

## ECONOMIC STIMULUS LEGISLATION INCLUDES TAX BREAK FOR MOTORCYCLE PURCHASES

The economic stimulus bill, H.R. 1, signed into law on February 17 by President Obama, includes good news for the motorcycle industry and its customers.

The law, officially designated as the American Recovery and Reinvestment Act of 2009, allows buyers of "qualified motor vehicles" to take a tax deduction for state or local sales or excise tax imposed on the purchase, as long as purchase price does not exceed \$49,500. The deduction also phases out for single taxpayers with adjusted gross income over \$125,000, and married taxpayers with AGI over \$250,000.

The tax break provision was originally included in the Senate version of the stimulus package, but only applied to automobiles and light trucks. During the Conference to iron out differences between the House and Senate-passed versions, motorcycles and motor homes were added to the definition of "qualified vehicle." Qualified vehicle includes a motorcycle\* the gross vehicle weight rating of which is not more than 8,500 pounds and the original use of which commences with the taxpayer.

The Motorcycle Industry Council Government Relations staff asked House and Senate leaders and Conferees to add motorcycles to the tax break provision. Our comments focused on the important role that the motorcycle industry plays in the economic health of our nation, including revenue generated from new motorcycle retail sales, services, state taxes and licensing, as well as the thousands upon thousands of Americans employed in the industry. We further pointed out that encouraging Americans to purchase motorcycles can also help achieve other national priorities. Motorcycles are an affordable transportation option for many motorists and are fuel-efficient, help reduce congestion, alleviate parking issues in urban areas and minimize wear and tear on our nation's infrastructure. It is satisfying to see that our arguments for their inclusion were taken seriously.

The deduction applies to purchases made between February 17 and December 31, 2009 and taxpayers don't need to itemize to claim it.

The law also includes a new 10 percent tax credit, up to \$2,500 for motorcycles (two or three-wheeled vehicles) with electric motors manufactured primarily for use on public streets, roads and highways purchased by December, 2011.

\*Motorcycle has the meaning given under section 571.3 of title 49, Code of Federal Regulations [*Motorcycle* means a motor vehicle with motive power having a seat or saddle for the use of the rider and designed to travel on not more than three wheels in contact with the ground.]