additional fees associated with the use of a voucher. There are also a number of provisions that apply to the eligible dealers under this program. The voucher is not income to the consumer; the dealer has income equal to the sales price before the voucher is deducted.

Definitions:

- (1) the term "passenger automobile" means a passenger automobile, as defined in section 32901(a)(18) of title 49, United States Code, that has a combined fuel economy value of at least 22 miles per gallon;
- (2) the term "category 1 truck" means a nonpassenger automobile, as defined in section 32901(a)(17) of title 49, United States Code, that has a combined fuel economy value of at least 18 miles per gallon, except that such term does not include a category 2 truck;
- (3) the term "category 2 truck" means a large van or a large pickup, as categorized by the Secretary using the method used by the Environmental Protection Agency and described in the report entitled "Light-Duty Automotive Technology and Fuel Economy Trends: 1975 through 2008";
- (4) the term "category 3 truck" means a work truck, as defined in section 32901(a)(19) of title 49, United States Code;
- (5) the term "combined fuel economy value" means --
 - (A) with respect to a new fuel efficient automobile, the number, expressed in miles per gallon, centered below the words "Combined Fuel Economy" on the label required to be affixed or caused to be affixed on a new automobile pursuant to subpart D of part 600 of title 40 Code of Federal Regulations;
 - (B) with respect to an eligible trade-in vehicle, the equivalent of the number described in subparagraph (A), and posted under the words "Estimated New EPA MPG" and above the word "Combined" for vehicles of model year 1985 through 2007, or posted under the words "New EPA MPG" and above the word "Combined" for vehicles of model year 2008 or later on the fueleconomy.gov website of the Environmental Protection Agency for the make, model, and year of such vehicle; or
 - (C) with respect to an eligible trade-in vehicle manufactured between model years 1978 through 1984, the equivalent of the number described in subparagraph (A) as determined by the Secretary (and posted on the website of the National Highway Traffic Safety Administration) using data maintained by the Environmental Protection Agency for the make, model, and year of such vehicle.