

July 17, 2008

To: All Ford and Lincoln Mercury Dealers
Subject: EFC0800055DC Escape & Mariner Hybrid Tax Credit Update

Background

Hybrid federal tax credits remain in effect until a manufacturer has sold its 60,000th Hybrid vehicle (sales after 12/31/2005 and before 12/31/2010). Purchasers of a 2008 Escape/Mariner Hybrid are eligible for the following federal tax credit on their 2008 Federal Taxes:

FWD - \$3,000
4WD - \$2,200

The eligible tax credit for the 2009 Escape/Mariner Hybrid has not been approved by the IRS at this point. The exact amounts will be communicated in a future announcement, once approved by the IRS; however, it is anticipated to be very similar to the amount applicable on the 2008 models.

Once a manufacturer reaches its Hybrid vehicle limit, the tax credits begin to phase-out. Shortly after the 60,000th unit is sold, the credit reduces by 50% of its full amount for 6 months, followed by 25% of its full amount for an additional 6 months. After that time period, the federal tax credit is completely phased-out and purchasers are no longer eligible to claim any credit.

Update

As of June 30, 2008, Ford Motor Company has sold 55,990 Hybrid vehicles (Escape and Mariner Hybrids). Based on sales patterns, it appears the 60,000 unit threshold will be reached within the 3rd Quarter of 2008. If this is the case, purchasers of an Escape or Mariner Hybrid would be eligible for the full federal tax credit until December 31, 2008. Purchasers after that would be eligible for a reduced credit equal to 50% of the full amount. This would last until July 1, 2009, when it would reduce to 25% of the full amount until December 31, 2009. Following that, purchasers of a Ford Motor Company Hybrid will no longer be eligible for a federal tax credit.

Please ensure your customers are aware of this status as they place their orders for an Escape or Mariner Hybrid.

For more information visit http://www.fueleconomy.gov/feg/tax_hybrid.shtml