

110TH CONGRESS
2D SESSION

H. R. 6441

To amend the Internal Revenue Code of 1986 to provide tax incentives
for replacing an automobile with a more fuel-efficient automobile.

IN THE HOUSE OF REPRESENTATIVES

JULY 8, 2008

Mr. PAUL 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 provide
tax incentives for replacing an automobile with a more
fuel-efficient automobile.

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 “Energy Efficient and
5 Environmentally Friendly Automobile Tax Credit Act of
6 2008”.

7 **SEC. 2. CREDIT FOR REPLACING AN AUTOMOBILE WITH A**
8 **MORE FUEL-EFFICIENT AUTOMOBILE.**

9 (a) IN GENERAL.—Subpart B of part IV of sub-
10 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by inserting after section 30C the fol-
2 lowing new section:

3 **“SEC. 30D. CREDIT FOR REPLACING AN AUTOMOBILE WITH**
4 **A MORE FUEL-EFFICIENT AUTOMOBILE.**

5 “(a) IN GENERAL.—In the case of an eligible pur-
6 chase by an eligible taxpayer of a passenger automobile,
7 there shall be allowed as a credit against the tax imposed
8 by this chapter an amount equal to the lesser of—

9 “(1) the cost of the passenger automobile, or

10 “(2) \$2,000.

11 “(b) ELIGIBLE PURCHASE.—For purposes of this
12 section—

13 “(1) IN GENERAL.—The term ‘eligible pur-
14 chase’ means any purchase of a passenger auto-
15 mobile if—

16 “(A) the taxpayer sells another passenger
17 automobile within a reasonable period sur-
18 rounding such purchase, and

19 “(B) the average fuel economy of the pur-
20 chased automobile is at least 20 percent better
21 than the average fuel economy of the sold auto-
22 mobile.

23 “(2) PASSENGER AUTOMOBILE.—The term
24 ‘passenger automobile’ has the meaning given such
25 term in regulations prescribed by the Administrator

1 of the Environmental Protection Agency for pur-
2 poses of the administration of title II of the Clean
3 Air Act (42 U.S.C. 7521 et seq.). Such term in-
4 cludes a light truck (within the meaning of such reg-
5 ulations).

6 “(3) FUEL ECONOMY.—Average fuel economy
7 shall be determined as provided in section
8 30B(h)(2).

9 “(c) ELIGIBLE TAXPAYER.—For purposes of this sec-
10 tion—

11 “(1) IN GENERAL.—The term ‘eligible taxpayer’
12 means—

13 “(A) any individual, and

14 “(B) any qualified business.

15 “(2) QUALIFIED BUSINESS.—The term ‘quali-
16 fied business’ means any sole proprietorship, part-
17 nership, or corporation if—

18 “(A) at least 40 percent of its total gross
19 income for the taxable year is derived from the
20 active conduct of transporting persons or prop-
21 erty for hire, and

22 “(B) in the case of a partnership or cor-
23 poration, all of the equity interests in which are
24 held by 1 individual.

1 “(3) AGGREGATION RULES.—All persons treat-
2 ed as a single employer under subsection (a) or (b)
3 of section 52, or subsection (m) or (o) of section
4 414, shall be treated as 1 person for purposes of
5 paragraph (2).

6 “(d) APPLICATION WITH OTHER CREDITS.—

7 “(1) BUSINESS CREDIT TREATED AS PART OF
8 GENERAL BUSINESS CREDIT.—So much of the credit
9 which would be allowed under subsection (a) for any
10 taxable year (determined without regard to this sub-
11 section) that is attributable to property of a char-
12 acter subject to an allowance for depreciation shall
13 be treated as a credit listed in section 38(b) for such
14 taxable year (and not allowed under subsection (a)).

15 “(2) PERSONAL CREDIT.—The credit allowed
16 under subsection (a) (after the application of para-
17 graph (1)) for any taxable year shall not exceed the
18 excess (if any) of—

19 “(A) the regular tax liability (as defined in
20 section 26(b)) reduced by the sum of the credits
21 allowable under subpart A and sections 27, 30,
22 30B, and 30C, over

23 “(B) the tentative minimum tax for the
24 taxable year.

25 “(e) SPECIAL RULES.—

1 “(1) EXCEPTION FOR BUSINESS VEHICLES.—
2 Except in the case of a qualified business, subsection
3 (a) shall apply only to passenger automobiles sub-
4 stantially all of the use of which is for personal, non-
5 business purposes.

6 “(2) LIMITATION ON VEHICLES BEING RE-
7 PLACED.—Except in the case of a qualified business,
8 subsection (b)(1)(A) shall apply only to passenger
9 vehicles which were substantially and regularly used
10 by the taxpayer for personal, nonbusiness purposes.

11 “(3) BASIS REDUCTION.—The basis of any pas-
12 senger automobile for which credit is allowed under
13 subsection (a) shall be reduced by the amount of
14 such credit.”.

15 (b) TECHNICAL AMENDMENTS.—

16 (1) Section 38(b) of such Code is amended by
17 striking “plus” at the end of paragraph (31), by
18 striking the period at the end of paragraph (32) and
19 inserting “, plus”, and by adding at the end the fol-
20 lowing new paragraph:

21 “(33) the portion of the credit under section
22 30D (relating to credit for replacing an automobile
23 with a more fuel-efficient automobile) to which sec-
24 tion 30D(d)(1) applies.”.

1 (2) Section 55(c)(2) of such Code is amended
2 by inserting “30D(d)(2),” after “30C(d)(2),”.

3 (3) The table of sections for subpart B of part
4 IV of subchapter A of chapter 1 of such Code is
5 amended by inserting after the item relating to sec-
6 tion 30C the following new item:

“Sec. 30D. Credit for replacing an automobile with a more fuel-efficient auto-
mobile.”.

7 **SEC. 3. DEDUCTION FOR STATE AND LOCAL TAXES IM-**
8 **POSED ON PURCHASE OF MORE FUEL-EFFI-**
9 **CIENT AUTOMOBILES.**

10 Subsection (a) of section 165 of the Internal Revenue
11 Code of 1986 (relating to deduction for taxes) is amended
12 by adding at the end the following new paragraph:

13 “(6) State and local taxes imposed on the pur-
14 chase of any passenger automobile (as defined in
15 section 30D(b)(2)) for which credit is allowed to the
16 taxpayer under section 30D.”.

17 **SEC. 4. DEDUCTION FOR INTEREST ON LOANS USED TO**
18 **PURCHASE MORE FUEL-EFFICIENT AUTO-**
19 **MOBILES.**

20 Paragraph (2) of section 163(h) of the Internal Rev-
21 enue Code of 1986 (defining personal interest) is amended
22 by striking “and” at the end of subparagraph (E), by
23 striking the period at the end of subparagraph (F) and

1 inserting “, and”, and by adding at the end the following
2 new subparagraph:

3 “(G) any interest paid or accrued on in-
4 debtedness incurred to purchase a passenger
5 automobile (as defined in section 30D(b)(2)) for
6 which credit is allowed to the taxpayer under
7 section 30D.”.

8 **SEC. 5. EFFECTIVE DATE.**

9 The amendment made by this Act shall apply vehicles
10 purchased after the date of the enactment of this Act in
11 taxable years ending after such date.

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