

111TH CONGRESS
1ST SESSION

H. R. 159

To amend the Internal Revenue Code of 1986 to allow an above-the-line deduction against individual income tax for interest on indebtedness and for State and local sales and excise taxes with respect to the purchase of certain motor vehicles.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 2009

Mr. PASCRELL (for himself, Mr. LATOURETTE, Mr. VAN HOLLEN, Mr. SIRES, Mr. LOBIONDO, Ms. JACKSON-LEE of Texas, Mr. MANZULLO, Mr. CONYERS, Mr. MCKEON, Mr. PAUL, Mr. RUPPERSBERGER, Mr. FARR, Mr. BRADY of Pennsylvania, Mrs. MYRICK, Mr. REICHERT, Mr. AL GREEN of Texas, Mr. PLATTS, Mr. KAGEN, Mr. CAMPBELL, Mr. MOLLOHAN, and Mr. HOLT) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow an above-the-line deduction against individual income tax for interest on indebtedness and for State and local sales and excise taxes with respect to the purchase of certain motor vehicles.

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

1 **SECTION 1. ABOVE-THE-LINE DEDUCTION FOR INTEREST**
 2 **ON INDEBTEDNESS WITH RESPECT TO THE**
 3 **PURCHASE OF CERTAIN MOTOR VEHICLES.**

4 (a) IN GENERAL.—Paragraph (2) of section 163(h)
 5 of the Internal Revenue Code of 1986 is amended—

6 (1) by striking “and” at the end of subpara-
 7 graph (E),

8 (2) by striking the period at the end of sub-
 9 paragraph (F) and inserting “, and”, and

10 (3) by adding at the end the following new sub-
 11 paragraph:

12 “(G) any qualified motor vehicle interest
 13 (within the meaning of paragraph (5)).”.

14 (b) QUALIFIED MOTOR VEHICLE INTEREST.—Sec-
 15 tion 163(h) of the Internal Revenue Code of 1986 is
 16 amended by adding at the end the following new para-
 17 graph:

18 “(6) QUALIFIED MOTOR VEHICLE INTEREST.—
 19 For purposes of this subsection—

20 “(A) IN GENERAL.—The term ‘qualified
 21 motor vehicle interest’ means any interest which
 22 is paid or accrued during the taxable year on
 23 any indebtedness which—

24 “(i) is incurred after November 12,
 25 2008, and before January 1, 2010, in ac-

quiring any qualified motor vehicle of the taxpayer, and

“(ii) is secured by such qualified motor vehicle.

Such term also includes any indebtedness secured by such qualified motor vehicle resulting from the refinancing of indebtedness meeting the requirements of the preceding sentence (or this sentence); but only to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced indebtedness.

“(B) DOLLAR LIMITATION.—The aggregate amount of indebtedness treated as described in subparagraph (A) for any period shall not exceed \$49,500 (\$24,750 in the case of a separate return by a married individual).

“(C) INCOME LIMITATION.—The amount otherwise treated as interest under subparagraph (A) for any taxable year (after the application of subparagraph (B)) shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which is so treated as—

“(i) the excess (if any) of—

1 “(I) the taxpayer’s modified ad-
2 justed gross income for such taxable
3 year, over

4 “(II) \$125,000 (\$250,000 in the
5 case of a joint return), bears to

6 “(ii) \$10,000.

7 For purposes of the preceding sentence, the
8 term ‘modified adjusted gross income’ means
9 the adjusted gross income of the taxpayer for
10 the taxable year increased by any amount ex-
11 cluded from gross income under section 911,
12 931, or 933.

13 “(D) QUALIFIED MOTOR VEHICLE.—The
14 term ‘qualified motor vehicle’ means a pas-
15 senger automobile (within the meaning of sec-
16 tion 30B(h)(3)) or a light truck (within the
17 meaning of such section)—

18 “(i) which is acquired for use by the
19 taxpayer and not for resale after November
20 12, 2008, and before January 1, 2010,

21 “(ii) the original use of which com-
22 mences with the taxpayer, and

23 “(iii) which has a gross vehicle weight
24 rating of not more than 8,500 pounds.”.

1 (c) DEDUCTION ALLOWED ABOVE-THE-LINE.—Sec-
 2 tion 62(a) of the Internal Revenue Code of 1986 is amend-
 3 ed by inserting after paragraph (21) the following new
 4 paragraph:

5 “(22) QUALIFIED MOTOR VEHICLE INTER-
 6 EST.—The deduction allowed under section 163 by
 7 reason of subsection (h)(2)(G) thereof.”.

8 (d) REPORTING OF QUALIFIED MOTOR VEHICLE IN-
 9 TEREST.—

10 (1) IN GENERAL.—Subpart B of part III of
 11 subchapter A of chapter 61 of the Internal Revenue
 12 Code of 1986 is amended by adding at the end the
 13 following new section:

14 **“SEC. 6050X. RETURNS RELATING TO QUALIFIED MOTOR**
 15 **VEHICLE INTEREST RECEIVED IN TRADE OR**
 16 **BUSINESS FROM INDIVIDUALS.**

17 “(a) QUALIFIED MOTOR VEHICLE INTEREST.—Any
 18 person—

19 “(1) who is engaged in a trade or business, and

20 “(2) who, in the course of such trade or busi-
 21 ness, receives from any individual interest aggre-
 22 gating \$600 or more for any calendar year on any
 23 indebtedness secured by a qualified motor vehicle (as
 24 defined in section 163(h)(6)(D)),

1 shall make the return described in subsection (b) with re-
2 spect to each individual from whom such interest was re-
3 ceived at such time as the Secretary may by regulations
4 prescribe.

5 “(b) FORM AND MANNER OF RETURNS.—A return
6 is described in this subsection if such return—

7 “(1) is in such form as the Secretary may pre-
8 scribe,

9 “(2) contains—

10 “(A) the name and address of the indi-
11 vidual from whom the interest described in sub-
12 section (a)(2) was received,

13 “(B) the amount of such interest received
14 for the calendar year, and

15 “(C) such other information as the Sec-
16 retary may prescribe.

17 “(c) APPLICATION TO GOVERNMENTAL UNITS.—For
18 purposes of subsection (a)—

19 “(1) TREATED AS PERSONS.—The term ‘per-
20 son’ includes any governmental unit (and any agency
21 or instrumentality thereof).

22 “(2) SPECIAL RULES.—In the case of a govern-
23 mental unit or any agency or instrumentality there-
24 of—

1 “(A) subsection (a) shall be applied with-
2 out regard to the trade or business requirement
3 contained therein, and

4 “(B) any return required under subsection
5 (a) shall be made by the officer or employee ap-
6 propriately designated for the purpose of mak-
7 ing such return.

8 “(d) STATEMENTS TO BE FURNISHED TO INDIVID-
9 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
10 QUIRED.—Every person required to make a return under
11 subsection (a) shall furnish to each individual whose name
12 is required to be set forth in such return a written state-
13 ment showing—

14 “(1) the name, address, and phone number of
15 the information contact of the person required to
16 make such return, and

17 “(2) the aggregate amount of interest described
18 in subsection (a)(2) received by the person required
19 to make such return from the individual to whom
20 the statement is required to be furnished.

21 The written statement required under the preceding sen-
22 tence shall be furnished on or before January 31 of the
23 year following the calendar year for which the return
24 under subsection (a) was required to be made.

1 “(e) RETURNS WHICH WOULD BE REQUIRED TO BE
 2 MADE BY 2 OR MORE PERSONS.—Except to the extent
 3 provided in regulations prescribed by the Secretary, in the
 4 case of interest received by any person on behalf of an-
 5 other person, only the person first receiving such interest
 6 shall be required to make the return under subsection
 7 (a).”.

8 (2) AMENDMENTS RELATING TO PENALTIES.—

9 (A) Section 6721(e)(2)(A) of such Code is
 10 amended by striking “or 6050L” and inserting
 11 “6050L, or 6050X”.

12 (B) Section 6722(c)(1)(A) of such Code is
 13 amended by striking “or 6050L(c)” and insert-
 14 ing “6050L(c), or 6050X(d)”.

15 (C) Subparagraph (B) of section
 16 6724(d)(1) of such Code is amended by redesignig-
 17 nating clauses (xvi) through (xxiii) as clauses
 18 (xvii) through (xxiv), respectively, and by in-
 19 serting after clause (xv) the following new
 20 clause:

21 “(xvi) section 6050X (relating to re-
 22 turns relating to qualified motor vehicle in-
 23 terest received in trade or business from
 24 individuals),”.

(D) Paragraph (2) of section 6724(d) of such Code is amended by striking the period at the end of subparagraph (EE) and inserting a comma, by striking the period at the end of subparagraph (FF) and inserting “, or”, and by inserting after subparagraph (FF) the following new subparagraph:

“(GG) section 6050X(d) (relating to returns relating to qualified motor vehicle interest received in trade or business from individuals).”.

(3) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code is amended by inserting after the item relating to section 6050W the following new item:

“Sec. 6050X. Returns relating to qualified motor vehicle interest received in trade or business from individuals.”.

SEC. 2. ABOVE-THE-LINE DEDUCTION FOR STATE AND LOCAL SALES TAX AND EXCISE TAX ON THE PURCHASE OF CERTAIN MOTOR VEHICLES.

(a) IN GENERAL.—Subsection (a) of section 164 of the Internal Revenue Code of 1986 is amended by inserting after paragraph (5) the following new paragraph:

“(6) Qualified motor vehicle taxes.”.

1 (b) QUALIFIED MOTOR VEHICLE TAXES.—Sub-
 2 section (b) of section 164 of the Internal Revenue Code
 3 of 1986 is amended by adding at the end the following
 4 new paragraph:

5 “(6) QUALIFIED MOTOR VEHICLE TAXES.—

6 “(A) IN GENERAL.—For purposes of this
 7 section, the term ‘qualified motor vehicle taxes’
 8 means any State or local sales or excise tax im-
 9 posed on the purchase of a qualified motor vehi-
 10 cle (as defined in section 163(h)(6)(D)).

11 “(B) INCOME LIMITATION.—The amount
 12 otherwise taken into account under subpara-
 13 graph (A) for any taxable year shall be reduced
 14 (but not below zero) by the amount which bears
 15 the same ratio to the amount which is so treat-
 16 ed as—

17 “(i) the excess (if any) of—

18 “(I) the taxpayer’s modified ad-
 19 justed gross income for such taxable
 20 year, over

21 “(II) \$125,000 (\$250,000 in the
 22 case of a joint return), bears to

23 “(ii) \$10,000.

24 For purposes of the preceding sentence, the
 25 term ‘modified adjusted gross income’ means

1 the adjusted gross income of the taxpayer for
 2 the taxable year increased by any amount ex-
 3 cluded from gross income under section 911,
 4 931, or 933.

5 “(C) QUALIFIED MOTOR VEHICLE TAXES
 6 NOT INCLUDED IN COST OF ACQUIRED PROP-
 7 ERTY.—The last sentence of subsection (a)
 8 shall not apply to any qualified motor vehicle
 9 taxes.

10 “(D) COORDINATION WITH GENERAL
 11 SALES TAX.—This paragraph shall not apply in
 12 the case of a taxpayer who makes an election
 13 under paragraph (5) for the taxable year.”.

14 (c) CONFORMING AMENDMENTS.—Paragraph (5) of
 15 section 163(h) of the Internal Revenue Code of 1986, as
 16 added by section 1, is amended—

17 (1) by adding at the end the following new sub-
 18 paragraph:

19 “(E) EXCLUSION.—If the indebtedness de-
 20 scribed in subparagraph (A) includes the
 21 amounts of any State or local sales or excise
 22 taxes paid or accrued by the taxpayer in con-
 23 nection with the acquisition of a qualified motor
 24 vehicle, the aggregate amount of such indebted-
 25 ness taken into account under such subpara-

1 graph shall be reduced, but not below zero, by
2 the amount of any such taxes for which a de-
3 duction is allowed under section 164(a) by rea-
4 son of paragraph (6) thereof.”, and

5 (2) by inserting “, after the application of sub-
6 paragraph (E),” after “for any period” in subpara-
7 graph (B).

8 (d) DEDUCTION ALLOWED ABOVE-THE-LINE.—Sec-
9 tion 62(a) of the Internal Revenue Code of 1986, as
10 amended by section 1, is amended by inserting after para-
11 graph (22) the following new paragraph:

12 “(23) QUALIFIED MOTOR VEHICLE TAXES.—
13 The deduction allowed under section 164 by reason
14 of subsection (a)(6) thereof.”.

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