

**You Want to Save Money on Gas and Your Taxes?  
Here is the Answer!**

With gas prices hitting \$3 per gallon, you may be looking for a way to save money on your gas bill. The introduction of hybrid cars in the past couple of years has given the consumer a way to reduce their gas bill and now the government is stepping in to help the consumer out on their taxes. The tax incentives can be significant but they depend upon which vehicle you decide to purchase and when you purchase it.

The US tax code provides the tax **deduction** to “clean fuel” vehicles which means that they run on one of the following fuels:

- Hybrid (gas & electric)
- Natural Gas
- Liquefied Natural Gas
- Liquefied Petroleum Gas
- Hydrogen
- Any other fuel that is at least 85% alcohol or ether

If the vehicle is purchased and placed in service during 2005 the **deduction** is worth up to \$2000. If you purchased the vehicle in a previous year, you can still receive the **deduction** by filing an amended tax return. The current tax **deduction** will end after December 31, 2005.

Fortunately, with the new energy bill signed on August 8th by President Bush, the tax incentives get better in 2006. Hybrid vehicles purchased in 2006 will receive a tax **credit** rather than a tax **deduction** and tax **credits** are almost always more favorable than tax **deductions**. The tax **credit** in 2006 is based upon the vehicles fuel economy and how much fuel the car saves, so the **credit** varies by vehicle. Below are the estimated tax **credits** per vehicle:

<b>Make</b>	<b>Model Estimated</b>	<b>Tax Credit</b>
Ford	Escape Hybrid (2wd)	\$2,600
Ford	Escape Hybrid (4wd)	\$1,950
Honda	Accord Hybrid	\$650
Honda	Civic Hybrid (auto)	\$2,100
Honda	Civic Hybrid (Manual)	\$1,700
Honda	Insight (auto)	\$2,600
Lexus	RX400h	\$2,200
Mercury	Mariner Hybrid	\$1,950
Toyota	Highlander Hybrid (2wd)	\$2,600
Toyota	Highlander Hybrid ( 4wd)	\$2,200
Toyota	Prius	\$3,150

**Upcoming Models**

Chevy/GMC	Silverado/Sierra	\$250
Lexus	GS450h	\$1,300
Nissan	Altima	\$1,300
Toyota	Camry	\$1,300

If you plan on waiting until 2006 to purchase a hybrid and receive the **credit**, make sure you purchase your vehicle early, because there is a limit of 60,000 **credits** per automaker.

If you are considering purchasing a hybrid vehicle or would like to know how you can reduce your taxes please give The Ruboyianes Company a call and we can discuss your personal tax situation.