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"Cash for Clunkers"



On June 24, 2009, President Obama signed into law the Consumer Assistance to Recycle and Save (CARS) Act of 2009.

The legislation creates a new program, commonly referred to as "Cash for Clunkers." The National Highway Traffic Safety Administration (NHTSA), though, refers to the program as the Car Allowance Rebate System. The program provides \$3,500 or \$4,500 vouchers that can be used toward the purchase or lease of a fuel-efficient new vehicle (new vehicle leases must be for a period of at least 5 years to qualify, however) when you trade in an old "gas-guzzler."

To qualify for the program:

You must purchase or lease a new vehicle between July 1, 2009 and November 1, 2009.

You must trade in a vehicle that is in drivable condition, was manufactured after 1984, and was continuously owned and insured by you for at least one year at the time of the trade. The vehicle must have a combined fuel economy value of 18 miles per gallon (mpg) or less. (For help in understanding and determining combined fuel economy, see the government website www.cars.gov.)

The new vehicle that you purchase or lease must retail for less than \$45,000 and have a combined fuel economy value of at least 22 mpg for automobiles (18 mpg for certain SUVs, minivans, and light pickup trucks weighing under 6,000 pounds).

You're eligible for a \$3,500 voucher if the new vehicle is at least 4 mpg more efficient than the eligible trade-in (if the new vehicle is an SUV, minivan, or light pickup truck, it generally needs to be only 2 mpg more efficient than the eligible trade-in vehicle). You're eligible for a \$4,500 voucher if the new vehicle is at least 10 mpg more efficient than the eligible trade-in (if the new vehicle is an SUV, minivan, or light pickup truck, you generally qualify for the \$4,500 amount if the new vehicle is 5 mpg more efficient than the eligible trade-in vehicle).

Vouchers are paid directly to the dealer. Since the dealer must destroy the vehicle you trade in, you won't get any trade-in value beyond the amount of the voucher. As a result, if you intend to trade in a vehicle that's worth more than the amount of the voucher you're entitled to, you will not benefit from the program.

It's important to note that the program also applies to heavier trucks (those that weigh 6,000 pounds or more), but the rules and fuel efficiency benchmarks are slightly different.