



# National Automobile Dealers Association



## “CASH FOR CLUNKERS” FREQUENTLY ASKED QUESTIONS

On June 24, a “cash for clunkers” program, now known as the Car Allowance Rebate System (CARS), was signed into law. The National Highway Traffic Safety Administration (NHTSA), an agency within the U.S. Department of Transportation, has until July 24th to finalize the rules of the program.

NADA strongly supported passage of the bill, and is working with NHTSA to implement a program that makes sense for both dealers and customers. NADA will be hosting a webinar in July for dealers prior to the publication of the final CARS program guidelines.

**In the interim period, dealers are encouraged to advise customers to consult NHTSA’s official CARS website <http://www.CARS.gov> and <http://www.FuelEconomy.gov> for more information and to determine whether a specific vehicle qualifies. NHTSA has also set up a hotline: 1-888-327-4236.**

### **PROGRAM IMPLEMENTATION**

#### **Q. How will the program work?**

**A.** Used vehicles with a combined fuel economy rating of 18 mpg or less may qualify for a government incentive of \$3,500 or \$4,500. The incentive must be used to offset the purchase price or lease price of a qualifying new vehicle.

#### **Q. When does the program start? And when does it end?**

**A.** The program runs from July to November 1, 2009, unless the \$1 billion appropriation runs out. NHTSA expects to have the program up and running by July 24. NADA will notify all dealers as program elements are rolled out by NHTSA.

#### **Q. Doesn’t the law say the program starts on July 1? What should dealers tell customers who want to purchase before the regulations are finalized?**

**A.** Transactions completed prior to the publication of NHTSA regulatory guidance may not qualify for the federal incentive. Dealers are strongly advised to wait until NHTSA implements the program on or before July 24 before engaging in such transactions.

#### **Q. Is this program mandatory or voluntary for dealers?**

**A.** The program is voluntary for all new car dealers. Any dealers wishing to participate must register with NHTSA (See “Program Registration” below).

#### **Q. Will dealers have to purchase additional software or services in order to participate?**

**A.** No. The official website, <http://www.CARS.gov>, will be available at no charge to all participating dealers and consumers. NADA will be publishing additional information and provide resources to its members once the regulations have been published.

**PROGRAM REGISTRATION**

**Q. Are dealers required to register in order to participate?**

A. Yes. NHTSA is expected to issue registration criteria shortly. NHTSA intends to publish and regularly update a list of participating dealers on its <http://www.CARS.gov> website. NADA will inform all members about the dealer registration process once details are issued.

**Q. Do I need to do anything right now to ensure I can participate?**

A. No. NADA or NHTSA directly will advise you accordingly at the appropriate time on next steps.

**Q. Is there a cost for dealers to register and participate?**

A. No. All franchised and state licensed new car dealers are eligible. Registration for dealers and participation by customers is free.

**INCENTIVE STRUCTURE**

<b>"Cash For Clunkers" Matrix</b>				
	<b>Passenger Car</b>	<b>Light-Duty Truck</b>	<b>Large Light-Duty Truck (6,000 – 8,500 pounds)</b>	<b>Work Truck (8,500 – 10,000 pounds)</b>
<b>Minimum Fuel Economy for New Vehicle (EPA combined)</b>	22 mpg	18 mpg	15 mpg	Not applicable
<b>To qualify for a \$3,500 Voucher</b>	At least 4 mpg more than the trade-in vehicle	At least 2 mpg more than the trade-in vehicle	At least 1 mpg more than the trade-in vehicle or trade-in of a work truck	Trade-in must be 2001 model year or older
<b>To qualify for a \$4,500 Voucher</b>	At least 10 mpg more than the trade-in vehicle	At least 5 mpg more than the trade-in vehicle	At least 5 mpg more than the trade-in vehicle	Not applicable

**Q: How do I find out the combined city/highway fuel economy rating of the trade-in vehicle?**

A: Go to [fueleconomy.gov](http://fueleconomy.gov)'s side by side vehicle comparison and click on the model year of the vehicle, the make, and then the model. Under the words "ESTIMATED NEW EPA MPG" in the red banner, there is a red number with the word "COMBINED" under it. That is the new combined city/highway fuel economy for the vehicle.

**Q. Do customers receive a paper voucher?**

A. No. Customers are not issued any type of physical voucher. Instead, when the dealer confirms that a customer has a qualifying trade-in which has less than 18 mpg combined fuel economy and has chosen to purchase a qualifying new vehicle, a credit will be applied to the purchase. The dealer will then apply for reimbursement from NHTSA.

## **OLD VEHICLE (“Clunker”)**

### **Q. Is there an age limit for the old vehicle?**

A. Yes. The trade-in vehicle must be less than 25 years old (Model Year 1984 and newer) from the date of the transaction. The month and year of the vehicle can be located on the frame of the driver’s door.

### **Q. Is there a minimum period in which the customer must own or insure the old vehicle?**

A. Yes, vehicle must have been registered to and insured by the same owner for at least one year prior to the trade-in date.

### **Q. What if there is a lien on the old vehicle?**

A. The vehicle will not qualify. A customer must present proof of ownership to the dealer.

### **Q. What about the old vehicle’s condition?**

A. The law requires the old vehicle to be in “drivable condition”. NHTSA is expected to provide guidance on that term.

### **Q: What does the dealer do with the old car?**

A: The trade-in car cannot be resold. The law requires the engine and drive train be disposed of. Dealers will be given the option to transfer the vehicle to an entity such as a salvage operator or recycler to dispose of the vehicle. Dealers must obtain certification (from a salvage operator or recycler registered in the program) that the vehicle’s engine and drive train will be crushed or shredded. Additional details on this process are being developed by NHTSA.

### **Q. What must the dealer disclose to the customer on the value of the trade-in?**

A. The law requires that the dealer disclose to the customer “the best estimate of the scrappage value” for the old vehicle. The law allows the dealer to keep \$50 of that amount for administrative costs.

### **Q. What happens to the remaining value of the trade-in?**

A. At this point, the law is unclear. Additional details will be made available once NHTSA publishes its regulations.

### **Q. Should a customer participate in the program if their car is valued at more than \$3,500 or \$4,500 wholesale?**

A. A customer can choose whether or not to participate in the program. However, depending on the value of their trade-in and the level of incentive which the customer may qualify for, a customer may elect not to take advantage of the credit. Customers receive either the trade-in value of the car, or the CARS credit, not both.

### **Q. Can a customer trade in more than one old vehicle and receive double the credit?**

A. No. The program is limited to one credit per person per vehicle. In addition, not more than one credit may be issued for the joint registered owners of a single eligible trade-in vehicle.

## **NEW VEHICLE**

### **Q. Does this program only apply to new American-built vehicles?**

A. No. Customers may trade-in and purchase qualifying vehicles, regardless of where they were manufactured.

### **Q. Can customers combine these incentives with other offers?**

A: Yes. For instance, a customer could trade for a hybrid and get the credit, claim a hybrid tax credit and get dealer or manufacturer discounts. Additionally, under the NADA-backed provision in the stimulus package, customers could deduct the sales tax, if any, on their next federal tax return. Customers however will not receive both a clunkers credit *and* the trade-in value.

### **Q. Is the credit considered taxable?**

A. No. The law specifically exempts the credit from taxation.

### **Q. Is there a price limit for the new vehicle?**

A. Yes, the new vehicle must have an MSRP of \$45,000 or less.

### **Q. Can a customer lease a new vehicle using this program?**

A. Yes, but the new vehicle's lease terms must be 60 months or more.

### **Q. Do used vehicle purchases qualify for an incentive?**

A. No. The program only applies to qualifying new vehicle purchases.

## **REIMBURSEMENT**

### **Q. How does the dealer get reimbursed?**

A. Final details will be made available once NHTSA publishes its regulation to implement the program. **Under the new law, dealers will be reimbursed electronically and within 10 days.** Additionally, dealers will be able to keep \$50 from the estimated scrappage value of the trade-in vehicle.

### **Q. Are there additional fees associated with participating either for customers or dealers?**

A. No. The program is free for customers to participate. In fact, the law specifically prohibits a dealer from charging customers a surcharge or fee to participate in the program.

## **PENALTIES**

### **Q. What are the penalties for violating the terms of the program?**

A. Any person who commits a violation is subject to civil penalties of as much as \$15,000 per violation.

More information from NADA will be posted at [www.nada.org/cashforclunkers](http://www.nada.org/cashforclunkers) as it is made available.