

109TH CONGRESS  
1ST SESSION

# H. R. 3152

To amend the Internal Revenue Code of 1986 to provide tax incentives  
for the production of qualified hybrid motor vehicles.

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IN THE HOUSE OF REPRESENTATIVES

JUNE 30, 2005

Mr. CARNAHAN 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  
tax incentives for the production of qualified hybrid  
motor 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. QUALIFIED HYBRID MOTOR VEHICLE CREDITS.**

4 (a) QUALIFIED HYBRID MOTOR VEHICLE PUR-  
5 CHASERS CREDIT.—

6 (1) IN GENERAL.—Subpart B of part IV of  
7 subchapter A of chapter 1 of the Internal Revenue  
8 Code of 1986 (relating to other credits) is amended  
9 by adding at the end the following:

1 **“SEC. 30B. QUALIFIED HYBRID MOTOR VEHICLE PUR-**  
 2 **CHASERS CREDIT.**

3 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
 4 lowed as a credit against the tax imposed by this chapter  
 5 for the taxable year an amount equal to 65 percent of the  
 6 sum of the credit amounts determined under subsection  
 7 (b) with respect each qualified hybrid motor vehicle placed  
 8 in service by the taxpayer during the taxable year.

9 “(b) CREDIT AMOUNT.—For purposes of subsection  
 10 (a)—

11 “(1) FUEL ECONOMY.—The credit amount de-  
 12 termined under this paragraph shall be determined  
 13 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 “(2) CONSERVATION CREDIT.—The amount de-  
 15 termined under paragraph (1) with respect to any  
 16 vehicle shall be increased in accordance with the fol-  
 17 lowing table:

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

**“In the case of a vehicle  
which achieves a lifetime  
fuel savings (expressed in  
gallons of gasoline) of—**

**The credit amount  
shall be increased by—**

At least 2,400 but less than 3,000 .....	\$750
At least 3,000 .....	\$1,000.

1       “(c) NEW QUALIFIED HYBRID MOTOR VEHICLE.—

2 For purposes of this section—

3           “(1) IN GENERAL.—The term ‘new qualified  
4 hybrid motor vehicle’ means a motor vehicle—

5           “(A) which draws propulsion energy from  
6 onboard sources of stored energy which are  
7 both—

8           “(i) an internal combustion or heat  
9 engine using consumable fuel, and

10           “(ii) a rechargeable energy storage  
11 system,

12           “(B) which has received a certificate of  
13 conformity under the Clean Air Act and meets  
14 or exceeds the equivalent qualifying California  
15 low emission vehicle standard under section  
16 243(e)(2) of the Clean Air Act for that make  
17 and model year, and—

18           “(i) in the case of a vehicle having a  
19 gross vehicle weight rating of 6,000  
20 pounds or less, the Bin 5 Tier II emission  
21 standard established in regulations pre-  
22 scribed by the Administrator of the Envi-

1           ronmental Protection Agency under section  
2           202(i) of the Clean Air Act for that make  
3           and model year vehicle, and

4                   “(ii) in the case of any other vehicle,  
5           the Bin 8 Tier II emission standard which  
6           is so established,

7                   “(C) which is a passenger automobile or  
8           light truck with a gross vehicle weight rating of  
9           not more than 8,500 pounds,

10                   “(D) which has a maximum available  
11           power of at least 4 percent,

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

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

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

17                   “(2) CONSUMABLE FUEL.—For purposes of  
18           paragraph (1)(A)(i), the term ‘consumable fuel’  
19           means any solid, liquid, or gaseous matter which re-  
20           leases energy when consumed by an auxiliary power  
21           unit.

22                   “(3) MAXIMUM AVAILABLE POWER.—The term  
23           ‘maximum available power’ means the maximum  
24           power available from the rechargeable energy stor-  
25           age system, during a standard 10 second pulse

1 power or equivalent test, divided by such maximum  
2 power and the SAE net power of the heat engine.

3 “(d) LIMITATION BASED ON AMOUNT OF TAX.—The  
4 credit allowed under subsection (a) for the taxable year  
5 shall not exceed the excess of—

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

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

11 “(e) OTHER DEFINITIONS AND SPECIAL RULES.—  
12 For purposes of this section—

13 “(1) MOTOR VEHICLE.—The term ‘motor vehi-  
14 cle’ has the meaning given such term by section  
15 30(c)(2).

16 “(2) OTHER TERMS.—The terms ‘automobile’,  
17 ‘passenger automobile’, ‘light truck’, and ‘manufac-  
18 turer’ have the meanings given such terms in regula-  
19 tions prescribed by the Administrator of the Envi-  
20 ronmental Protection Agency for purposes of the ad-  
21 ministration of title II of the Clean Air Act (42  
22 U.S.C. 7521 et seq.).

23 “(3) 2002 MODEL YEAR CITY FUEL ECON-  
24 OMY.—

1                   “(A) IN GENERAL.—The 2002 model year  
 2                   city fuel economy with respect to a vehicle shall  
 3                   be determined in accordance with the following  
 4                   tables:

5                                   “(i) In the case of a passenger auto-  
 6                   mobile:

<b>“If vehicle inertia weight class is:</b>	<b>The 2002 model year city fuel economy 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.

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

<b>“If vehicle inertia weight class is:</b>	<b>The 2002 model year city fuel 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
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.

8                                   “(B) VEHICLE INERTIA WEIGHT CLASS.—  
 9                   For purposes of subparagraph (A), the term  
 10                   ‘vehicle inertia weight class’ has the same

1 meaning as when defined in regulations pre-  
2 scribed by the Administrator of the Environ-  
3 mental Protection Agency for purposes of the  
4 administration of title II of the Clean Air Act  
5 (42 U.S.C. 7521 et seq.).

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

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

16 “(6) NO DOUBLE BENEFIT.—The amount of  
17 any deduction or credit allowable under this chapter  
18 (other than the credits allowable under this section  
19 and section 30) shall be reduced by the amount of  
20 credit allowed under subsection (a) for such vehicle  
21 for the taxable year.

22 “(7) RECAPTURE.—The Secretary shall, by reg-  
23 ulations, provide for recapturing the benefit of any  
24 credit allowable under subsection (a) with respect to  
25 any property which ceases to be property eligible for

1 such credit (including recapture in the case of a  
2 lease period of less than the economic life of a vehi-  
3 cle).

4 “(8) PROPERTY USED OUTSIDE UNITED  
5 STATES, ETC., NOT QUALIFIED.—No credit shall be  
6 allowed under subsection (a) with respect to any  
7 property referred to in section 50(b) or with respect  
8 to the portion of the cost of any property taken into  
9 account under section 179.

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

14 “(10) BUSINESS CARRYOVERS ALLOWED.—If  
15 the credit allowable under subsection (a) for a tax-  
16 able year exceeds the limitation under subsection (d)  
17 for such taxable year, such excess (to the extent of  
18 the credit allowable with respect to property subject  
19 to the allowance for depreciation) shall be allowed as  
20 a credit carryback and carryforward under rules  
21 similar to the rules of section 39.

22 “(11) INTERACTION WITH MOTOR VEHICLE  
23 SAFETY STANDARDS.—Unless otherwise provided in  
24 this section, a motor vehicle shall not be considered  
25 eligible for a credit under this section unless such

1 vehicle is in compliance with the motor vehicle safety  
2 provisions of sections 30101 through 30169 of title  
3 49, United States Code.

4 “(f) REGULATIONS.—

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

8 “(2) DETERMINATION OF MOTOR VEHICLE ELI-  
9 GIBILITY.—The Secretary, after coordination with  
10 the Secretary of Transportation and the Adminis-  
11 trator of the Environmental Protection Agency, shall  
12 prescribe such regulations as necessary to determine  
13 whether a motor vehicle meets the requirements to  
14 be eligible for a credit under this section.

15 “(g) TERMINATION.—This section shall not apply to  
16 any property placed in service after December 31, 2009.”.

17 (2) CONFORMING AMENDMENTS.—

18 (A) Section 30(d) of such Code (relating to  
19 special rules) is amended by adding at the end  
20 the following new paragraph:

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

24 (B) Section 1016(a) of such Code is  
25 amended by striking “and” at the end of para-

1 graph (30), by striking the period at the end of  
2 paragraph (31) and inserting “, and”, and by  
3 adding at the end the following:

4 “(32) to the extent provided in section  
5 30B(e)(7).”.

6 (C) Section 6501(m) of such Code is  
7 amended by inserting “30B(e)(9),” after  
8 “30(d)(4),”.

9 (D) The table of sections for subpart B of  
10 part IV of subchapter A of chapter 1 of such  
11 Code is amended by inserting after the item re-  
12 lating to section 30A the following:

“Sec. 30B. Qualified hybrid motor vehicle purchasers credit.”.

13 (3) EFFECTIVE DATE.—The amendments made  
14 by this section shall apply to property placed in serv-  
15 ice after the date of the enactment of this Act, in  
16 taxable years ending after such date.

17 (4) STICKER INFORMATION REQUIRED AT RE-  
18 TAIL SALE.—

19 (A) IN GENERAL.—The Secretary of the  
20 Treasury shall issue regulations under which  
21 each qualified vehicle sold at retail shall display  
22 a notice—

23 (i) that such vehicle is a qualified ve-  
24 hicle, and

1 (ii) that the buyer may not benefit  
2 from the credit allowed under section 30B  
3 of the Internal Revenue Code of 1986 if  
4 such buyer has insufficient tax liability.

5 (B) QUALIFIED VEHICLE.—For purposes  
6 of paragraph (1), the term “qualified vehicle”  
7 means a vehicle with respect to which a credit  
8 is allowed under section 30B of the Internal  
9 Revenue Code of 1986.

10 (b) QUALIFIED HYBRID MOTOR VEHICLE MANUFAC-  
11 TURERS CREDIT.—

12 (1) IN GENERAL.—Subpart D of part IV of  
13 subchapter A of chapter 1 of the Internal Revenue  
14 Code of 1986 (relating to business related credits) is  
15 amended by adding at the end the following new sec-  
16 tion:

17 **“SEC. 45J. QUALIFIED HYBRID MOTOR VEHICLE MANUFAC-**  
18 **TURERS CREDIT.**

19 “(a) IN GENERAL.—For purposes of section 38, the  
20 qualified hybrid motor vehicle manufacturers credit deter-  
21 mined under this section is 35 percent of the sum of the  
22 credit amounts determined under section 30B(b) with re-  
23 spect to each qualified hybrid motor vehicle produced by  
24 the taxpayer.

1       “(b) DEFINITIONS.—For purposes of this section,  
2 any term used in this section which is also used in section  
3 30B shall have the meaning given such term by section  
4 30B.”.

5           (2) CREDIT TREATED AS BUSINESS CREDIT.—  
6 Section 38(b) of such Code is amended by striking  
7 “plus” at the end of paragraph (18), by striking the  
8 period at the end of paragraph (19) and inserting “,  
9 plus”, and by adding at the end the following new  
10 paragraph:

11           “(20) the qualified hybrid motor vehicle manu-  
12 facturers credit determined under section 45J(a).”.

13           (3) CLERICAL AMENDMENT.—The table of sec-  
14 tions for subpart D of part IV of subchapter A of  
15 chapter 1 of such Code is amended by adding at the  
16 end the following new item:

“Sec. 45J. Qualified hybrid motor vehicle manufacturers credit.”.

17           (4) EFFECTIVE DATE.—The amendments made  
18 by this section shall apply to property produced after  
19 the date of the enactment of this Act, in taxable  
20 years ending after such date.

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