

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1744

To amend the Internal Revenue Code of 1986 to provide incentives for  
alternative fuels and alternative fuel vehicles.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 20, 2005

Mr. RUPPERSBERGER introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide  
incentives for alternative fuels and alternative fuel vehicles.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Common Sense Auto-  
5 mobile Efficiency Act of 2005”.

6 **SEC. 2. REPEAL OF PHASEOUTS FOR QUALIFIED ELECTRIC**  
7 **VEHICLES AND CLEAN-FUEL VEHICLES.**

8 (a) QUALIFIED ELECTRIC VEHICLES.—Subsection

9 (b) of section 30 of the Internal Revenue Code of 1986

1 (relating to limitations) is amended by striking paragraph  
2 (2) and redesignating paragraph (3) as paragraph (2).

3 (b) CLEAN-FUEL VEHICLES AND CERTAIN REFUEL-  
4 ING PROPERTY.—Paragraph (1) of section 179A(b) of  
5 such Code (relating to qualified clean-fuel vehicle prop-  
6 erty) is amended to read as follows:

7 “(1) QUALIFIED CLEAN-FUEL VEHICLE PROP-  
8 erty.—The cost which may be taken into account  
9 under subsection (a)(1)(A) with respect to any  
10 motor vehicle shall not exceed—

11 “(A) in the case of a motor vehicle not de-  
12 scribed in subparagraph (B) or (C), \$2,000,

13 “(B) in the case of any truck or van with  
14 a gross vehicle weight rating greater than  
15 10,000 pounds but not greater than 26,000  
16 pounds, \$5,000, or

17 “(C) \$50,000 in the case of—

18 “(i) a truck or van with a gross vehi-  
19 cle weight rating greater than 26,000  
20 pounds, or

21 “(ii) any bus which has a seating ca-  
22 pacity of at least 20 adults (not including  
23 the driver).”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to property placed in service after  
3 the date of the enactment of this Act.

4 **SEC. 3. SMALL ETHANOL PRODUCER CREDIT.**

5 (a) DEFINITION OF SMALL ETHANOL PRODUCER.—  
6 Section 40(g) of the Internal Revenue Code of 1986 (relat-  
7 ing to definitions and special rules for eligible small eth-  
8 anol producer credit) is amended by striking  
9 “30,000,000” each place it appears and inserting  
10 “60,000,000”.

11 (b) CONFORMING AMENDMENT.—Section 1388 of  
12 such Code (relating to definitions and special rules for co-  
13 operative organizations) is amended by adding at the end  
14 the following new subsection:

15 “(l) CROSS REFERENCE.—For provisions relating to  
16 the apportionment of the alcohol fuels credit between coop-  
17 erative organizations and their patrons, see section  
18 40(g)(6).”.

19 (c) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to taxable years beginning after  
21 December 31, 2004.

1 **SEC. 4. NONAPPLICATION OF EXPORT EXEMPTION TO DE-**  
2 **LIVERY OF FUEL TO MOTOR VEHICLES RE-**  
3 **MOVED FROM UNITED STATES.**

4 (a) IN GENERAL.—Section 4221(d)(2) of the Inter-  
5 nal Revenue Code of 1986 (defining export) is amended  
6 by adding at the end the following new sentence: “Such  
7 term does not include the delivery of a taxable fuel (as  
8 defined in section 4083(a)(1)) into a fuel tank of a motor  
9 vehicle which is shipped or driven out of the United  
10 States.”.

11 (b) CONFORMING AMENDMENTS.—

12 (1) Section 4041(g) of such Code (relating to  
13 other exemptions) is amended by adding at the end  
14 the following new sentence: “Paragraph (3) shall not  
15 apply to the sale for delivery of a liquid into a fuel  
16 tank of a motor vehicle which is shipped or driven  
17 out of the United States.”.

18 (2) Clause (iv) of section 4081(a)(1)(A) of such  
19 Code (relating to tax on removal, entry, or sale) is  
20 amended by inserting “or at a duty-free sales enter-  
21 prise (as defined in section 555(b)(8) of the Tariff  
22 Act of 1930)” after “section 4101”.

23 (c) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to sales or deliveries made after  
25 the date of the enactment of this Act.

1 **SEC. 5. ALTERNATIVE MOTOR VEHICLE CREDIT.**

2 (a) IN GENERAL.—Subpart B of part IV of sub-  
3 chapter A of chapter 1 of the Internal Revenue Code of  
4 1986 (relating to foreign tax credit, etc.) is amended by  
5 adding at the end the following:

6 **“SEC. 30B. ALTERNATIVE MOTOR VEHICLE CREDIT.**

7 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
8 lowed as a credit against the tax imposed by this chapter  
9 for the taxable year an amount equal to the sum of—

10 “(1) the new qualified fuel cell motor vehicle  
11 credit determined under subsection (b),

12 “(2) the new advanced lean burn technology  
13 motor vehicle credit determined under subsection (c),

14 “(3) the new qualified hybrid motor vehicle  
15 credit determined under subsection (d), and

16 “(4) the new qualified alternative fuel motor ve-  
17 hicle credit determined under subsection (e).

18 “(b) NEW QUALIFIED FUEL CELL MOTOR VEHICLE  
19 CREDIT.—

20 “(1) IN GENERAL.—For purposes of subsection  
21 (a), the new qualified fuel cell motor vehicle credit  
22 determined under this subsection with respect to a  
23 new qualified fuel cell motor vehicle placed in service  
24 by the taxpayer during the taxable year shall be de-  
25 termined in accordance with the following table:

**“In the case of a vehicle which has a gross vehicle weight rating of—**

**The new qualified fuel cell motor vehicle credit is—**

Not more than 8,500 lbs .....	\$4,000
More than 8,500 lbs but not more than 14,000 lbs ...	\$10,000
More than 14,000 lbs but not more than 26,000 lbs	\$20,000
More than 26,000 lbs .....	\$40,000.

1           “(2) INCREASE FOR FUEL EFFICIENCY.—

2           “(A) IN GENERAL.—The amount deter-  
3           mined under paragraph (1) with respect to a  
4           new qualified fuel cell motor vehicle which is a  
5           passenger automobile or light truck shall be in-  
6           creased by the additional credit amount.

7           “(B) ADDITIONAL CREDIT AMOUNT.—For  
8           purposes of subparagraph (A), the additional  
9           credit amount shall be determined in accord-  
10          ance with the following table:

**“In the case of a vehicle which achieves a fuel economy (expressed as a percentage of the 2002 model year city fuel economy) of—**

**The additional credit amount is—**

At least 150 percent but less than 175 percent .....	\$1,000
At least 175 percent but less than 200 percent .....	\$1,500
At least 200 percent but less than 225 percent .....	\$2,000
At least 225 percent but less than 250 percent .....	\$2,500
At least 250 percent but less than 275 percent .....	\$3,000
At least 275 percent but less than 300 percent .....	\$3,500
At least 300 percent .....	\$4,000.

11          “(3) NEW QUALIFIED FUEL CELL MOTOR VEHI-  
12          CLE.—For purposes of this subsection, the term  
13          ‘new qualified fuel cell motor vehicle’ means a motor  
14          vehicle—

15                 “(A) which is propelled by power derived  
16                 from one or more cells which convert chemical

1 energy directly into electricity by combining ox-  
2 ygen with hydrogen fuel which is stored on  
3 board the vehicle in any form and may or may  
4 not require reformation prior to use,

5 “(B) which, in the case of a passenger  
6 automobile or light truck, has received—

7 “(i) a certificate of conformity under  
8 the Clean Air Act and meets or exceeds the  
9 equivalent qualifying California low emis-  
10 sion vehicle standard under section  
11 243(e)(2) of the Clean Air Act for that  
12 make and model year, and

13 “(ii) a certificate that such vehicle  
14 meets or exceeds the Bin 5 Tier II emis-  
15 sion standard established in regulations  
16 prescribed by the Administrator of the En-  
17 vironmental Protection Agency under sec-  
18 tion 202(i) of the Clean Air Act for that  
19 make and model year vehicle,

20 “(C) the original use of which commences  
21 with the taxpayer,

22 “(D) which is acquired for use or lease by  
23 the taxpayer and not for resale, and

24 “(E) which is made by a manufacturer.

1           “(c) NEW ADVANCED LEAN BURN TECHNOLOGY  
2 MOTOR VEHICLE CREDIT.—

3           “(1) IN GENERAL.—For purposes of subsection  
4 (a), the new advanced lean burn technology motor  
5 vehicle credit determined under this subsection with  
6 respect to a new advanced lean burn technology  
7 motor vehicle placed in service by the taxpayer dur-  
8 ing the taxable year is the credit amount determined  
9 under paragraph (2).

10           “(2) CREDIT AMOUNT.—

11           “(A) FUEL ECONOMY.—The credit amount  
12 determined under this paragraph shall be deter-  
13 mined in accordance with the following table:

<b>“In the case of a vehicle which achieves a fuel economy (expressed as a percentage of the 2002 model year city fuel economy) of—</b>	<b>The credit amount is—</b>
At least 125 percent but less than 150 percent .....	\$400
At least 150 percent but less than 175 percent .....	\$800
At least 175 percent but less than 200 percent .....	\$1,200
At least 200 percent but less than 225 percent .....	\$1,600
At least 225 percent but less than 250 percent .....	\$2,000
At least 250 percent .....	\$2,400.

14           “(B) CONSERVATION CREDIT.—The  
15 amount determined under subparagraph (A)  
16 with respect to a new advanced lean burn tech-  
17 nology motor vehicle shall be increased by the  
18 conservation credit amount determined in ac-  
19 cordance with the following table:

<b>“In the case of a vehicle which achieves a lifetime fuel savings (expressed in gallons of gasoline) of—</b>	<b>The conservation credit amount is—</b>
At least 1,200 but less than 1,800 .....	\$250
At least 1,800 but less than 2,400 .....	\$500
At least 2,400, but less than 3,000 .....	\$750
At least 3,000 .....	\$1,000.

1           “(3) NEW ADVANCED LEAN BURN TECHNOLOGY  
 2           MOTOR VEHICLE.—For purposes of this subsection,  
 3           the term ‘new advanced lean burn technology motor  
 4           vehicle’ means a passenger automobile or a light  
 5           truck—

6                   “(A) with an internal combustion engine  
 7                   which—

8                           “(i) is designed to operate primarily  
 9                           using more air than is necessary for com-  
 10                           plete combustion of the fuel,

11                           “(ii) incorporates direct injection,

12                           “(iii) achieves at least 125 percent of  
 13                           the 2002 model year city fuel economy,  
 14                           and

15                           “(iv) for 2005 and later model vehi-  
 16                           cles, has received a certificate that such ve-  
 17                           hicle meets or exceeds—

18                                   “(I) in the case of a vehicle hav-  
 19                                   ing a gross vehicle weight rating of  
 20                                   6,000 pounds or less, the Bin 5 Tier  
 21                                   II emission standard established in

1 regulations prescribed by the Adminis-  
2 trator of the Environmental Protec-  
3 tion Agency under section 202(i) of  
4 the Clean Air Act for that make and  
5 model year vehicle, and

6 “(II) in the case of a vehicle hav-  
7 ing a gross vehicle weight rating of  
8 more than 6,000 pounds but not more  
9 than 8,500 pounds, the Bin 8 Tier II  
10 emission standard which is so estab-  
11 lished,

12 “(B) the original use of which commences  
13 with the taxpayer,

14 “(C) which is acquired for use or lease by  
15 the taxpayer and not for resale, and

16 “(D) which is made by a manufacturer.

17 “(4) LIFETIME FUEL SAVINGS.—For purposes  
18 of this subsection, the term ‘lifetime fuel savings’  
19 means, in the case of any new advanced lean burn  
20 technology motor vehicle, an amount equal to the ex-  
21 cess (if any) of—

22 “(A) 120,000 divided by the 2002 model  
23 year city fuel economy for the vehicle inertia  
24 weight class, over

1                   “(B) 120,000 divided by the city fuel econ-  
2                   omy for such vehicle.

3           “(d) NEW QUALIFIED HYBRID MOTOR VEHICLE  
4 CREDIT.—

5                   “(1) IN GENERAL.—For purposes of subsection  
6           (a), the new qualified hybrid motor vehicle credit de-  
7           termined under this subsection with respect to a new  
8           qualified hybrid motor vehicle placed in service by  
9           the taxpayer during the taxable year is the credit  
10          amount determined under paragraph (2).

11                   “(2) CREDIT AMOUNT.—

12                   “(A) CREDIT AMOUNT FOR PASSENGER  
13           AUTOMOBILES AND LIGHT TRUCKS.—In the  
14           case of a new qualified hybrid motor vehicle  
15           which is a passenger automobile or light truck  
16           and which has a gross vehicle weight rating of  
17           not more than 8,500 pounds, the amount deter-  
18           mined under this paragraph is the sum of the  
19           amounts determined under clauses (i) and (ii).

20                   “(i) FUEL ECONOMY.—The amount  
21           determined under this clause is the amount  
22           which would be determined under sub-  
23           section (e)(2)(A) if such vehicle were a ve-  
24           hicle referred to in such subsection.

1           “(ii) CONSERVATION CREDIT.—The  
2           amount determined under this clause is the  
3           amount which would be determined under  
4           subsection (c)(2)(B) if such vehicle were a  
5           vehicle referred to in such subsection.

6           “(B) CREDIT AMOUNT FOR OTHER MOTOR  
7           VEHICLES.—

8           “(i) IN GENERAL.—In the case of any  
9           new qualified hybrid motor vehicle to which  
10          subparagraph (A) does not apply, the  
11          amount determined under this paragraph  
12          is the amount equal to the applicable per-  
13          centage of the qualified incremental hybrid  
14          cost of the vehicle as certified under clause  
15          (v).

16          “(ii) APPLICABLE PERCENTAGE.—For  
17          purposes of clause (i), the applicable per-  
18          centage is—

19                 “(I) 20 percent if the vehicle  
20                 achieves an increase in city fuel econ-  
21                 omy relative to a comparable vehicle  
22                 of at least 30 percent but less than 40  
23                 percent,

24                 “(II) 30 percent if the vehicle  
25                 achieves such an increase of at least

1 40 percent but less than 50 percent,  
2 and

3 “(III) 40 percent if the vehicle  
4 achieves such an increase of at least  
5 50 percent.

6 “(iii) QUALIFIED INCREMENTAL HY-  
7 BRID COST.—For purposes of this subpara-  
8 graph, the qualified incremental hybrid  
9 cost of any vehicle is equal to the amount  
10 of the excess of the manufacturer’s sug-  
11 gested retail price for such vehicle over  
12 such price for a comparable vehicle, to the  
13 extent such amount does not exceed—

14 “(I) \$7,500, if such vehicle has a  
15 gross vehicle weight rating of not  
16 more than 14,000 pounds,

17 “(II) \$15,000, if such vehicle has  
18 a gross vehicle weight rating of more  
19 than 14,000 pounds but not more  
20 than 26,000 pounds, and

21 “(III) \$30,000, if such vehicle  
22 has a gross vehicle weight rating of  
23 more than 26,000 pounds.

24 “(iv) COMPARABLE VEHICLE.—For  
25 purposes of this subparagraph, the term

1           ‘comparable vehicle’ means, with respect to  
2           any new qualified hybrid motor vehicle,  
3           any vehicle which is powered solely by a  
4           gasoline or diesel internal combustion en-  
5           gine and which is comparable in weight,  
6           size, and use to such vehicle.

7           “(v) CERTIFICATION.—A certification  
8           described in clause (i) shall be made by the  
9           manufacturer and shall be determined in  
10          accordance with guidance prescribed by the  
11          Secretary. Such guidance shall specify pro-  
12          cedures and methods for calculating fuel  
13          economy savings and incremental hybrid  
14          costs.

15          “(3) NEW QUALIFIED HYBRID MOTOR VEHI-  
16          CLE.—For purposes of this subsection—

17                 “(A) IN GENERAL.—The term ‘new quali-  
18                 fied hybrid motor vehicle’ means a motor vehi-  
19                 cle—

20                         “(i) which draws propulsion energy  
21                         from onboard sources of stored energy  
22                         which are both—

23                                 “(I) an internal combustion or  
24                                 heat engine using consumable fuel,  
25                                 and

1                   “(II) a rechargeable energy stor-  
2                   age system,

3                   “(ii) which, in the case of a vehicle to  
4                   which paragraph (2)(A) applies, has re-  
5                   ceived a certificate of conformity under the  
6                   Clean Air Act and meets or exceeds the  
7                   equivalent qualifying California low emis-  
8                   sion vehicle standard under section  
9                   243(e)(2) of the Clean Air Act for that  
10                  make and model year, and

11                  “(I) in the case of a vehicle hav-  
12                  ing a gross vehicle weight rating of  
13                  6,000 pounds or less, the Bin 5 Tier  
14                  II emission standard established in  
15                  regulations prescribed by the Adminis-  
16                  trator of the Environmental Protec-  
17                  tion Agency under section 202(i) of  
18                  the Clean Air Act for that make and  
19                  model year vehicle, and

20                  “(II) in the case of a vehicle hav-  
21                  ing a gross vehicle weight rating of  
22                  more than 6,000 pounds but not more  
23                  than 8,500 pounds, the Bin 8 Tier II  
24                  emission standard which is so estab-  
25                  lished,

1           “(iii) which has a maximum available  
2 power of at least—

3                   “(I) 4 percent in the case of a ve-  
4 hicle to which paragraph (2)(A) ap-  
5 plies,

6                   “(II) 10 percent in the case of a  
7 vehicle which has a gross vehicle  
8 weight rating or more than 8,500  
9 pounds and not than 14,000 pounds,  
10 and

11                   “(III) 15 percent in the case of a  
12 vehicle in excess of 14,000 pounds,

13                   “(iv) which, in the case of a vehicle to  
14 which paragraph (2)(B) applies, has an in-  
15 ternal combustion or heat engine which  
16 has received a certificate of conformity  
17 under the Clean Air Act as meeting the  
18 emission standards set in the regulations  
19 prescribed by the Administrator of the En-  
20 vironmental Protection Agency for 2005  
21 through 2008 model year diesel heavy duty  
22 engines or ottocycle heavy duty engines, as  
23 applicable,

24                   “(v) the original use of which com-  
25 mences with the taxpayer,

1           “(vi) which is acquired for use or  
2           lease by the taxpayer and not for resale,  
3           and

4           “(vii) which is made by a manufac-  
5           turer.

6           Such term shall not include any vehicle which  
7           is not a passenger automobile or light truck if  
8           such vehicle has a gross vehicle weight rating of  
9           less than 8,500 pounds.

10           “(B) CONSUMABLE FUEL.—For purposes  
11           of subparagraph (A)(i)(I), the term ‘consumable  
12           fuel’ means any solid, liquid, or gaseous matter  
13           which releases energy when consumed by an  
14           auxiliary power unit.

15           “(C) MAXIMUM AVAILABLE POWER.—

16           “(i) CERTAIN PASSENGER AUTO-  
17           MOBILES AND LIGHT TRUCKS.—In the case  
18           of a vehicle to which paragraph (2)(A) ap-  
19           plies, the term ‘maximum available power’  
20           means the maximum power available from  
21           the rechargeable energy storage system,  
22           during a standard 10 second pulse power  
23           or equivalent test, divided by such max-  
24           imum power and the SAE net power of the  
25           heat engine.

1                   “(ii) OTHER MOTOR VEHICLES.—In  
2                   the case of a vehicle to which paragraph  
3                   (2)(B) applies, the term ‘maximum avail-  
4                   able power’ means the maximum power  
5                   available from the rechargeable energy  
6                   storage system, during a standard 10 sec-  
7                   ond pulse power or equivalent test, divided  
8                   by the vehicle’s total traction power. For  
9                   purposes of the preceding sentence, the  
10                  term ‘total traction power’ means the sum  
11                  of the peak power from the rechargeable  
12                  energy storage system and the heat engine  
13                  peak power of the vehicle, except that if  
14                  such storage system is the sole means by  
15                  which the vehicle can be driven, the total  
16                  traction power is the peak power of such  
17                  storage system.

18                  “(e) NEW QUALIFIED ALTERNATIVE FUEL MOTOR  
19                  VEHICLE CREDIT.—

20                         “(1) ALLOWANCE OF CREDIT.—Except as pro-  
21                         vided in paragraph (5), the new qualified alternative  
22                         fuel motor vehicle credit determined under this sub-  
23                         section is an amount equal to the applicable percent-  
24                         age of the incremental cost of any new qualified al-

1       ternative fuel motor vehicle placed in service by the  
2       taxpayer during the taxable year.

3               “(2) APPLICABLE PERCENTAGE.—For purposes  
4       of paragraph (1), the applicable percentage with re-  
5       spect to any new qualified alternative fuel motor ve-  
6       hicle is—

7                       “(A) 40 percent, plus

8                       “(B) 30 percent, if such vehicle—

9                               “(i) has received a certificate of con-  
10       formity under the Clean Air Act and meets  
11       or exceeds the most stringent standard  
12       available for certification under the Clean  
13       Air Act for that make and model year vehi-  
14       cle (other than a zero emission standard),  
15       or

16                               “(ii) has received an order certifying  
17       the vehicle as meeting the same require-  
18       ments as vehicles which may be sold or  
19       leased in California and meets or exceeds  
20       the most stringent standard available for  
21       certification under the State laws of Cali-  
22       fornia (enacted in accordance with a waiv-  
23       er granted under section 209(b) of the  
24       Clean Air Act) for that make and model

1           year vehicle (other than a zero emission  
2           standard).

3           For purposes of the preceding sentence, in the case  
4           of any new qualified alternative fuel motor vehicle  
5           which has a gross vehicle weight rating of more than  
6           14,000 pounds, the most stringent standard avail-  
7           able shall be such standard available for certification  
8           on the date of the enactment of the Common Sense  
9           Automobile Efficiency Act of 2005.

10           “(3) INCREMENTAL COST.—For purposes of  
11           this subsection, the incremental cost of any new  
12           qualified alternative fuel motor vehicle is equal to  
13           the amount of the excess of the manufacturer’s sug-  
14           gested retail price for such vehicle over such price  
15           for a gasoline or diesel fuel motor vehicle of the  
16           same model, to the extent such amount does not ex-  
17           ceed—

18           “(A) \$5,000, if such vehicle has a gross ve-  
19           hicle weight rating of not more than 8,500  
20           pounds,

21           “(B) \$10,000, if such vehicle has a gross  
22           vehicle weight rating of more than 8,500  
23           pounds but not more than 14,000 pounds,

1           “(C) \$25,000, if such vehicle has a gross  
2           vehicle weight rating of more than 14,000  
3           pounds but not more than 26,000 pounds, and

4           “(D) \$40,000, if such vehicle has a gross  
5           vehicle weight rating of more than 26,000  
6           pounds.

7           “(4) NEW QUALIFIED ALTERNATIVE FUEL  
8           MOTOR VEHICLE.—For purposes of this sub-  
9           section—

10           “(A) IN GENERAL.—The term ‘new quali-  
11           fied alternative fuel motor vehicle’ means any  
12           motor vehicle—

13                   “(i) which is only capable of operating  
14                   on an alternative fuel,

15                   “(ii) the original use of which com-  
16                   mences with the taxpayer,

17                   “(iii) which is acquired by the tax-  
18                   payer for use or lease, but not for resale,  
19                   and

20                   “(iv) which is made by a manufac-  
21                   turer.

22           “(B) ALTERNATIVE FUEL.—The term ‘al-  
23           ternative fuel’ means compressed natural gas,  
24           liquefied natural gas, liquefied petroleum gas,

1 hydrogen, and any liquid at least 85 percent of  
2 the volume of which consists of methanol.

3 “(5) CREDIT FOR MIXED-FUEL VEHICLES.—

4 “(A) IN GENERAL.—In the case of a  
5 mixed-fuel vehicle placed in service by the tax-  
6 payer during the taxable year, the credit deter-  
7 mined under this subsection is an amount equal  
8 to—

9 “(i) in the case of a 75/25 mixed-fuel  
10 vehicle, 70 percent of the credit which  
11 would have been allowed under this sub-  
12 section if such vehicle was a qualified alter-  
13 native fuel motor vehicle, and

14 “(ii) in the case of a 90/10 mixed-fuel  
15 vehicle, 90 percent of the credit which  
16 would have been allowed under this sub-  
17 section if such vehicle was a qualified alter-  
18 native fuel motor vehicle.

19 “(B) MIXED-FUEL VEHICLE.—For pur-  
20 poses of this subsection, the term ‘mixed-fuel  
21 vehicle’ means any motor vehicle described in  
22 subparagraph (C) or (D) of paragraph (3),  
23 which—

24 “(i) is certified by the manufacturer  
25 as being able to perform efficiently in nor-

1 mal operation on a combination of an al-  
2 ternative fuel and a petroleum-based fuel,

3 “(ii) either—

4 “(I) has received a certificate of  
5 conformity under the Clean Air Act,  
6 or

7 “(II) has received an order certi-  
8 fying the vehicle as meeting the same  
9 requirements as vehicles which may be  
10 sold or leased in California and meets  
11 or exceeds the low emission vehicle  
12 standard under section 88.105–94 of  
13 title 40, Code of Federal Regulations,  
14 for that make and model year vehicle,

15 “(iii) the original use of which com-  
16 mences with the taxpayer,

17 “(iv) which is acquired by the tax-  
18 payer for use or lease, but not for resale,  
19 and

20 “(v) which is made by a manufac-  
21 turer.

22 “(C) 75/25 MIXED-FUEL VEHICLE.—For  
23 purposes of this subsection, the term ‘75/25  
24 mixed-fuel vehicle’ means a mixed-fuel vehicle  
25 which operates using at least 75 percent alter-

1           native fuel and not more than 25 percent petro-  
2           leum-based fuel.

3           “(D) 90/10 MIXED-FUEL VEHICLE.—For  
4           purposes of this subsection, the term ‘90/10  
5           mixed-fuel vehicle’ means a mixed-fuel vehicle  
6           which operates using at least 90 percent alter-  
7           native fuel and not more than 10 percent petro-  
8           leum-based fuel.

9           “(f) LIMITATION BASED ON AMOUNT OF TAX.—The  
10          credit allowed under subsection (a) for the taxable year  
11          shall not exceed the excess of—

12           “(1) the sum of the regular tax liability (as de-  
13          fined in section 26(b)) plus the tax imposed by sec-  
14          tion 55, over

15           “(2) the sum of the credits allowable under sub-  
16          part A and sections 27 and 30 for the taxable year.

17          “(g) OTHER DEFINITIONS AND SPECIAL RULES.—  
18          For purposes of this section—

19           “(1) MOTOR VEHICLE.—The term ‘motor vehi-  
20          cle’ has the meaning given such term by section  
21          30(c)(2).

22           “(2) OTHER TERMS.—The terms ‘automobile’,  
23          ‘passenger automobile’, ‘light truck’, and ‘manufac-  
24          turer’ have the meanings given such terms in regula-  
25          tions prescribed by the Administrator of the Envi-

1       ronmental Protection Agency for purposes of the ad-  
 2       ministration of title II of the Clean Air Act (42  
 3       U.S.C. 7521 et seq.).

4               “(3) 2002 MODEL YEAR CITY FUEL ECON-  
 5       OMY.—

6               “(A) IN GENERAL.—The 2002 model year  
 7       city fuel economy with respect to a vehicle shall  
 8       be determined in accordance with the following  
 9       tables:

10                       “(i) In the case of a passenger auto-  
 11       mobile:

<b>“If vehicle inertia weight class is:</b>	<b>The 2002 model year city fuel econ- omy is:</b>
1,500 or 1,750 lbs .....	45.2 mpg
2,000 lbs .....	39.6 mpg
2,250 lbs .....	35.2 mpg
2,500 lbs .....	31.7 mpg
2,750 lbs .....	28.8 mpg
3,000 lbs .....	26.4 mpg
3,500 lbs .....	22.6 mpg
4,000 lbs .....	19.8 mpg
4,500 lbs .....	17.6 mpg
5,000 lbs .....	15.9 mpg
5,500 lbs .....	14.4 mpg
6,000 lbs .....	13.2 mpg
6,500 lbs .....	12.2 mpg
7,000 to 8,500 lbs .....	11.3 mpg.

12                       “(ii) In the case of a light truck:

<b>“If vehicle inertia weight class is:</b>	<b>The 2002 model year city economy is:</b>
1,500 or 1,750 lbs .....	39.4 mpg
2,000 lbs .....	35.2 mpg
2,250 lbs .....	31.8 mpg
2,500 lbs .....	29.0 mpg
2,750 lbs .....	26.8 mpg
3,000 lbs .....	24.9 mpg
3,500 lbs .....	21.8 mpg
4,000 lbs .....	19.4 mpg
4,500 lbs .....	17.6 mpg
5,000 lbs .....	16.1 mpg

<b>“If vehicle inertia weight class is:</b>	<b>The 2002 model year city economy is:</b>
5,500 lbs .....	14.8 mpg
6,000 lbs .....	13.7 mpg
6,500 lbs .....	12.8 mpg
7,000 to 8,500 lbs .....	12.1 mpg.

1                   “(B) VEHICLE INERTIA WEIGHT CLASS.—  
2                   For purposes of subparagraph (A), the term  
3                   ‘vehicle inertia weight class’ has the same  
4                   meaning as when defined in regulations pre-  
5                   scribed by the Administrator of the Environ-  
6                   mental Protection Agency for purposes of the  
7                   administration of title II of the Clean Air Act  
8                   (42 U.S.C. 7521 et seq.).

9                   “(4) FUEL ECONOMY.—Fuel economy with re-  
10                  spect to any vehicle shall be measured under rules  
11                  similar to the rules under section 4064(c).

12                  “(5) REDUCTION IN BASIS.—For purposes of  
13                  this subtitle, if a credit is allowed under this section  
14                  for any expenditure with respect to any property, the  
15                  increase in the basis of such property which would  
16                  (but for this paragraph) result from such expendi-  
17                  ture shall be reduced by the amount of the credit so  
18                  allowed.

19                  “(6) NO DOUBLE BENEFIT.—The amount of  
20                  any deduction or credit allowable under this chapter  
21                  (other than the credits allowable under this section

1 and section 30) shall be reduced by the amount of  
2 credit allowed under subsection (a) for such vehicle  
3 for the taxable year.

4 “(7) RECAPTURE.—The Secretary shall, by reg-  
5 ulations, provide for recapturing the benefit of any  
6 credit allowable under subsection (a) with respect to  
7 any property which ceases to be property eligible for  
8 such credit (including recapture in the case of a  
9 lease period of less than the economic life of a vehi-  
10 cle).

11 “(8) PROPERTY USED OUTSIDE UNITED  
12 STATES, ETC., NOT QUALIFIED.—No credit shall be  
13 allowed under subsection (a) with respect to any  
14 property referred to in section 50(b) or with respect  
15 to the portion of the cost of any property taken into  
16 account under section 179.

17 “(9) ELECTION NOT TO TAKE CREDIT.—No  
18 credit shall be allowed under subsection (a) for any  
19 vehicle if the taxpayer elects to not have this section  
20 apply to such vehicle.

21 “(10) BUSINESS CARRYOVERS ALLOWED.—If  
22 the credit allowable under subsection (a) for a tax-  
23 able year exceeds the limitation under subsection (g)  
24 for such taxable year, such excess (to the extent of  
25 the credit allowable with respect to property subject

1 to the allowance for depreciation) shall be allowed as  
2 a credit carryback and carryforward under rules  
3 similar to the rules of section 39.

4 “(11) INTERACTION WITH MOTOR VEHICLE  
5 SAFETY STANDARDS.—Unless otherwise provided in  
6 this section, a motor vehicle shall not be considered  
7 eligible for a credit under this section unless such  
8 vehicle is in compliance with the motor vehicle safety  
9 provisions of sections 30101 through 30169 of title  
10 49, United States Code.

11 “(h) REGULATIONS.—

12 “(1) IN GENERAL.—The Secretary shall pro-  
13 mulgate such regulations as necessary to carry out  
14 the provisions of this section.

15 “(2) DETERMINATION OF MOTOR VEHICLE ELI-  
16 GIBILITY.—The Secretary, after coordination with  
17 the Secretary of Transportation and the Adminis-  
18 trator of the Environmental Protection Agency, shall  
19 prescribe such regulations as necessary to determine  
20 whether a motor vehicle meets the requirements to  
21 be eligible for a credit under this section.

22 “(i) TERMINATION.—This section shall not apply to  
23 any property placed in service after—

24 “(1) in the case of a new qualified alternative  
25 fuel motor vehicle, December 31, 2007,

1           “(2) in the case of a new advanced lean burn  
2 technology motor vehicle or a new qualified hybrid  
3 motor vehicle, December 31, 2009, and

4           “(3) in the case of a new qualified fuel cell  
5 motor vehicle, December 31, 2013.”.

6 (b) CONFORMING AMENDMENTS.—

7           (1) Section 30(d) of such Code (relating to spe-  
8 cial rules) is amended by adding at the end the fol-  
9 lowing new paragraphs:

10           “(5) NO DOUBLE BENEFIT.—No credit shall be  
11 allowed under this section for any motor vehicle for  
12 which a credit is also allowed under section 30B.”.

13           (2) Section 1016(a) is amended by striking  
14 “and” at the end of paragraph (30), by striking the  
15 period at the end of paragraph (31) and inserting “,  
16 and”, and by adding at the end the following:

17           “(32) to the extent provided in section  
18 30B(h)(5).”.

19           (3) Section 6501(m) of such Code is amended  
20 by inserting “30B(h)(9),” after “30(d)(4),”.

21           (4) The table of sections for subpart B of part  
22 IV of subchapter A of chapter 1 of such Code is  
23 amended by inserting after the item relating to sec-  
24 tion 30A the following:

“Sec. 30B. Alternative motor vehicle credit.”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to property placed in service after  
3 the date of the enactment of this Act, in taxable years  
4 ending after such date.

5       (d) STICKER INFORMATION REQUIRED AT RETAIL  
6 SALE.—

7           (1) IN GENERAL.—The Secretary of the Treas-  
8 ury shall issue regulations under which each quali-  
9 fied vehicle sold at retail shall display a notice—

10                   (A) that such vehicle is a qualified vehicle,  
11                   and

12                   (B) that the buyer may not benefit from  
13 the credit allowed under section 30B of the In-  
14 ternal Revenue Code of 1986 if such buyer has  
15 insufficient tax liability.

16           (2) QUALIFIED VEHICLE.—For purposes of  
17 paragraph (1), the term “qualified vehicle” means a  
18 vehicle with respect to which a credit is allowed  
19 under section 30B of the Internal Revenue Code of  
20 1986.

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