

KATHLEEN PENDER - NET WORTH PLUS

Question(s) of the day: Cash for clunkers

By **Kathleen Pender** on June 19, 2009 at 3:44 PM

Now that Congress has passed the cash-for-clunkers bill, I'll answer some questions I've been getting about this controversial program. 0

First some basics: The bill was included in the Supplemental Appropriations Act of 2009 (HR 2346), which provides emergency funding for our wars in the Middle East. President Obama is expected to sign the bill.



The original idea was to reduce greenhouse gas emissions and reduce our dependence on oil. But the concept was carjacked by Detroit and turned into another way to stimulate new-vehicle sales.

As passed, people who trade in a vehicle made in 1984 or later that gets 18 miles per gallon or less can get a taxpayer-financed voucher to buy a new vehicle getting slightly better gas mileage.

For passenger cars, the new car must get at least 4 mpg better for a \$3,500 voucher or 10 mpg better for a \$4,500 voucher.

For light trucks and SUVs, the mileage improvement must be 2 mpg for a \$3,500 voucher or 5 mpg for a \$4,500 voucher.

For pick-ups and vans weighing between 6,000 and 8,500 pounds, the new

vehicle must get at least 15 mpg. The voucher will be for \$3,500 if the new vehicles gets at least 1 mpg better than the old one or \$4,500 for a 2 mpg improvement.

Different rules apply to work trucks weighing 8,500 to 10,000 pounds.

Mileage requirements are EPA combined city/highway mpg as posted on window stickers or at www.fueleconomy.gov.

To qualify, the new vehicle must be purchased or leased between July 1 and November 1, 2009. The trade in must go to a participating dealer. The dealer must agree to scrap the clunker but can sell parts except for engine blocks and drive trains.

Congress only provided \$1 billion for the program, but everyone figures that's just a down payment. "The industry is going to come racing back for more money," says Dan Becker, director of the Safe Climate Campaign.

Q: Richard P. asks, "Could you purchase an old car with poor mileage, just to trade it in on a new one. Or does the clunker have to be something you have owned for a period of time?"

A: The trade-in vehicles must be in drivable condition and continuously insured and registered to the same owner for at least one year.

Q: Shula Z. asks: "If I had two qualifying clunkers and turned them in could I combine the vouchers for one new car?"

A: No. There is one voucher per person, and one voucher per trade-in for vehicles with multiple registered owners. Only one voucher can be used toward the purchase of a car.

Q: Craig S. asks, "If you purchase a new car this year (after Feb. 16), you can deduct the sales tax on your 2009 (federal) tax return. Is cash for clunkers something in addition to that tax deduction, or in lieu of?"

A: You could get both incentives, assuming you qualify for both. While the sales-tax deduction has **income limits**, clunkers does not.

Q: Steve S. asks, "I traded in an Explorer earlier this year that would qualify as a clunker. Can I get a voucher retroactively?"

A: No. Although previous versions of the bill were retroactive to March 30, the

final one is not.

If you have more questions, e-mail me. Some answers might have to wait. After Obama signs the bill, the government has 30 days to publish a Web site that includes guidelines for determining eligible trade-ins, details on participation and a list of new vehicles that meet program requirements.

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|---------------|---------------------------------|--------------------------------|-------------------|--------------------------------|-------------------------------|-------------------|
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| Costa Costa | 1,320 | 1,518 | 18.0% | \$400,000 | \$400,000 | 0.0% |
| Mexico | 221 | 234 | 24.0% | \$874,000 | \$823,000 | -5.8% |
| Napa | 96 | 122 | 30.0% | \$450,000 | \$555,000 | 23.3% |
| Quinta | 1,604 | 1,727 | 7.7% | \$669,500 | \$788,250 | 13.2% |
| San Francisco | 472 | 548 | 23.7% | \$300,000 | \$324,000 | 17.1% |
| San Mateo | 541 | 832 | 18.6% | \$887,500 | \$927,000 | 14.4% |
| Solano | 627 | 688 | 26.0% | \$313,750 | \$343,000 | 9.3% |
| Tulare | 361 | 376 | 13.0% | \$446,750 | \$490,000 | 9.7% |
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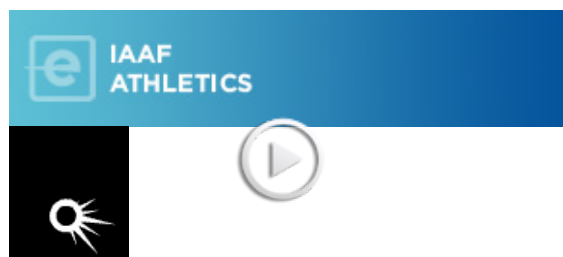
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