

109TH CONGRESS  
1ST SESSION

# H. R. 2665

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.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 26, 2005

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

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## 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.

6           (3) In 1973 OPEC placed an embargo on sales  
7           of oil to the United States, creating severe oil short-  
8           ages and driving up oil prices in the United States.  
9           OPEC's action was a major factor in the recession  
10          which followed shortly thereafter.

11          (4) Under the "Carter Doctrine", announced by  
12          President Carter in 1980, "An attempt by any out-  
13          side forces to gain control of the Persian Gulf region  
14          will be regarded as an assault on the vital interests  
15          of the United States of America, and such an as-  
16          sault will be repelled by any means necessary, in-  
17          cluding military force."

18          (5) Following the Iraqi invasion of Kuwait in  
19          1990, the United States sent more than 500,000  
20          troops to the Persian Gulf to expel the Iraqi troops,  
21          liberate Kuwait, protect Saudi Arabia, and ensure  
22          access to Persian Gulf oil.

23          (6) Many major oil producing nations do not  
24          share United States values of democracy, freedom of

1 expression, thought, and religion, and equality for  
2 women.

3 (7) During the Afghanistan conflict and the  
4 war on terrorism, many oil producing nations did  
5 not openly support the United States campaign to  
6 end the terror, and many of the terrorists of Sep-  
7 tember 11 came from major OPEC nations.

8 (8) It is in the highest national security inter-  
9 ests of the United States to substantially reduce our  
10 dependence on oil as soon as possible, to secure our  
11 access to oil supplies, and to reduce our dependence  
12 on nations which do not share our interests and val-  
13 ues.

14 (9) Because most oil is consumed by the trans-  
15 portation sector, reduction of our dependence on oil  
16 can only come from major increases in fuel efficiency  
17 in cars, sport utility vehicles, light trucks, and other  
18 vehicles.

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

20 (a) IN GENERAL.—Subpart B of part IV of sub-  
21 chapter A of chapter 1 of the Internal Revenue Code of  
22 1986 (relating to foreign tax credit, etc.) is amended by  
23 adding at the end the following:

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

25 **“(a) ALLOWANCE OF CREDIT.—**

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

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

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

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

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

19          “(c) QUALIFIED FUEL-EFFICIENT VEHICLE.—For  
 20          purposes of this section, the term ‘qualified fuel-efficient  
 21          vehicle’ means a motor vehicle (as defined in section  
 22          30(c)(2))—

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

1 “(2) which is—

2 “(A) an automobile (as defined in section  
3 4064(b)), or

4 “(B) a truck or van with an unloaded  
5 gross vehicle weight rating not greater than  
6 7,500 pounds, and

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

13 “(d) SPECIAL RULES.—

14 “(1) BASIS REDUCTION.—The basis of any  
15 property for which a credit is allowable under sub-  
16 section (a) shall be reduced by the amount of such  
17 credit.

18 “(2) RECAPTURE.—The Secretary shall, by reg-  
19 ulations, provide for recapturing the benefit of any  
20 credit allowable under subsection (a) with respect to  
21 any property which ceases to be property eligible for  
22 such credit.

23 “(3) PROPERTY USED OUTSIDE UNITED  
24 STATES, ETC. NOT QUALIFIED.—No credit shall be  
25 allowed under subsection (a) with respect to any

1 property referred to in section 50(b) or with respect  
 2 to the portion of the cost of any property taken into  
 3 account under section 30, 179, or 179A.

4 “(e) CARRYFORWARD OF UNUSED CREDITS.—If the  
 5 credit allowable under subsection (a) for any taxable year  
 6 exceeds—

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

10 “(2) the tentative minimum tax for the taxable  
 11 year,

12 such excess shall be carried to the succeeding taxable year  
 13 and added to the credit allowable under subsection (a) for  
 14 such taxable year.”.

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

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

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

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

22 (a) IN GENERAL.—Subpart D of part IV of sub-  
 23 chapter A of chapter 1 of the Internal Revenue Code of  
 24 1986 (relating to business-related credits) is amended by  
 25 adding at the end the following new section:

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

2       “(a) GENERAL RULE.—For purposes of section 38,  
3 the fuel-efficient vehicle assembly credit determined under  
4 this section for the taxable year is an amount equal to  
5 the product of \$2,000 and the number of qualified fuel-  
6 efficient vehicles manufactured or produced in the United  
7 States by the taxpayer during the taxable year for their  
8 1st retail sale.

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

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

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

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

24       (c) CONFORMING AMENDMENT.—The table of sec-  
25 tions for subpart D of part IV of subchapter A of chapter  
26 1 of the Internal Revenue Code of 1986 is amended by

1 inserting after the item relating to section 45F the fol-  
2 lowing new item:

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

3 (d) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to taxable years ending after the  
5 date of the enactment of this Act.

6 **SEC. 4. LOAN GUARANTEES.**

7 (a) **GENERAL AUTHORITY.**—The Secretary of Energy  
8 may provide loan guarantees to manufacturers of motor  
9 vehicles or of motor vehicle engines for the purposes de-  
10 scribed in subsection (b).

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

18 (c) **AGGREGATE AMOUNT OF LOAN GUARANTEES.**—  
19 The aggregate amount of loans that may be guaranteed  
20 under this section at any one time shall not exceed  
21 \$1,000,000,000.

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



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

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

12       (g) APPLICATIONS.—The Secretary shall prescribe  
13 the form and contents required of applications for assist-  
14 ance under this section, to enable the Secretary to deter-  
15 mine the eligibility of the applicant’s proposal, and shall  
16 establish terms and conditions for loan guarantees made  
17 under this section.

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

22       (i) MODIFICATIONS.—The Secretary may approve the  
23 modification of any term or condition of a loan guarantee  
24 or loan guarantee commitment, including the rate of inter-

1 est, time of payment of interest or principal, or security  
2 requirements, if the Secretary finds in writing that—

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

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

7 (j) DEFAULT.—The Secretary shall prescribe regula-  
8 tions setting forth procedures in the event of default on  
9 a loan guaranteed under this section. The Secretary shall  
10 ensure that each loan guarantee made under this section  
11 contains terms and conditions that provide that—

12 (1) if a payment of principal or interest under  
13 the loan is in default for more than 30 days, the  
14 Secretary shall pay to the holder of the obligation,  
15 or the holder's agent, the amount of unpaid guaran-  
16 teed interest;

17 (2) if the default has continued for more than  
18 90 days, the Secretary shall pay to the holder of the  
19 obligation, or the holder's agent, 90 percent of the  
20 unpaid guaranteed principal;

21 (3) after final resolution of the default, through  
22 liquidation or otherwise, the Secretary shall pay to  
23 the holder of the obligation, or the holder's agent,  
24 any remaining amounts guaranteed but which were  
25 not recovered through the default's resolution;

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

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

12          (k) RIGHTS OF THE SECRETARY.—

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

19           (2) DISPOSITION OF PROPERTY.—The Sec-  
20           retary may complete, recondition, reconstruct, ren-  
21           ovate, repair, maintain, operate, charter, rent, sell,  
22           or otherwise dispose of any property or other inter-  
23           ests obtained pursuant to this section. The Secretary  
24           shall not be subject to any Federal or State regu-

1 latory requirements when carrying out this para-  
2 graph.

3 (l) ACTION AGAINST OBLIGOR.—The Secretary may  
4 bring a civil action in an appropriate Federal court in the  
5 name of the holder of the obligation in the event of a de-  
6 fault on a loan guaranteed under this section. The holder  
7 of a guarantee shall make available to the Secretary all  
8 records and evidence necessary to prosecute the civil ac-  
9 tion. The Secretary may accept property in full or partial  
10 satisfaction of any sums owed as a result of a default.  
11 If the Secretary receives, through the sale or other disposi-  
12 tion of such property, an amount greater than the aggre-  
13 gate of—

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

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

18 the Secretary shall pay such excess to the obligor.

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

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

5       (o) INVESTIGATION CHARGE.—The Secretary may  
6 charge and collect from each applicant a reasonable charge  
7 for appraisal of the value of the equipment or facilities  
8 for which the loan guarantee is sought, and for making  
9 necessary determinations and findings. Such charge shall  
10 not aggregate more than one-half of 1 percent of the prin-  
11 cipal amount of the obligation.

12       (p) AUTHORIZATION OF APPROPRIATIONS.—There  
13 are authorized to be appropriated to the Secretary of En-  
14 ergy for carrying out this section such sums as may be  
15 necessary for fiscal years 2006 through 2010.

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

17           (1) The term “loan guarantee” means any  
18 guarantee, insurance, or other pledge with respect to  
19 the payment of all or a part of the principal or inter-  
20 est on any debt obligation of a non-Federal borrower  
21 to a non-Federal lender, but does not include the in-  
22 surance of deposits, shares, or other withdrawable  
23 accounts in financial institutions.

24           (2) The term “loan guarantee commitment”  
25 means a binding agreement by the Secretary of En-

1       ergy to make a loan guarantee when specified condi-  
2       tions are fulfilled by the borrower, the lender, or any  
3       other party to the guarantee agreement.

4           (3) The term “modification” means any Gov-  
5       ernment action that alters the estimated cost of an  
6       outstanding loan guarantee (or loan guarantee com-  
7       mitment) from the current estimate of cash flows.  
8       This includes the sale of loan assets, with or without  
9       recourse, and the purchase of guaranteed loans. This  
10      also includes any action resulting from new legisla-  
11      tion, or from the exercise of administrative discre-  
12      tion under existing law, that directly or indirectly al-  
13      ters the estimated cost of outstanding loan guaran-  
14      tees (or loan guarantee commitments) such as a  
15      change in collection procedures.

16 **SEC. 5. PERMANENT EXTENSION OF RESEARCH**  
17 **CREDIT.**

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

21       (b) CONFORMING AMENDMENT.—Paragraph (1) of  
22      section 45C(b) of such Code is amended by striking sub-  
23      paragraph (D).

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

4 **SEC. 6. INCREASE IN RATES OF ALTERNATIVE INCRE-**  
 5 **MENTAL CREDIT.**

6 (a) IN GENERAL.—Subparagraph (A) of section  
 7 41(c)(4) of the Internal Revenue Code of 1986 (relating  
 8 to election of alternative incremental credit) is amended—

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

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

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

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

18 **SEC. 7. EXCLUSION OF QUALIFIED FUEL-EFFICIENT VEHI-**  
 19 **CLES FROM CALCULATION OF AVERAGE**  
 20 **FUEL ECONOMY OF A MANUFACTURER.**

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

23 “(3) In calculating the average fuel economy of a  
 24 manufacturer under paragraph (1), the Administrator  
 25 shall not consider any automobile manufactured by the

- 1 manufacturer for which a credit is allowed under section
- 2 38(a)(16) of the Internal Revenue Code of 1986.”.

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