

A prior section 4003, acts Aug. 16, 1954, ch. 736, 68A Stat. 474; Sept. 2, 1958, Pub. L. 85-859, title I, §102, 72 Stat. 1276, specified exemptions to tax imposed by section 4001.

A prior section 4011, act Aug. 16, 1954, ch. 736, 68A Stat. 475, imposed an excise tax equivalent to 10 percent of selling price upon fur articles.

A prior section 4012, act Aug. 16, 1954, ch. 736, 68A Stat. 475, defined "article sold at retail" to include articles manufactured from material supplied by customer and articles sold at auction.

A prior section 4013, act Aug. 16, 1954, ch. 736, 68A Stat. 475, specified exemptions to tax imposed by section 4011.

A prior section 4021, acts Aug. 16, 1954, ch. 736, 68A Stat. 476; Apr. 8, 1960, Pub. L. 86-413, §1, 74 Stat. 31, imposed an excise tax equivalent to 10 percent of selling price upon toilet preparations.

A prior section 4022, act Aug. 16, 1954, ch. 736, 68A Stat. 476, specified certain exemptions from tax imposed by section 4021, including items for babies, items used in barber shops and beauty parlors, and miniature samples.

A prior section 4031, acts Aug. 16, 1954, ch. 736, 68A Stat. 477; Sept. 2, 1958, Pub. L. 85-859, title I, §103, 72 Stat. 1276, imposed an excise tax equivalent to 10 percent of selling price upon luggage and handbags, including billfolds and wallets, traveler's garment bags, and briefcases.

A prior section 4042, act Aug. 16, 1954, ch. 736, 68A Stat. 478, provided a cross reference to section 4222 for exemption from tax where special motor fuels are sold for use for certain vessels.

A prior section 4051, act Aug. 16, 1954, ch. 736, 68A Stat. 479, defined price for which articles were sold for purposes of determining retailers excise taxes.

A prior section 4052, act Aug. 16, 1954, ch. 736, 68A Stat. 479, provided that lease of an article would be considered sale of article for excise tax purposes.

A prior section 4053, acts Aug. 16, 1954, ch. 736, 68A Stat. 479; Sept. 2, 1958, Pub. L. 85-859, title I, §104, 72 Stat. 1276, made provision for imposition of retailers tax on installment sales.

A prior section 4054, act Aug. 16, 1954, ch. 736, 68A Stat. 479, related to application of taxes to retail sales by United States or by any agency or instrumentality of United States unless specifically exempted from such tax.

A prior section 4055, act Aug. 16, 1954, ch. 736, 68A Stat. 480; June 21, 1965, Pub. L. 89-44, title I, §101(b)(3), 79 Stat. 136, exempted from taxes articles sold for exclusive use of any State, Territory of United States, or any political subdivision thereof, or District of Columbia, including use by such entities of any liquid as a fuel.

A prior section 4056, act Aug. 16, 1954, ch. 736, 68A Stat. 480, provided that no tax shall be imposed upon sale of any article for export, or for shipment to a possession of United States and in due course so shipped and exported.

A prior section 4057, added Pub. L. 85-859, title I, §105(a), Sept. 2, 1958, 72 Stat. 1277; amended Pub. L. 86-344, §2(a), Sept. 21, 1959, 73 Stat. 617; Pub. L. 89-44, title I, §101(b)(4), June 21, 1965, 79 Stat. 136; Pub. L. 91-172, title I, §101(j)(25), Dec. 30, 1969, 83 Stat. 528, provided an exception with respect to sale of any article to a non-profit educational organization for its exclusive use including use of any liquid as a fuel and defined "non-profit educational organization".

A prior section 4058, act Aug. 16, 1954, ch. 736, 68A Stat. 480, §4058, formerly 4057; renumbered Sept. 2, 1958, Pub. L. 85-859, title I, §105(a), 72 Stat. 1277, related to cross references for exemption of sales to United States in certain cases and administrative provisions of general application.

#### AMENDMENTS

1993—Pub. L. 103-66, title XIII, §13161(b)(3), Aug. 10, 1993, 107 Stat. 453, substituted "Luxury passenger vehicles" for "Certain luxury items" in item for subchapter A.

1990—Pub. L. 101-508, title XI, §11221(e), Nov. 5, 1990, 104 Stat. 1388-444, added item for subchapter A and redesignated former items for subchapters A and B as B and C, respectively.

1983—Pub. L. 97-424, title V, §512(b)(2)(A), Jan. 6, 1983, 96 Stat. 2177, substituted "Retail Excise Taxes" for "Special Fuels" in chapter heading, and added an analysis for subchapters A and B.

1976—Pub. L. 94-455, title XIX, §1904(a)(1)(A), Oct. 4, 1976, 90 Stat. 1810, substituted "Special Fuels" for "Retailers Excise Taxes" in chapter heading.

### Subchapter A—Luxury Passenger Automobiles

Sec.	
4001.	Imposition of tax.
4002.	1st retail sale; uses, etc. treated as sales; determination of price.
4003.	Special rules.

#### PRIOR PROVISIONS

This subchapter consisted of part I with subparts A (§§ 4001-4004) and B (§§ 4006, 4007) and part II (§§ 4011, 4012), prior to being amended generally by Pub. L. 103-66, title XIII, §13161(a), Aug. 10, 1993, 107 Stat. 449.

Another prior subchapter A of chapter 31 was redesignated subchapter B by Pub. L. 101-508, title XI, §11221(a), Nov. 5, 1990, 104 Stat. 1388-438.

#### AMENDMENTS

1993—Pub. L. 103-66, title XIII, §13161(a), Aug. 10, 1993, 107 Stat. 449, amended subchapter heading and analysis generally, substituting "Luxury Passenger Automobiles" for "Certain Luxury Items" in subchapter heading, striking out part analysis consisting of parts I "Imposition of taxes" and II "Rules of general applicability", part I heading "IMPOSITION OF TAXES", subpart analysis consisting of subparts A "Passenger vehicles, boats, and aircraft" and B "Jewelry and furs", and subpart A heading "Passenger Vehicles, Boats, and Aircraft", substituting "Imposition of tax" for "Passenger vehicles" in item 4001, "1st retail sale; uses, etc. treated as sales; determination of price" for "Boats" in item 4002, and "Special rules" for "Aircraft" in item 4003, and striking out item 4004 "Rules applicable to subpart A".

### § 4001. Imposition of tax

#### (a) Imposition of tax

##### (1) In general

There is hereby imposed on the 1st retail sale of any passenger vehicle a tax equal to 10 percent of the price for which so sold to the extent such price exceeds the applicable amount.

##### (2) Applicable amount

###### (A) In general

Except as provided in subparagraphs (B) and (C), the applicable amount is \$30,000.

###### (B) Qualified clean-fuel vehicle property

In the case of a passenger vehicle which is propelled by a fuel which is not a clean-burning fuel and to which is installed qualified clean-fuel vehicle property (as defined in section 179A(c)(1)(A)) for purposes of permitting such vehicle to be propelled by a clean-burning fuel, the applicable amount is equal to the sum of—

(i) the dollar amount in effect under subparagraph (A), plus

(ii) the increase in the price for which the passenger vehicle was sold (within the meaning of section 4002) due to the installation of such property.

**(C) Purpose built passenger vehicle**

**(i) In general**

In the case of a purpose built passenger vehicle, the applicable amount is equal to 150 percent of the dollar amount in effect under subparagraph (A).

**(ii) Purpose built passenger vehicle**

For purposes of clause (i), the term “purpose built passenger vehicle” means a passenger vehicle produced by an original equipment manufacturer and designed so that the vehicle may be propelled primarily by electricity.

**(b) Passenger vehicle**

**(1) In general**

For purposes of this subchapter, the term “passenger vehicle” means any 4-wheeled vehicle—

(A) which is manufactured primarily for use on public streets, roads, and highways, and

(B) which is rated at 6,000 pounds unloaded gross vehicle weight or less.

**(2) Special rules**

**(A) Trucks and vans**

In the case of a truck or van, paragraph (1)(B) shall be applied by substituting “gross vehicle weight” for “unloaded gross vehicle weight”.

**(B) Limousines**

In the case of a limousine, paragraph (1) shall be applied without regard to subparagraph (B) thereof.

**(c) Exceptions for taxicabs, etc.**

The tax imposed by this section shall not apply to the sale of any passenger vehicle for use by the purchaser exclusively in the active conduct of a trade or business of transporting persons or property for compensation or hire.

**(d) Exemption for law enforcement uses, etc.**

No tax shall be imposed by this section on the sale of any passenger vehicle—

(1) to the Federal Government, or a State or local government, for use exclusively in police, firefighting, search and rescue, or other law enforcement or public safety activities, or in public works activities, or

(2) to any person for use exclusively in providing emergency medical services.

**(e) Inflation adjustment**

**(1) In general**

The \$30,000 amount in subsection (a) shall be increased by an amount equal to—

(A) \$30,000, multiplied by

(B) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which the vehicle is sold, determined by substituting “calendar year 1990” for “calendar year 1992” in subparagraph (B) thereof.

**(2) Rounding**

If any amount as adjusted under paragraph (1) is not a multiple of \$2,000, such amount shall be rounded to the next lowest multiple of \$2,000.

**(f) Phasedown**

For sales occurring in calendar years after 1995 and before 2003, subsection (a)(1) and section 4003(a) shall be applied by substituting for “10 percent”, each place it appears, the percentage determined in accordance with the following table:

If the calendar year is:	The percentage is:
1996 .....	9 percent
1997 .....	8 percent
1998 .....	7 percent
1999 .....	6 percent
2000 .....	5 percent
2001 .....	4 percent
2002 .....	3 percent

**(g) Termination**

The taxes imposed by this section and section 4003 shall not apply to any sale, use, or installation after December 31, 2002.

(Added Pub. L. 101-508, title XI, §11221(a), Nov. 5, 1990, 104 Stat. 1388-439; amended Pub. L. 103-66, title XIII, §13161(a), Aug. 10, 1993, 107 Stat. 449; Pub. L. 104-188, title I, §§1607(a), (b), 1703(c)(1), Aug. 20, 1996, 110 Stat. 1839, 1875; Pub. L. 105-34, title IX, §906(a)-(b)(2), title XVI, §1601(f)(3)(A), (B), Aug. 5, 1997, 111 Stat. 874, 875, 1090.)

AMENDMENTS

1997—Subsec. (a). Pub. L. 105-34, §906(a), amended heading and text of subsec. (a) generally. Prior to amendment, text read as follows: “There is hereby imposed on the 1st retail sale of any passenger vehicle a tax equal to 10 percent of the price for which so sold to the extent such price exceeds \$30,000.”

Subsec. (e)(1). Pub. L. 105-34, §906(b)(1), struck out “and section 4003(a)” after “in subsection (a)” in introductory provisions.

Subsec. (f). Pub. L. 105-34, §1601(f)(3)(A)(i), inserted “and section 4003(a)” after “subsection (a)”.

Pub. L. 105-34, §1601(f)(3)(A)(ii), inserted “, each place it appears,” before “the percentage”.

Pub. L. 105-34, §906(b)(2), substituted “subsection (a)(1)” for “subsection (a)”.

Subsec. (g). Pub. L. 105-34, §1601(f)(3)(B), substituted “taxes imposed by this section and section 4003” for “tax imposed by this section” and “, use, or installation” for “or use”.

1996—Subsec. (e). Pub. L. 104-188, §1703(c)(1), reenacted heading without change and amended text generally. Prior to amendment, text read as follows:

“(1) IN GENERAL.—If, for any calendar year, the excess (if any) of—

“(A) \$30,000, increased by the cost-of-living adjustment for the calendar year, over

“(B) the dollar amount in effect under subsection (a) for the calendar year,

is equal to or greater than \$2,000, then the \$30,000 amount in subsection (a) and section 4003(a) (as previously adjusted under this subsection) for any subsequent calendar year shall be increased by the amount of such excess rounded to the next lowest multiple of \$2,000.

“(2) COST-OF-LIVING ADJUSTMENT.—For purposes of paragraph (1), the cost-of-living adjustment for any calendar year shall be the cost-of-living adjustment under section 1(f)(3) for such calendar year, determined by substituting ‘calendar year 1990’ for ‘calendar year 1992’ in subparagraph (B) thereof.”

Subsec. (f). Pub. L. 104-188, §1607(b), added subsec. (f). Former subsec. (f) redesignated (g).

Pub. L. 104-188, §1607(a), substituted “December 31, 2002” for “December 31, 1999”.

Subsec. (g). Pub. L. 104-188, §1607(b), redesignated subsec. (f) as (g).

1993—Pub. L. 103-66 amended section generally, substituting “Imposition of tax” for “Passenger vehicles”

in section catchline and “this subchapter” for “subsection (a)” in subsec. (b)(1) and adding subsecs. (d) to (f).

**EFFECTIVE DATE OF 1997 AMENDMENT**

Section 906(c) of Pub. L. 105-34 provided that: “The amendments made by this section [amending this section and section 4003 of this title] shall apply to sales and installations occurring after the date of the enactment of this Act [Aug. 5, 1997].”

Section 1601(f)(3)(C) of Pub. L. 105-34 provided that: “The amendments made by this paragraph [amending this section] shall apply to sales after the date of the enactment of this Act [Aug. 5, 1997].”

Amendment by section 1601(f)(3)(A), (B) of Pub. L. 105-34 effective as if included in the provisions of the Small Business Job Protection Act of 1996, Pub. L. 104-188, to which it relates, see section 1601(j) of Pub. L. 105-34, set out as a note under section 23 of this title.

**EFFECTIVE DATE OF 1996 AMENDMENT**

Section 1607(c) of Pub. L. 104-188 provided that: “The amendments made by this section [amending this section] shall apply with respect to sales occurring after the date which is 7 days after the date of the enactment of this Act [Aug. 20, 1996].”

Section 1703(c)(2) of Pub. L. 104-188 provided that: “The amendment made by paragraph (1) [amending this section] shall take effect on the date of the enactment of this Act [Aug. 20, 1996].”

**EFFECTIVE DATE OF 1993 AMENDMENT**

Section 13161(c) of Pub. L. 103-66 provided that: “The amendments made by this section [amending this section and sections 4002, 4003, 4221, and 4222 of this title and omitting sections 4004, 4006, 4007, 4011, and 4012 of this title] shall take effect on January 1, 1993, except that the provisions of section 4001(e) of the Internal Revenue Code of 1986 (as amended by subsection (a)) shall take effect on the date of the enactment of this Act [Aug. 10, 1993].”

**EFFECTIVE DATE**

Section 11221(f) of Pub. L. 101-508 provided that:  
“(1) **IN GENERAL.**—The amendments made by this section [enacting this subchapter, redesignating former subchapters A and B of this chapter as subchapters B and C, respectively, and amending sections 4221, 4222, and 4293 of this title] shall take effect on January 1, 1991.

“(2) **EXCEPTION FOR BINDING CONTRACTS.**—In determining whether any tax imposed by subchapter A of chapter 31 of the Internal Revenue Code of 1986, as added by this section, applies to any sale after December 31, 1990, there shall not be taken into account the amount paid for any article (or any part or accessory therefor) if the purchaser held on September 30, 1990, a contract (which was binding on such date and at all times thereafter before the purchase) for the purchase of such article (or such part or accessory).”

**§ 4002. 1st retail sale; uses, etc. treated as sales; determination of price**

**(a) 1st retail sale**

For purposes of this subchapter, the term “1st retail sale” means the 1st sale, for a purpose other than resale, after manufacture, production, or importation.

**(b) Use treated as sale**

**(1) In general**

If any person uses a passenger vehicle (including any use after importation) before the 1st retail sale of such vehicle, then such person shall be liable for tax under this subchapter in the same manner as if such vehicle were sold at retail by him.

**(2) Exemption for further manufacture**

Paragraph (1) shall not apply to use of a vehicle as material in the manufacture or production of, or as a component part of, another vehicle taxable under this subchapter to be manufactured or produced by him.

**(3) Exemption for demonstration use**

Paragraph (1) shall not apply to any use of a passenger vehicle as a demonstrator.

**(4) Exception for use after importation of certain vehicles**

Paragraph (1) shall not apply to the use of a vehicle after importation if the user or importer establishes to the satisfaction of the Secretary that the 1st use of the vehicle occurred before January 1, 1991, outside the United States.

**(5) Computation of tax**

In the case of any person made liable for tax by paragraph (1), the tax shall be computed on the price at which similar vehicles are sold at retail in the ordinary course of trade, as determined by the Secretary.

**(c) Leases considered as sales**

For purposes of this subchapter—

**(1) In general**

Except as otherwise provided in this subsection, the lease of a vehicle (including any renewal or any extension of a lease or any subsequent lease of such vehicle) by any person shall be considered a sale of such vehicle at retail.

**(2) Special rules for long-term leases**

**(A) Tax not imposed on sale for leasing in a qualified lease**

The sale of a passenger vehicle to a person engaged in a passenger vehicle leasing or rental trade or business for leasing by such person in a long-term lease shall not be treated as the 1st retail sale of such vehicle.

**(B) Long-term lease**

For purposes of subparagraph (A), the term “long-term lease” means any long-term lease (as defined in section 4052).

**(C) Special rules**

In the case of a long-term lease of a vehicle which is treated as the 1st retail sale of such vehicle—

**(i) Determination of price**

The tax under this subchapter shall be computed on the lowest price for which the vehicle is sold by retailers in the ordinary course of trade.

**(ii) Payment of tax**

Rules similar to the rules of section 4217(e)(2) shall apply.

**(iii) No tax where exempt use by lessee**

No tax shall be imposed on any lease payment under a long-term lease if the lessee’s use of the vehicle under such lease is an exempt use (as defined in section 4003(b)) of such vehicle.

**(d) Determination of price**

**(1) In general**

In determining price for purposes of this subchapter—