

108TH CONGRESS  
1ST SESSION

# H. R. 1356

To encourage the availability and use of motor vehicles that have improved fuel efficiency, in order to reduce the need to import oil into the United States.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 2003

Mr. ENGEL introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Financial Services and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To encourage the availability and use of motor vehicles that have improved fuel efficiency, in order to reduce the need to import oil into the United States.

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. FINDINGS.**

4 The Congress makes the following findings:

5 (1) Ensuring secure access to energy is in the  
6 highest national security interests of the United  
7 States.

1           (2) Without secure access to oil supplies, the  
2 United States economy, which depends heavily on oil  
3 for transportation, could be severely affected. Two-  
4 thirds of the oil used in the United States is con-  
5 sumed by the transportation sector. Passenger vehi-  
6 cles alone account for 40 percent of United States  
7 oil use.

8           (3) In the year 2000, the United States im-  
9 ported 58 percent of its oil needs, 45 percent of  
10 which came from Organization of Petroleum Export-  
11 ing Countries (OPEC) nations.

12           (4) Over the next 20 years, according to the  
13 Energy Information Administration, the United  
14 States's demand for oil is projected to increase by  
15 33 percent.

16           (5) In 1973 OPEC placed an embargo on sales  
17 of oil to the United States, creating severe oil short-  
18 ages and driving up oil prices in the United States.  
19 OPEC's action was a major factor in the recession  
20 which followed shortly thereafter.

21           (6) Under the "Carter Doctrine", announced by  
22 President Carter in 1980, "An attempt by any out-  
23 side forces to gain control of the Persian Gulf region  
24 will be regarded as an assault on the vital interests  
25 of the United States of America, and such an as-

1       sault will be repelled by any means necessary, in-  
2       cluding military force.”.

3               (7) Following the Iraqi invasion of Kuwait in  
4       1990, the United States sent more than 500,000  
5       troops to the Persian Gulf to expel the Iraqi troops,  
6       liberate Kuwait, protect Saudi Arabia, and ensure  
7       access to Persian Gulf oil.

8               (8) As of March 19, 2003, the United States is  
9       on the verge of fighting yet another war against Iraq  
10      to further ensure access to vital oil supplies.

11              (9) Many major oil producing nations do not  
12      share United States values of democracy, freedom of  
13      expression, thought, and religion, and equality for  
14      women.

15              (10) During the Afghanistan conflict and the  
16      war on terrorism, many oil producing nations did  
17      not openly support the United States campaign to  
18      end the terror, and many of the terrorists of Sep-  
19      tember 11 came from major OPEC nations.

20              (11) It is in the highest national security inter-  
21      ests of the United States to substantially reduce our  
22      dependence on oil as soon as possible, to secure our  
23      access to oil supplies, and to reduce our dependence  
24      on nations which do not share our interests and val-  
25      ues.

1           (12) Because most oil is consumed by the  
2           transportation sector, reduction of our dependence  
3           on oil can only come from major increases in fuel ef-  
4           ficiency in cars, sport utility vehicles, light trucks,  
5           and other vehicles.

6           (13) To protect United States national security  
7           interests after September 11, the United States Gov-  
8           ernment has invested heavily in securing many in-  
9           dustrial sectors, including airlines and the national  
10          health system.

11 **SEC. 2. FUEL EFFICIENCY VEHICLE CREDIT.**

12          (a) IN GENERAL.—Subpart B of part IV of sub-  
13          chapter A of chapter 1 of the Internal Revenue Code of  
14          1986 (relating to foreign tax credit, etc.) is amended by  
15          adding at the end the following:

16 **“SEC. 30B. FUEL EFFICIENCY VEHICLE CREDIT.**

17          “(a) ALLOWANCE OF CREDIT.—

18                 “(1) FUEL ECONOMY NOT LESS THAN 40 MILES  
19                 PER GALLON.—At the election of the taxpayer, there  
20                 shall be allowed as a credit against the tax imposed  
21                 by this chapter for the taxable year an amount equal  
22                 to 25 percent of the cost of any qualified fuel-effi-  
23                 cient vehicle placed in service by the taxpayer during  
24                 the taxable year.

1           “(2) FUEL ECONOMY NOT LESS THAN 50 MILES  
2 PER GALLON.—In the case of a qualified fuel-effi-  
3 cient vehicle in which the fuel economy (within the  
4 meaning of subsection (c)(1)) is not less than 50  
5 miles per gallon—

6           “(A) paragraph (1) shall be applied by  
7 substituting ‘35 percent’ for ‘25 percent’, and

8           “(B) subsection (b) shall be applied by  
9 substituting ‘\$6,000’ for \$5,000’.

10          “(b) LIMITATION.—The amount of the credit allowed  
11 by subsection (a) shall not exceed \$5,000.

12          “(c) QUALIFIED FUEL-EFFICIENT VEHICLE.—For  
13 purposes of this section, the term ‘qualified fuel-efficient  
14 vehicle’ means a motor vehicle (as defined in section  
15 30(c)(2))—

16           “(1) in which the fuel economy (determined in  
17 accordance with section 4064) of such vehicle is  
18 rated at not less than 40 miles per gallon,

19           “(2) which is—

20           “(A) an automobile (as defined in section  
21 4064(b)), or

22           “(B) a truck or van with an unloaded  
23 gross vehicle weight rating not greater than  
24 7,500 pounds, and

1           “(3) which has received a certificate that such  
2           vehicle meets or exceeds the Bin 5 Tier II emission  
3           level established in regulations prescribed by the Ad-  
4           ministrator of the Environmental Protection Agency  
5           under section 202(i) of the Clean Air Act for that  
6           make and model year vehicle.

7           “(d) SPECIAL RULES.—

8           “(1) BASIS REDUCTION.—The basis of any  
9           property for which a credit is allowable under sub-  
10          section (a) shall be reduced by the amount of such  
11          credit.

12          “(2) RECAPTURE.—The Secretary shall, by reg-  
13          ulations, provide for recapturing the benefit of any  
14          credit allowable under subsection (a) with respect to  
15          any property which ceases to be property eligible for  
16          such credit.

17          “(3) PROPERTY USED OUTSIDE UNITED  
18          STATES, ETC. NOT QUALIFIED.—No credit shall be  
19          allowed under subsection (a) with respect to any  
20          property referred to in section 50(b) or with respect  
21          to the portion of the cost of any property taken into  
22          account under section 30, 179, or 179A.

23          “(e) CARRYFORWARD OF UNUSED CREDITS.—If the  
24          credit allowable under subsection (a) for any taxable year  
25          exceeds—

1           “(1) the regular tax for the taxable year re-  
2           duced by the sum of the credits allowable under sub-  
3           part A and this part (other than this section), over

4           “(2) the tentative minimum tax for the taxable  
5           year,

6           such excess shall be carried to the succeeding taxable year  
7           and added to the credit allowable under subsection (a) for  
8           such taxable year.”.

9           (b) CLERICAL AMENDMENT.—The table of sections  
10          for such subpart B is amended by inserting after the item  
11          relating to section 30A the following new item:

                  “Sec. 30B. Fuel-efficiency vehicle credit.”.

12          (c) EFFECTIVE DATE.—The amendments made by  
13          this section shall apply to taxable years ending after the  
14          date of the enactment of this Act.

15          **SEC. 3. FUEL EFFICIENT VEHICLE ASSEMBLY CREDIT.**

16          (a) IN GENERAL.—Subpart D of part IV of sub-  
17          chapter A of chapter 1 of the Internal Revenue Code of  
18          1986 (relating to business-related credits) is amended by  
19          adding at the end the following new section:

20          **“SEC. 45G. FUEL-EFFICIENT VEHICLE ASSEMBLY CREDIT.**

21                 “(a) GENERAL RULE.—For purposes of section 38,  
22                 the fuel-efficient vehicle assembly credit determined under  
23                 this section for the taxable year is an amount equal to  
24                 the product of \$2,000 and the number of qualified fuel-  
25                 efficient vehicles manufactured or produced in the United

1 States by the taxpayer during the taxable year for their  
2 1st retail sale.

3 “(b) QUALIFIED FUEL-EFFICIENT VEHICLE.—For  
4 purposes of subsection (a), the term ‘qualified fuel-effi-  
5 cient vehicle’ has the meaning given to such term by sec-  
6 tion 30B(c).

7 “(c) 1ST RETAIL SALE.—For purposes of subsection  
8 (a), the term ‘1st retail sale’ has the meaning given to  
9 such term by section 4002.”.

10 (b) CREDIT TO BE PART OF GENERAL BUSINESS  
11 CREDIT.—Subsection (b) of section 38 of such Code (re-  
12 lating to general business credit) is amended by striking  
13 “plus” at the end of paragraph (14), by striking the period  
14 at the end of paragraph (15) and inserting “, plus”, and  
15 by adding at the end the following new paragraph:

16 “(16) the fuel-efficient vehicle assembly credit  
17 determined under section 45G(a).”.

18 (c) CONFORMING AMENDMENT.—The table of sec-  
19 tions for subpart D of part IV of subchapter A of chapter  
20 1 of the Internal Revenue Code of 1986 is amended by  
21 inserting after the item relating to section 45F the fol-  
22 lowing new item:

“Sec. 45G. Fuel-efficient vehicle assembly credit.”.

23 (d) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to taxable years ending after the  
25 date of the enactment of this Act.

1 **SEC. 4. LOAN GUARANTEES.**

2 (a) GENERAL AUTHORITY.—The Secretary of Energy  
3 may provide loan guarantees to manufacturers of motor  
4 vehicles or of motor vehicle engines for the purposes de-  
5 scribed in subsection (b).

6 (b) ELIGIBLE PURPOSES.—Loans guaranteed under  
7 this section shall be used for the costs of conversion from  
8 the manufacture of motor vehicles or engines achieving  
9 less than 40 miles per gallon of gasoline to the manufac-  
10 ture of motor vehicles or engines achieving more than 40  
11 miles per gallon of gasoline. Such loans may not be used  
12 for advertising or promotional costs.

13 (c) AGGREGATE AMOUNT OF LOAN GUARANTEES.—  
14 The aggregate amount of loans that may be guaranteed  
15 under this section at any one time shall not exceed  
16 \$1,000,000,000.

17 (d) LIMITATION ON LOAN GUARANTEE SIZE.—The  
18 Secretary shall not guarantee a loan under this section  
19 for an amount greater than \$100,000,000.

20 (e) RATES OF INTEREST.—The Secretary shall not  
21 make a loan guarantee under this section if the interest  
22 rate for the loan exceeds that which the Secretary deter-  
23 mines to be reasonable, taking into consideration the pre-  
24 vailing interest rates and customary fees incurred under  
25 similar obligations in the private capital market.

1           (f) ABILITY TO REPAY.—The Secretary shall not  
2 make a loan guarantee under this section unless the Sec-  
3 retary has made a finding in writing that the recipient  
4 of the loan is likely to be able to repay the loan according  
5 to its terms.

6           (g) APPLICATIONS.—The Secretary shall prescribe  
7 the form and contents required of applications for assist-  
8 ance under this section, to enable the Secretary to deter-  
9 mine the eligibility of the applicant’s proposal, and shall  
10 establish terms and conditions for loan guarantees made  
11 under this section.

12           (h) FULL FAITH AND CREDIT.—All guarantees en-  
13 tered into by the Secretary under this section shall con-  
14 stitute general obligations of the United States backed by  
15 the full faith and credit of the United States.

16           (i) MODIFICATIONS.—The Secretary may approve the  
17 modification of any term or condition of a loan guarantee  
18 or loan guarantee commitment, including the rate of inter-  
19 est, time of payment of interest or principal, or security  
20 requirements, if the Secretary finds in writing that—

21                   (1) the modification is equitable and is in the  
22 overall best interests of the United States; and

23                   (2) consent has been obtained from the appli-  
24 cant and the holder of the obligation.

1 (j) DEFAULT.—The Secretary shall prescribe regula-  
2 tions setting forth procedures in the event of default on  
3 a loan guaranteed under this section. The Secretary shall  
4 ensure that each loan guarantee made under this section  
5 contains terms and conditions that provide that—

6 (1) if a payment of principal or interest under  
7 the loan is in default for more than 30 days, the  
8 Secretary shall pay to the holder of the obligation,  
9 or the holder’s agent, the amount of unpaid guaran-  
10 teed interest;

11 (2) if the default has continued for more than  
12 90 days, the Secretary shall pay to the holder of the  
13 obligation, or the holder’s agent, 90 percent of the  
14 unpaid guaranteed principal;

15 (3) after final resolution of the default, through  
16 liquidation or otherwise, the Secretary shall pay to  
17 the holder of the obligation, or the holder’s agent,  
18 any remaining amounts guaranteed but which were  
19 not recovered through the default’s resolution;

20 (4) the Secretary shall not be required to make  
21 any payment under paragraphs (1) through (3) if  
22 the Secretary finds, before the expiration of the peri-  
23 ods described in such paragraphs, that the default  
24 has been remedied; and

1           (5) the holder of the obligation shall not receive  
2           payment or be entitled to retain payment in a total  
3           amount which, together with all other recoveries (in-  
4           cluding any recovery based upon a security interest  
5           in equipment or facilities) exceeds the actual loss of  
6           such holder.

7           (k) RIGHTS OF THE SECRETARY.—

8           (1) SUBROGATION.—If the Secretary makes  
9           payment to a holder, or a holder's agent, under sub-  
10          section (j) in connection with a loan guarantee made  
11          under this section, the Secretary shall be subrogated  
12          to all of the rights of the holder with respect to the  
13          obligor under the loan.

14          (2) DISPOSITION OF PROPERTY.—The Sec-  
15          retary may complete, recondition, reconstruct, ren-  
16          ovate, repair, maintain, operate, charter, rent, sell,  
17          or otherwise dispose of any property or other inter-  
18          ests obtained pursuant to this section. The Secretary  
19          shall not be subject to any Federal or State regu-  
20          latory requirements when carrying out this para-  
21          graph.

22          (l) ACTION AGAINST OBLIGOR.—The Secretary may  
23          bring a civil action in an appropriate Federal court in the  
24          name of the holder of the obligation in the event of a de-  
25          fault on a loan guaranteed under this section. The holder

1 of a guarantee shall make available to the Secretary all  
2 records and evidence necessary to prosecute the civil ac-  
3 tion. The Secretary may accept property in full or partial  
4 satisfaction of any sums owed as a result of a default.  
5 If the Secretary receives, through the sale or other disposi-  
6 tion of such property, an amount greater than the aggre-  
7 gate of—

8           (1) the amount paid to the holder of a guar-  
9           antee under subsection (j); and

10           (2) any other cost to the United States of rem-  
11           edying the default,

12 the Secretary shall pay such excess to the obligor.

13           (m) BREACH OF CONDITIONS.—The Attorney Gen-  
14 eral shall commence a civil action in an appropriate Fed-  
15 eral court to enjoin any activity which the Secretary finds  
16 is in violation of this section, regulations issued hereunder,  
17 or any conditions which were duly agreed to, and to secure  
18 any other appropriate relief.

19           (n) ATTACHMENT.—No attachment or execution may  
20 be issued against the Secretary, or any property in the  
21 control of the Secretary, prior to the entry of final judg-  
22 ment to such effect in any State, Federal, or other court.

23           (o) INVESTIGATION CHARGE.—The Secretary may  
24 charge and collect from each applicant a reasonable charge  
25 for appraisal of the value of the equipment or facilities

1 for which the loan guarantee is sought, and for making  
2 necessary determinations and findings. Such charge shall  
3 not aggregate more than one-half of 1 percent of the prin-  
4 cipal amount of the obligation.

5 (p) AUTHORIZATION OF APPROPRIATIONS.—There  
6 are authorized to be appropriated to the Secretary of En-  
7 ergy for carrying out this section such sums as may be  
8 necessary for fiscal years 2003 through 2007.

9 (q) DEFINITIONS.—For purposes of this section:

10 (1) The term “loan guarantee” means any  
11 guarantee, insurance, or other pledge with respect to  
12 the payment of all or a part of the principal or inter-  
13 est on any debt obligation of a non-Federal borrower  
14 to a non-Federal lender, but does not include the in-  
15 surance of deposits, shares, or other withdrawable  
16 accounts in financial institutions.

17 (2) The term “loan guarantee commitment”  
18 means a binding agreement by the Secretary of En-  
19 ergy to make a loan guarantee when specified condi-  
20 tions are fulfilled by the borrower, the lender, or any  
21 other party to the guarantee agreement.

22 (3) The term “modification” means any Gov-  
23 ernment action that alters the estimated cost of an  
24 outstanding loan guarantee (or loan guarantee com-  
25 mitment) from the current estimate of cash flows.

1 This includes the sale of loan assets, with or without  
2 recourse, and the purchase of guaranteed loans. This  
3 also includes any action resulting from new legisla-  
4 tion, or from the exercise of administrative discre-  
5 tion under existing law, that directly or indirectly al-  
6 ters the estimated cost of outstanding loan guaran-  
7 tees (or loan guarantee commitments) such as a  
8 change in collection procedures.

9 **SEC. 5. PERMANENT EXTENSION OF RESEARCH**  
10 **CREDIT.**

11 (a) **IN GENERAL.**—Section 41 of the Internal Rev-  
12 enue Code of 1986 (relating to credit for increasing re-  
13 search activities) is amended by striking subsection (h).

14 (b) **CONFORMING AMENDMENT.**—Paragraph (1) of  
15 section 45C(b) of such Code is amended by striking sub-  
16 paragraph (D).

17 (c) **EFFECTIVE DATE.**—The amendments made by  
18 this section shall apply to amounts paid or incurred after  
19 the date of the enactment of this Act.

20 **SEC. 6. INCREASE IN RATES OF ALTERNATIVE INCRE-**  
21 **MENTAL CREDIT.**

22 (a) **IN GENERAL.**—Subparagraph (A) of section  
23 41(c)(4) of the Internal Revenue Code of 1986 (relating  
24 to election of alternative incremental credit) is amended—

1           (1) by striking “2.65 percent” and inserting “3  
2           percent”,

3           (2) by striking “3.2 percent” and inserting “4  
4           percent”, and

5           (3) by striking “3.75 percent” and inserting “5  
6           percent”.

7           (b) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years ending after the  
9 date of the enactment of this Act.

10 **SEC. 7. EXCLUSION OF QUALIFIED FUEL-EFFICIENT VEHI-**  
11 **CLES FROM CALCULATION OF AVERAGE**  
12 **FUEL ECONOMY OF A MANUFACTURER.**

13           Section 32904(a) of title 49, United States Code, is  
14 amended by adding at the end the following:

15           “(3) In calculating the average fuel economy of a  
16 manufacturer under paragraph (1), the Administrator  
17 shall not consider any automobile manufactured by the  
18 manufacturer for which a credit is allowed under section  
19 38(a)(16) of the Internal Revenue Code of 1986.”.

○