

108TH CONGRESS
1ST SESSION

H. R. 1356

To encourage the availability and use of motor vehicles that have improved fuel efficiency, in order to reduce the need to import oil into the United States.

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 2003

Mr. ENGEL introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Financial Services and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To encourage the availability and use of motor vehicles that have improved fuel efficiency, in order to reduce the need to import oil into the United States.

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. FINDINGS.**

4 The Congress makes the following findings:

5 (1) Ensuring secure access to energy is in the
6 highest national security interests of the United
7 States.

1 (2) Without secure access to oil supplies, the
2 United States economy, which depends heavily on oil
3 for transportation, could be severely affected. Two-
4 thirds of the oil used in the United States is con-
5 sumed by the transportation sector. Passenger vehi-
6 cles alone account for 40 percent of United States
7 oil use.

8 (3) In the year 2000, the United States im-
9 ported 58 percent of its oil needs, 45 percent of
10 which came from Organization of Petroleum Export-
11 ing Countries (OPEC) nations.

12 (4) Over the next 20 years, according to the
13 Energy Information Administration, the United
14 States's demand for oil is projected to increase by
15 33 percent.

16 (5) In 1973 OPEC placed an embargo on sales
17 of oil to the United States, creating severe oil short-
18 ages and driving up oil prices in the United States.
19 OPEC's action was a major factor in the recession
20 which followed shortly thereafter.

21 (6) Under the "Carter Doctrine", announced by
22 President Carter in 1980, "An attempt by any out-
23 side forces to gain control of the Persian Gulf region
24 will be regarded as an assault on the vital interests
25 of the United States of America, and such an as-

1 sault will be repelled by any means necessary, in-
2 cluding military force.”.

3 (7) Following the Iraqi invasion of Kuwait in
4 1990, the United States sent more than 500,000
5 troops to the Persian Gulf to expel the Iraqi troops,
6 liberate Kuwait, protect Saudi Arabia, and ensure
7 access to Persian Gulf oil.

8 (8) As of March 19, 2003, the United States is
9 on the verge of fighting yet another war against Iraq
10 to further ensure access to vital oil supplies.

11 (9) Many major oil producing nations do not
12 share United States values of democracy, freedom of
13 expression, thought, and religion, and equality for
14 women.

15 (10) During the Afghanistan conflict and the
16 war on terrorism, many oil producing nations did
17 not openly support the United States campaign to
18 end the terror, and many of the terrorists of Sep-
19 tember 11 came from major OPEC nations.

20 (11) It is in the highest national security inter-
21 ests of the United States to substantially reduce our
22 dependence on oil as soon as possible, to secure our
23 access to oil supplies, and to reduce our dependence
24 on nations which do not share our interests and val-
25 ues.

1 (12) Because most oil is consumed by the
 2 transportation sector, reduction of our dependence
 3 on oil can only come from major increases in fuel ef-
 4 ficiency in cars, sport utility vehicles, light trucks,
 5 and other vehicles.

6 (13) To protect United States national security
 7 interests after September 11, the United States Gov-
 8 ernment has invested heavily in securing many in-
 9 dustrial sectors, including airlines and the national
 10 health system.

11 **SEC. 2. FUEL EFFICIENCY VEHICLE CREDIT.**

12 (a) IN GENERAL.—Subpart B of part IV of sub-
 13 chapter A of chapter 1 of the Internal Revenue Code of
 14 1986 (relating to foreign tax credit, etc.) is amended by
 15 adding at the end the following:

16 **“SEC. 30B. FUEL EFFICIENCY VEHICLE CREDIT.**

17 “(a) ALLOWANCE OF CREDIT.—

18 “(1) FUEL ECONOMY NOT LESS THAN 40 MILES
 19 PER GALLON.—At the election of the taxpayer, there
 20 shall be allowed as a credit against the tax imposed
 21 by this chapter for the taxable year an amount equal
 22 to 25 percent of the cost of any qualified fuel-effi-
 23 cient vehicle placed in service by the taxpayer during
 24 the taxable year.

1 “(2) FUEL ECONOMY NOT LESS THAN 50 MILES
2 PER GALLON.—In the case of a qualified fuel-effi-
3 cient vehicle in which the fuel economy (within the
4 meaning of subsection (c)(1)) is not less than 50
5 miles per gallon—

6 “(A) paragraph (1) shall be applied by
7 substituting ‘35 percent’ for ‘25 percent’, and

8 “(B) subsection (b) shall be applied by
9 substituting ‘\$6,000’ for \$5,000’.

10 “(b) LIMITATION.—The amount of the credit allowed
11 by subsection (a) shall not exceed \$5,000.

12 “(c) QUALIFIED FUEL-EFFICIENT VEHICLE.—For
13 purposes of this section, the term ‘qualified fuel-efficient
14 vehicle’ means a motor vehicle (as defined in section
15 30(c)(2))—

16 “(1) in which the fuel economy (determined in
17 accordance with section 4064) of such vehicle is
18 rated at not less than 40 miles per gallon,

19 “(2) which is—

20 “(A) an automobile (as defined in section
21 4064(b)), or

22 “(B) a truck or van with an unloaded
23 gross vehicle weight rating not greater than
24 7,500 pounds, and

1 “(3) which has received a certificate that such
2 vehicle meets or exceeds the Bin 5 Tier II emission
3 level established in regulations prescribed by the Ad-
4 ministrator of the Environmental Protection Agency
5 under section 202(i) of the Clean Air Act for that
6 make and model year vehicle.

7 “(d) SPECIAL RULES.—

8 “(1) BASIS REDUCTION.—The basis of any
9 property for which a credit is allowable under sub-
10 section (a) shall be reduced by the amount of such
11 credit.

12 “(2) RECAPTURE.—The Secretary shall, by reg-
13 ulations, provide for recapturing the benefit of any
14 credit allowable under subsection (a) with respect to
15 any property which ceases to be property eligible for
16 such credit.

17 “(3) PROPERTY USED OUTSIDE UNITED
18 STATES, ETC. NOT QUALIFIED.—No credit shall be
19 allowed under subsection (a) with respect to any
20 property referred to in section 50(b) or with respect
21 to the portion of the cost of any property taken into
22 account under section 30, 179, or 179A.

23 “(e) CARRYFORWARD OF UNUSED CREDITS.—If the
24 credit allowable under subsection (a) for any taxable year
25 exceeds—

1 “(1) the regular tax for the taxable year re-
 2 duced by the sum of the credits allowable under sub-
 3 part A and this part (other than this section), over

4 “(2) the tentative minimum tax for the taxable
 5 year,

6 such excess shall be carried to the succeeding taxable year
 7 and added to the credit allowable under subsection (a) for
 8 such taxable year.”.

9 (b) CLERICAL AMENDMENT.—The table of sections
 10 for such subpart B is amended by inserting after the item
 11 relating to section 30A the following new item:

“Sec. 30B. Fuel-efficiency vehicle credit.”.

12 (c) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to taxable years ending after the
 14 date of the enactment of this Act.

15 **SEC. 3. FUEL EFFICIENT VEHICLE ASSEMBLY CREDIT.**

16 (a) IN GENERAL.—Subpart D of part IV of sub-
 17 chapter A of chapter 1 of the Internal Revenue Code of
 18 1986 (relating to business-related credits) is amended by
 19 adding at the end the following new section:

20 **“SEC. 45G. FUEL-EFFICIENT VEHICLE ASSEMBLY CREDIT.**

21 “(a) GENERAL RULE.—For purposes of section 38,
 22 the fuel-efficient vehicle assembly credit determined under
 23 this section for the taxable year is an amount equal to
 24 the product of \$2,000 and the number of qualified fuel-
 25 efficient vehicles manufactured or produced in the United

1 States by the taxpayer during the taxable year for their
2 1st retail sale.

3 “(b) QUALIFIED FUEL-EFFICIENT VEHICLE.—For
4 purposes of subsection (a), the term ‘qualified fuel-effi-
5 cient vehicle’ has the meaning given to such term by sec-
6 tion 30B(c).

7 “(c) 1ST RETAIL SALE.—For purposes of subsection
8 (a), the term ‘1st retail sale’ has the meaning given to
9 such term by section 4002.”.

10 (b) CREDIT TO BE PART OF GENERAL BUSINESS
11 CREDIT.—Subsection (b) of section 38 of such Code (re-
12 lating to general business credit) is amended by striking
13 “plus” at the end of paragraph (14), by striking the period
14 at the end of paragraph (15) and inserting “, plus”, and
15 by adding at the end the following new paragraph:

16 “(16) the fuel-efficient vehicle assembly credit
17 determined under section 45G(a).”.

18 (c) CONFORMING AMENDMENT.—The table of sec-
19 tions for subpart D of part IV of subchapter A of chapter
20 1 of the Internal Revenue Code of 1986 is amended by
21 inserting after the item relating to section 45F the fol-
22 lowing new item:

“Sec. 45G. Fuel-efficient vehicle assembly credit.”.

23 (d) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to taxable years ending after the
25 date of the enactment of this Act.

1 **SEC. 4. LOAN GUARANTEES.**

2 (a) GENERAL AUTHORITY.—The Secretary of Energy
3 may provide loan guarantees to manufacturers of motor
4 vehicles or of motor vehicle engines for the purposes de-
5 scribed in subsection (b).

6 (b) ELIGIBLE PURPOSES.—Loans guaranteed under
7 this section shall be used for the costs of conversion from
8 the manufacture of motor vehicles or engines achieving
9 less than 40 miles per gallon of gasoline to the manufac-
10 ture of motor vehicles or engines achieving more than 40
11 miles per gallon of gasoline. Such loans may not be used
12 for advertising or promotional costs.

13 (c) AGGREGATE AMOUNT OF LOAN GUARANTEES.—
14 The aggregate amount of loans that may be guaranteed
15 under this section at any one time shall not exceed
16 \$1,000,000,000.

17 (d) LIMITATION ON LOAN GUARANTEE SIZE.—The
18 Secretary shall not guarantee a loan under this section
19 for an amount greater than \$100,000,000.

20 (e) RATES OF INTEREST.—The Secretary shall not
21 make a loan guarantee under this section if the interest
22 rate for the loan exceeds that which the Secretary deter-
23 mines to be reasonable, taking into consideration the pre-
24 vailing interest rates and customary fees incurred under
25 similar obligations in the private capital market.

1 (f) ABILITY TO REPAY.—The Secretary shall not
2 make a loan guarantee under this section unless the Sec-
3 retary has made a finding in writing that the recipient
4 of the loan is likely to be able to repay the loan according
5 to its terms.

6 (g) APPLICATIONS.—The Secretary shall prescribe
7 the form and contents required of applications for assist-
8 ance under this section, to enable the Secretary to deter-
9 mine the eligibility of the applicant’s proposal, and shall
10 establish terms and conditions for loan guarantees made
11 under this section.

12 (h) FULL FAITH AND CREDIT.—All guarantees en-
13 tered into by the Secretary under this section shall con-
14 stitute general obligations of the United States backed by
15 the full faith and credit of the United States.

16 (i) MODIFICATIONS.—The Secretary may approve the
17 modification of any term or condition of a loan guarantee
18 or loan guarantee commitment, including the rate of inter-
19 est, time of payment of interest or principal, or security
20 requirements, if the Secretary finds in writing that—

21 (1) the modification is equitable and is in the
22 overall best interests of the United States; and

23 (2) consent has been obtained from the appli-
24 cant and the holder of the obligation.

1 (j) DEFAULT.—The Secretary shall prescribe regula-
2 tions setting forth procedures in the event of default on
3 a loan guaranteed under this section. The Secretary shall
4 ensure that each loan guarantee made under this section
5 contains terms and conditions that provide that—

6 (1) if a payment of principal or interest under
7 the loan is in default for more than 30 days, the
8 Secretary shall pay to the holder of the obligation,
9 or the holder’s agent, the amount of unpaid guaran-
10 teed interest;

11 (2) if the default has continued for more than
12 90 days, the Secretary shall pay to the holder of the
13 obligation, or the holder’s agent, 90 percent of the
14 unpaid guaranteed principal;

15 (3) after final resolution of the default, through
16 liquidation or otherwise, the Secretary shall pay to
17 the holder of the obligation, or the holder’s agent,
18 any remaining amounts guaranteed but which were
19 not recovered through the default’s resolution;

20 (4) the Secretary shall not be required to make
21 any payment under paragraphs (1) through (3) if
22 the Secretary finds, before the expiration of the peri-
23 ods described in such paragraphs, that the default
24 has been remedied; and

1 (5) the holder of the obligation shall not receive
2 payment or be entitled to retain payment in a total
3 amount which, together with all other recoveries (in-
4 cluding any recovery based upon a security interest
5 in equipment or facilities) exceeds the actual loss of
6 such holder.

7 (k) RIGHTS OF THE SECRETARY.—

8 (1) SUBROGATION.—If the Secretary makes
9 payment to a holder, or a holder's agent, under sub-
10 section (j) in connection with a loan guarantee made
11 under this section, the Secretary shall be subrogated
12 to all of the rights of the holder with respect to the
13 obligor under the loan.

14 (2) DISPOSITION OF PROPERTY.—The Sec-
15 retary may complete, recondition, reconstruct, ren-
16 ovate, repair, maintain, operate, charter, rent, sell,
17 or otherwise dispose of any property or other inter-
18 ests obtained pursuant to this section. The Secretary
19 shall not be subject to any Federal or State regu-
20 latory requirements when carrying out this para-
21 graph.

22 (l) ACTION AGAINST OBLIGOR.—The Secretary may
23 bring a civil action in an appropriate Federal court in the
24 name of the holder of the obligation in the event of a de-
25 fault on a loan guaranteed under this section. The holder

1 of a guarantee shall make available to the Secretary all
2 records and evidence necessary to prosecute the civil ac-
3 tion. The Secretary may accept property in full or partial
4 satisfaction of any sums owed as a result of a default.
5 If the Secretary receives, through the sale or other disposi-
6 tion of such property, an amount greater than the aggre-
7 gate of—

8 (1) the amount paid to the holder of a guar-
9 antee under subsection (j); and

10 (2) any other cost to the United States of rem-
11 edying the default,

12 the Secretary shall pay such excess to the obligor.

13 (m) BREACH OF CONDITIONS.—The Attorney Gen-
14 eral shall commence a civil action in an appropriate Fed-
15 eral court to enjoin any activity which the Secretary finds
16 is in violation of this section, regulations issued hereunder,
17 or any conditions which were duly agreed to, and to secure
18 any other appropriate relief.

19 (n) ATTACHMENT.—No attachment or execution may
20 be issued against the Secretary, or any property in the
21 control of the Secretary, prior to the entry of final judg-
22 ment to such effect in any State, Federal, or other court.

23 (o) INVESTIGATION CHARGE.—The Secretary may
24 charge and collect from each applicant a reasonable charge
25 for appraisal of the value of the equipment or facilities

1 for which the loan guarantee is sought, and for making
2 necessary determinations and findings. Such charge shall
3 not aggregate more than one-half of 1 percent of the prin-
4 cipal amount of the obligation.

5 (p) AUTHORIZATION OF APPROPRIATIONS.—There
6 are authorized to be appropriated to the Secretary of En-
7 ergy for carrying out this section such sums as may be
8 necessary for fiscal years 2003 through 2007.

9 (q) DEFINITIONS.—For purposes of this section:

10 (1) The term “loan guarantee” means any
11 guarantee, insurance, or other pledge with respect to
12 the payment of all or a part of the principal or inter-
13 est on any debt obligation of a non-Federal borrower
14 to a non-Federal lender, but does not include the in-
15 surance of deposits, shares, or other withdrawable
16 accounts in financial institutions.

17 (2) The term “loan guarantee commitment”
18 means a binding agreement by the Secretary of En-
19 ergy to make a loan guarantee when specified condi-
20 tions are fulfilled by the borrower, the lender, or any
21 other party to the guarantee agreement.

22 (3) The term “modification” means any Gov-
23 ernment action that alters the estimated cost of an
24 outstanding loan guarantee (or loan guarantee com-
25 mitment) from the current estimate of cash flows.

1 This includes the sale of loan assets, with or without
 2 recourse, and the purchase of guaranteed loans. This
 3 also includes any action resulting from new legisla-
 4 tion, or from the exercise of administrative discre-
 5 tion under existing law, that directly or indirectly al-
 6 ters the estimated cost of outstanding loan guaran-
 7 tees (or loan guarantee commitments) such as a
 8 change in collection procedures.

9 **SEC. 5. PERMANENT EXTENSION OF RESEARCH**
 10 **CREDIT.**

11 (a) IN GENERAL.—Section 41 of the Internal Rev-
 12 enue Code of 1986 (relating to credit for increasing re-
 13 search activities) is amended by striking subsection (h).

14 (b) CONFORMING AMENDMENT.—Paragraph (1) of
 15 section 45C(b) of such Code is amended by striking sub-
 16 paragraph (D).

17 (c) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to amounts paid or incurred after
 19 the date of the enactment of this Act.

20 **SEC. 6. INCREASE IN RATES OF ALTERNATIVE INCRE-**
 21 **MENTAL CREDIT.**

22 (a) IN GENERAL.—Subparagraph (A) of section
 23 41(c)(4) of the Internal Revenue Code of 1986 (relating
 24 to election of alternative incremental credit) is amended—

1 (1) by striking “2.65 percent” and inserting “3
2 percent”,

3 (2) by striking “3.2 percent” and inserting “4
4 percent”, and

5 (3) by striking “3.75 percent” and inserting “5
6 percent”.

7 (b) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years ending after the
9 date of the enactment of this Act.

10 **SEC. 7. EXCLUSION OF QUALIFIED FUEL-EFFICIENT VEHI-**
11 **CLES FROM CALCULATION OF AVERAGE**
12 **FUEL ECONOMY OF A MANUFACTURER.**

13 Section 32904(a) of title 49, United States Code, is
14 amended by adding at the end the following:

15 “(3) In calculating the average fuel economy of a
16 manufacturer under paragraph (1), the Administrator
17 shall not consider any automobile manufactured by the
18 manufacturer for which a credit is allowed under section
19 38(a)(16) of the Internal Revenue Code of 1986.”.

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