

111TH CONGRESS
2D SESSION

H. R. 4897

To amend the Internal Revenue Code of 1986 to allow a deduction for interest paid on indebtedness incurred in connection with the purchase of a new automobile or light truck.

IN THE HOUSE OF REPRESENTATIVES

MARCH 21, 2010

Ms. RICHARDSON 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 a deduction for interest paid on indebtedness incurred in connection with the purchase of a new automobile or light truck.

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 “Drivers Accelerated
5 Interest Deductibility Act of 2010” or the “Drivers AID
6 Act”.

7 **SEC. 2. FINDINGS.**

8 Congress finds the following:

1 (1) The economic health and well-being of the
2 United States depends on a strong and resurgent
3 automotive industry. Until 2008, automotive sales
4 historically accounted for approximately 20 percent
5 of all retail spending in the United States, and pro-
6 vided the income and financial security for millions
7 of Americans.

8 (2) From June 2006 through May 2008, the
9 seasonally adjusted annual rate of automotive sales
10 ranged from a high of approximately 17,500,000
11 units in June 2006 to a low of 14,200,000 units in
12 May 2008, substantially above the 13,000,000 unit
13 seasonally adjusted annual rate generally regarded
14 to be the indicator of a robust automotive industry.

15 (3) Beginning in June 2008 and continuing
16 through the present, the seasonally adjusted annual
17 rate of automotive sales has averaged less than
18 10,000,000 units and has exceeded that number in
19 only three months and has not in any matched or
20 exceeded the 13,000,000 unit seasonally adjusted
21 annual rate threshold.

22 (4) The annual contributions of the automotive
23 new vehicle dealers industry to the national economy
24 are substantial. In 2008, the average sales revenue
25 for the approximately 20,000 new automobile dealers

1 in the United States was \$28,800,000 and the total
2 sales of all new-vehicle dealerships in the United
3 States was \$576,000,000,000 which constituted 14.6
4 percent of total retail sales in the United States.

5 (5) In 2008, the 1,057,500 persons employed in
6 new-vehicle dealerships in the United States, an av-
7 erage of 53 employees per dealership, earned on av-
8 erage \$48,963 per year, generating a national pay-
9 roll of more than \$52,000,000,000 and \$2,660,000
10 per dealership and millions more in tax revenue for
11 State and local governments.

12 (6) Because a well capitalized, financially sound
13 dealer network is essential to the success of every
14 automobile manufacturer, especially a manufacturer
15 facing economic challenges, preserving the viability
16 of the new-vehicle dealer industry further the na-
17 tional economic interest of the United States.

18 (7) Because sales of new vehicles is highly de-
19 pendent on consumer confidence and the existence of
20 incentives to motivate consumers to purchase a new-
21 vehicle, a reduction in the cost of capital needed to
22 finance the purchase of a new vehicle over a period
23 of years will have a positive effect on the viability of
24 the new-vehicle dealer industry, which in turn will

1 strengthen the automotive manufacturing industry
2 and the national economy.

3 (8) Payment of nonmortgage interest payments,
4 such as automobile loan debt, was deductible for
5 Federal income tax purposes for 73 years, from the
6 inception of the Internal Revenue Code in 1913 until
7 Congress ended the deduction in 1986 when the Tax
8 Reform Act of 1986 was passed.

9 **SEC. 3. DEDUCTION FOR INTEREST ON INDEBTEDNESS IN-**
10 **CURRED TO ACQUIRE A PASSENGER CAR OR**
11 **LIGHT TRUCK.**

12 (a) IN GENERAL.—Paragraph (2) of section 163(h)
13 of the Internal Revenue Code of 1986 is amended by strik-
14 ing “and” at the end of subparagraph (E), by striking
15 the period at the end of subparagraph (F) and inserting
16 “, and”, and by adding at the end the following new sub-
17 paragraph:

18 “(G) in the case of the acquisition of a
19 qualified vehicle, any qualified vehicle interest
20 if, for the calendar quarter preceding the date
21 on which such vehicle is acquired, the average
22 national unemployment rate for such quarter is
23 not less than 7 percent.”.

1 (b) QUALIFIED VEHICLE INTEREST.—Paragraph (5)
2 of section 163(h) of the Internal Revenue Code of 1986
3 is amended to read as follows:

4 “(5) QUALIFIED VEHICLE INTEREST.—For pur-
5 poses of paragraph (2)(G) and this paragraph—

6 “(A) IN GENERAL.—The term ‘qualified
7 vehicle interest’ means any interest which—

8 “(i) is properly chargeable on indebt-
9 edness incurred in acquiring a qualified ve-
10 hicle, and

11 “(ii) is properly allocable to the 36-
12 month period described in subparagraph
13 (B)(ii).

14 “(B) LIMITATIONS.—

15 “(i) DOLLAR LIMITATION.—The
16 amount of interest taken into account
17 under this paragraph (after the application
18 of subparagraph (A)(ii)) with respect to a
19 qualified vehicle shall not exceed \$5,000.

20 “(ii) PERIOD LIMITATION.—Only in-
21 terest on such indebtedness properly allo-
22 cable to the 36-month period beginning on
23 the date such indebtedness is incurred may
24 be taken into account under this para-
25 graph.

“(C) QUALIFIED VEHICLE.—

“(i) IN GENERAL.—The term ‘qualified vehicle’ means a motor vehicle—

“(I) the original use of which commences with the taxpayer,

“(II) which is acquired for use by the taxpayer and not for resale,

“(III) with respect to which no payment is made under section 1302 of the Consumer Assistance to Recycle and Save Act of 2009,

“(IV) which is made by a manufacturer,

“(V) which is treated as a motor vehicle for purposes of title II of the Clean Air Act,

“(VI) which has a gross vehicle weight rating of 6,000 pounds or less, and

“(VII) which is a passenger automobile or light truck.

“(ii) MOTOR VEHICLE.—The term ‘motor vehicle’ means any vehicle which is manufactured primarily for use on public streets, roads, and highways (not including

1 a vehicle operated exclusively on a rail or
2 rails) and which has at least 4 wheels.

3 “(iii) OTHER TERMS.—The terms
4 ‘automobile’, ‘passenger automobile’, ‘light
5 truck’, and ‘manufacturer’ have the mean-
6 ings given such terms in regulations pre-
7 scribed by the Administrator of the Envi-
8 ronmental Protection Agency for purposes
9 of the administration of title II of the
10 Clean Air Act (42 U.S.C. 7521 et seq.).

11 “(D) AVERAGE NATIONAL UNEMPLOYMENT
12 RATE.—The average national unemployment
13 rate for a calendar quarter means the national
14 unemployment rate means the average of the
15 monthly national unemployment rates for
16 months in the calendar quarter, as reported by
17 the Bureau of Labor Statistics, Department of
18 Labor.”.

19 (c) DEDUCTION ALLOWED IN COMPUTING ADJUSTED
20 GROSS INCOME.—Subsection (a) of section 62 of such
21 Code is amended by inserting before the last sentence the
22 following new paragraph:

23 “(22) QUALIFIED VEHICLE INTEREST.—The
24 deduction allowed by reason of section 163(h)(5).”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to vehicles acquired
3 on or after January 1, 2008.

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