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1ST SESSION

S. 971

To amend the Internal Revenue Code of 1986 to encourage and accelerate the nationwide production, retail sale, and consumer use of new motor vehicles that are powered by fuel cell technology, hybrid technology, battery electric technology, alternative fuels, or other advanced motor vehicle technologies, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 28, 2005

Mr. HATCH (for himself, Mr. ROCKEFELLER, Mr. ENSIGN, Mr. CHAFEE, Ms. COLLINS, Ms. SNOWE, Mr. JEFFORDS, Mr. LIEBERMAN, and Mr. SMITH) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to encourage and accelerate the nationwide production, retail sale, and consumer use of new motor vehicles that are powered by fuel cell technology, hybrid technology, battery electric technology, alternative fuels, or other advanced motor vehicle technologies, and for other purposes.

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. SHORT TITLE; ETC.**

2 (a) **SHORT TITLE.**—This Act may be cited as the
 3 “Clean Efficient Automobiles Resulting From Advanced
 4 Car Technologies (CLEAR ACT) Act of 2005”.

5 (b) **AMENDMENT OF 1986 CODE.**—Except as other-
 6 wise expressly provided, whenever in this division an
 7 amendment or repeal is expressed in terms of an amend-
 8 ment to, or repeal of, a section or other provision, the ref-
 9 erence shall be considered to be made to a section or other
 10 provision of the Internal Revenue Code of 1986.

11 (c) **TABLE OF CONTENTS.**—The table of contents for
 12 this Act is as follows:

- Sec. 1. Short title; etc.
- Sec. 2. Findings and purposes.
- Sec. 3. Alternative motor vehicle credit.
- Sec. 4. Modification of credit for qualified electric vehicles.
- Sec. 5. Credit for installation of alternative fueling stations.
- Sec. 6. Credit for retail sale of alternative fuels as motor vehicle fuel.
- Sec. 7. Study of effectiveness of certain provisions by GAO.

13 **SEC. 2. FINDINGS AND PURPOSES.**

14 (a) **FINDINGS.**—Congress finds the following:

15 (1) The United States is a large and diverse ge-
 16 ographic area that includes densely populated urban
 17 and suburban areas along with large sparsely popu-
 18 lated rural areas separated by long distances, and,
 19 as a result, Americans require reliable, efficient, and
 20 diversified modes of transportation.

21 (2) According to the Energy Information Ad-
 22 ministration’s (referred to in this section as the

1 “EIA”) March 2000 publication “International En-
2 ergy Outlook”, oil currently provides a larger share
3 of world energy consumption than any other energy
4 source and most of the growth in oil consumption in
5 industrialized countries, including the United States,
6 is projected for the transportation sector, where few
7 alternatives are currently economical.

8 (3) To meet all its national security, economic
9 development, and public health and welfare needs,
10 the United States depends on oil as the primary fuel
11 source for the transportation of people and goods
12 and services in intrastate and interstate commerce.

13 (4) Since 1994, the United States has imported
14 over 50 percent of the oil it has consumed and the
15 EIA expects North American petroleum imports
16 from the Persian Gulf to more than double over the
17 forecast period of 1997–2020, with additional im-
18 ports from offshore Atlantic Basin producers and re-
19 finers; this increasingly heavy reliance on imported
20 oil presents national security risks, contributes nega-
21 tively to the balance of trade of the United States,
22 and adversely affects the United States economy,
23 public health, and the environment.

24 (5) The United States currently has 121 areas
25 containing over a third of its population that do not

1 meet the National Ambient Air Quality Standards
2 resulting in losses of many billions of dollars in extra
3 economic costs and lost opportunities, immeasurable
4 health problems, and a general reduction in the
5 quality of life for millions of Americans.

6 (6) Mobile sources have become a top cause of
7 emissions in the United States.

8 (7) This heavy reliance on imported oil and fail-
9 ure to meet the National Ambient Air Quality
10 Standards demonstrate the need to accelerate devel-
11 opment of advanced fuel cell technology, hybrid tech-
12 nology, battery electric technology, and alternative
13 fuels technology for new motor vehicles in the trans-
14 portation of people and goods and services as an im-
15 portant means of helping to reverse the trends of in-
16 creasing dependence on oil imports and non-attain-
17 ment of air quality standards, contributing to less-
18 ening national security risks, improving our balance
19 of trade with other nations, increasing economic
20 growth, improving health and quality of life for mil-
21 lions of Americans, and providing public health, wel-
22 fare, and economic benefits.

23 (8) Despite the availability of significant Fed-
24 eral and private sector funds and programs to en-
25 courage technological advancement for the develop-

1 ment and use of motor vehicles that are powered by
2 fuel cell and hybrid technologies, battery electric
3 technology, and alternative technologies, consumer
4 acceptance of such vehicles and fuels has been re-
5 strained by 3 major barriers—the increased costs of
6 these technologies, the cost of alternative fuels, and
7 the lack of adequate infrastructure to refuel the al-
8 ternative-fueled vehicles.

9 (b) PURPOSES.—The purposes of this Act are to—

10 (1) help instill consumer confidence and accept-
11 ance of alternative motor vehicles by lowering the 3
12 major barriers to this confidence and acceptance;

13 (2) enable the accelerated introduction into the
14 marketplace of new motor vehicle technologies with-
15 out adverse emission impact, while retaining a policy
16 of fuel neutrality in order to foster private innova-
17 tion and commercialization and allow market forces
18 to decide the technologies and fuels that are con-
19 sumer-friendly, safe, environmentally sound, and
20 economic;

21 (3) provide, for a limited time period, financial
22 incentives to encourage consumers nationwide to
23 purchase or lease new fuel cell, hybrid, battery elec-
24 tric, and alternative fuel motor vehicles;

1 (4) increase demand of such vehicles so as to
 2 make the annual production by manufacturers and
 3 retail sale of such vehicles economically and commer-
 4 cially viable for the consumer;

5 (5) promote and expand the use of such vehicles
 6 nationwide; and

7 (6) promote a nationwide diversity of motor ve-
 8 hicle fuels for advanced and hybrid technology and
 9 alternatively fueled motor vehicles.

10 **SEC. 3. ALTERNATIVE MOTOR VEHICLE CREDIT.**

11 (a) IN GENERAL.—Subpart B of part IV of sub-
 12 chapter A of chapter 1 (relating to foreign tax credit, etc.)
 13 is amended by adding at the end the following new section:

14 **“SEC. 30B. ALTERNATIVE MOTOR VEHICLE CREDIT.**

15 “(a) ALLOWANCE OF CREDIT.—There shall be al-
 16 lowed as a credit against the tax imposed by this chapter
 17 for the taxable year an amount equal to the sum of—

18 “(1) the new qualified fuel cell motor vehicle
 19 credit determined under subsection (b),

20 “(2) the new qualified hybrid motor vehicle
 21 credit determined under subsection (c), and

22 “(3) the new qualified alternative fuel motor ve-
 23 hicle credit determined under subsection (d).

24 “(b) NEW QUALIFIED FUEL CELL MOTOR VEHICLE
 25 CREDIT.—

1 “(1) IN GENERAL.—For purposes of subsection
2 (a), the new qualified fuel cell motor vehicle credit
3 determined under this subsection with respect to a
4 new qualified fuel cell motor vehicle placed in service
5 by the taxpayer during the taxable year is—

6 “(A) \$8,000 (\$4,000 in the case of vehicles
7 placed in service after December 31, 2009), if
8 such vehicle has a gross vehicle weight rating of
9 not more than 8,500 pounds,

10 “(B) \$10,000, if such vehicle has a gross
11 vehicle weight rating of more than 8,500
12 pounds but not more than 14,000 pounds,

13 “(C) \$20,000, if such vehicle has a gross
14 vehicle weight rating of more than 14,000
15 pounds but not more than 26,000 pounds, and

16 “(D) \$40,000, if such vehicle has a gross
17 vehicle weight rating of more than 26,000
18 pounds.

19 “(2) INCREASE FOR FUEL EFFICIENCY.—

20 “(A) IN GENERAL.—The amount deter-
21 mined under paragraph (1)(A) with respect to
22 a new qualified fuel cell motor vehicle which is
23 a passenger automobile or light truck shall be
24 increased by—

1 “(i) \$1,000, if such vehicle achieves at
2 least 150 percent but less than 175 per-
3 cent of the 2002 model year city fuel econ-
4 omy,

5 “(ii) \$1,500, if such vehicle achieves
6 at least 175 percent but less than 200 per-
7 cent of the 2002 model year city fuel econ-
8 omy,

9 “(iii) \$2,000, if such vehicle achieves
10 at least 200 percent but less than 225 per-
11 cent of the 2002 model year city fuel econ-
12 omy,

13 “(iv) \$2,500, if such vehicle achieves
14 at least 225 percent but less than 250 per-
15 cent of the 2002 model year city fuel econ-
16 omy,

17 “(v) \$3,000, if such vehicle achieves
18 at least 250 percent but less than 275 per-
19 cent of the 2002 model year city fuel econ-
20 omy,

21 “(vi) \$3,500, if such vehicle achieves
22 at least 275 percent but less than 300 per-
23 cent of the 2002 model year city fuel econ-
24 omy, and

1 “(vii) \$4,000, if such vehicle achieves
 2 at least 300 percent of the 2002 model
 3 year city fuel economy.

4 “(B) 2002 MODEL YEAR CITY FUEL ECON-
 5 OMY.—For purposes of subparagraph (A), the
 6 2002 model year city fuel economy with respect
 7 to a vehicle shall be determined in accordance
 8 with the following tables:

9 “(i) In the case of a passenger auto-
 10 mobile:

“If vehicle inertia weight class is:	The 2002 model year city fuel economy is:
1,500 or 1,750 lbs	45.2 mpg
2,000 lbs	39.6 mpg
2,250 lbs	35.2 mpg
2,500 lbs	31.7 mpg
2,750 lbs	28.8 mpg
3,000 lbs	26.4 mpg
3,500 lbs	22.6 mpg
4,000 lbs	19.8 mpg
4,500 lbs	17.6 mpg
5,000 lbs	15.9 mpg
5,500 lbs	14.4 mpg
6,000 lbs	13.2 mpg
6,500 lbs	12.2 mpg
7,000 to 8,500 lbs	11.3 mpg.

11 “(ii) In the case of a light truck:

“If vehicle inertia weight class is:	The 2002 model year city fuel economy is:
1,500 or 1,750 lbs	39.4 mpg
2,000 lbs	35.2 mpg
2,250 lbs	31.8 mpg
2,500 lbs	29.0 mpg
2,750 lbs	26.8 mpg
3,000 lbs	24.9 mpg
3,500 lbs	21.8 mpg
4,000 lbs	19.4 mpg
4,500 lbs	17.6 mpg
5,000 lbs	16.1 mpg
5,500 lbs	14.8 mpg
6,000 lbs	13.7 mpg

“If vehicle inertia weight class is:	The 2002 model year city fuel economy is:
6,500 lbs	12.8 mpg
7,000 to 8,500 lbs	12.1 mpg.

1 “(C) VEHICLE INERTIA WEIGHT CLASS.—
 2 For purposes of subparagraph (B), the term
 3 ‘vehicle inertia weight class’ has the same
 4 meaning as when defined in regulations pre-
 5 scribed by the Administrator of the Environ-
 6 mental Protection Agency for purposes of the
 7 administration of title II of the Clean Air Act
 8 (42 U.S.C. 7521 et seq.).

9 “(3) NEW QUALIFIED FUEL CELL MOTOR VEHI-
 10 CLE.—For purposes of this subsection, the term
 11 ‘new qualified fuel cell motor vehicle’ means a motor
 12 vehicle—

13 “(A) which is propelled by power derived
 14 from one or more cells which convert chemical
 15 energy directly into electricity by combining ox-
 16 ygen with hydrogen fuel which is stored on
 17 board the vehicle in any form and may or may
 18 not require reformation prior to use,

19 “(B) which, in the case of a passenger
 20 automobile or light truck, has received a certifi-
 21 cate that such vehicle meets or exceeds the Bin
 22 5 Tier II emission level established in regula-
 23 tions prescribed by the Administrator of the

1 Environmental Protection Agency under section
2 202(i) of the Clean Air Act for that make and
3 model year vehicle,

4 “(C) the original use of which commences
5 with the taxpayer,

6 “(D) which is acquired for use or lease by
7 the taxpayer and not for resale, and

8 “(E) which is made by a manufacturer.

9 “(c) NEW QUALIFIED HYBRID MOTOR VEHICLE
10 CREDIT.—

11 “(1) IN GENERAL.—For purposes of subsection
12 (a), the new qualified hybrid motor vehicle credit de-
13 termined under this subsection with respect to a new
14 qualified hybrid motor vehicle placed in service by
15 the taxpayer during the taxable year is the credit
16 amount determined under paragraph (2).

17 “(2) CREDIT AMOUNT.—

18 “(A) IN GENERAL.—The credit amount de-
19 termined under this paragraph shall be deter-
20 mined in accordance with the following tables:

21 “(i) In the case of a new qualified hy-
22 brid motor vehicle which is a passenger
23 automobile, medium duty passenger vehi-
24 cle, or light truck and which provides the

1 following percentage of the maximum
2 available power:

“If percentage of the maximum available power is:	The credit amount is:
At least 5 percent but less than 10 percent	\$250
At least 10 percent but less than 20 percent	\$500
At least 20 percent but less than 30 percent	\$750
At least 30 percent	\$1,000.

3 “(ii) In the case of a new qualified hy-
4 brid motor vehicle which is a heavy duty
5 hybrid motor vehicle and which provides
6 the following percentage of the maximum
7 available power:

8 “(I) If such vehicle has a gross
9 vehicle weight rating of not more than
10 14,000 pounds:

“If percentage of the maximum available power is:	The credit amount is:
At least 20 percent but less than 30 percent	\$1,000
At least 30 percent but less than 40 percent	\$1,750
At least 40 percent but less than 50 percent	\$2,000
At least 50 percent but less than 60 percent	\$2,250
At least 60 percent	\$2,500.

11 “(II) If such vehicle has a gross
12 vehicle weight rating of more than
13 14,000 but not more than 26,000
14 pounds:

“If percentage of the maximum available power is:	The credit amount is:
At least 20 percent but less than 30 percent	\$4,000
At least 30 percent but less than 40 percent	\$4,500
At least 40 percent but less than 50 percent	\$5,000
At least 50 percent but less than 60 percent	\$5,500
At least 60 percent	\$6,000.

1 “(III) If such vehicle has a gross
2 vehicle weight rating of more than
3 26,000 pounds:

“If percentage of the maximum available power is:	The credit amount is:
At least 20 percent but less than 30 percent	\$6,000
At least 30 percent but less than 40 percent	\$7,000
At least 40 percent but less than 50 percent	\$8,000
At least 50 percent but less than 60 percent	\$9,000
At least 60 percent	\$10,000.

4 “(B) INCREASE FOR FUEL EFFICIENCY.—

5 “(i) AMOUNT.—The amount deter-
6 mined under subparagraph (A)(i) with re-
7 spect to a new qualified hybrid motor vehi-
8 cle which is a passenger automobile or
9 light truck shall be increased by—

10 “(I) \$500, if such vehicle
11 achieves at least 125 percent but less
12 than 150 percent of the 2002 model
13 year city fuel economy,

14 “(II) \$1,000, if such vehicle
15 achieves at least 150 percent but less
16 than 175 percent of the 2002 model
17 year city fuel economy,

18 “(III) \$1,500, if such vehicle
19 achieves at least 175 percent but less
20 than 200 percent of the 2002 model
21 year city fuel economy,

1 “(IV) \$2,000, if such vehicle
2 achieves at least 200 percent but less
3 than 225 percent of the 2002 model
4 year city fuel economy,

5 “(V) \$2,500, if such vehicle
6 achieves at least 225 percent but less
7 than 250 percent of the 2002 model
8 year city fuel economy, and

9 “(VI) \$3,000, if such vehicle
10 achieves at least 250 percent of the
11 2002 model year city fuel economy.

12 “(ii) 2002 MODEL YEAR CITY FUEL
13 ECONOMY.—For purposes of clause (i), the
14 2002 model year city fuel economy with re-
15 spect to a vehicle shall be determined on a
16 gasoline gallon equivalent basis as deter-
17 mined by the Administrator of the Envi-
18 ronmental Protection Agency using the ta-
19 bles provided in subsection (b)(2)(B) with
20 respect to such vehicle.

21 “(C) INCREASE FOR ACCELERATED EMIS-
22 SIONS PERFORMANCE.—The amount deter-
23 mined under subparagraph (A)(ii) with respect
24 to an applicable heavy duty hybrid motor vehi-
25 cle shall be increased by the increased credit

1 amount determined in accordance with the fol-
2 lowing tables:

3 “(i) In the case of a vehicle which has
4 a gross vehicle weight rating of not more
5 than 14,000 pounds:

“If the model year is:	The increased credit amount is:
2005	\$2,000
2006	\$1,500.

6 “(ii) In the case of a vehicle which
7 has a gross vehicle weight rating of more
8 than 14,000 pounds but not more than
9 26,000 pounds:

“If the model year is:	The increased credit amount is:
2005	\$5,250
2006	\$4,000.

10 “(iii) In the case of a vehicle which
11 has a gross vehicle weight rating of more
12 than 26,000 pounds:

“If the model year is:	The increased credit amount is:
2005	\$8,000
2006	\$6,000.

13 “(D) DEFINITIONS RELATING TO CREDIT
14 AMOUNT.—

15 “(i) APPLICABLE HEAVY DUTY HY-
16 BRID MOTOR VEHICLE.—For purposes of
17 subparagraph (C), the term ‘applicable
18 heavy duty hybrid motor vehicle’ means a
19 heavy duty hybrid motor vehicle which is
20 powered by an internal combustion or heat

1 engine which is certified as meeting the
2 emission standards set in the regulations
3 prescribed by the Administrator of the En-
4 vironmental Protection Agency for 2007
5 and later model year diesel heavy duty en-
6 gines, or for 2008 and later model year
7 ottocycle heavy duty engines, as applicable.

8 “(ii) MAXIMUM AVAILABLE POWER.—

9 “(I) PASSENGER AUTOMOBILE,
10 MEDIUM DUTY PASSENGER VEHICLE,
11 OR LIGHT TRUCK.—For purposes of
12 subparagraph (A)(i), the term ‘max-
13 imum available power’ means the
14 maximum power available from the re-
15 chargeable energy storage system,
16 during a standard 10 second pulse
17 power or equivalent test, divided by
18 such maximum power and the SAE
19 net power of the heat engine.

20 “(II) HEAVY DUTY HYBRID
21 MOTOR VEHICLE.—For purposes of
22 subparagraph (A)(ii), the term ‘max-
23 imum available power’ means the
24 maximum power available from the re-
25 chargeable energy storage system,

1 during a standard 10 second pulse
2 power or equivalent test, divided by
3 the vehicle's total traction power. The
4 term 'total traction power' means the
5 sum of the peak power from the re-
6 chargeable energy storage system and
7 the heat engine peak power of the ve-
8 hicle, except that if such storage sys-
9 tem is the sole means by which the ve-
10 hicle can be driven, the total traction
11 power is the peak power of such stor-
12 age system.

13 “(3) NEW QUALIFIED HYBRID MOTOR VEHI-
14 CLE.—For purposes of this subsection, the term
15 ‘new qualified hybrid motor vehicle’ means a motor
16 vehicle—

17 “(A) which draws propulsion energy from
18 onboard sources of stored energy which are
19 both—

20 “(i) an internal combustion or heat
21 engine using combustible fuel, and

22 “(ii) a rechargeable energy storage
23 system,

24 “(B) which, in the case of a passenger
25 automobile, medium duty passenger vehicle, or

1 light truck, has received a certificate that such
2 vehicle meets or exceeds the Bin 5 Tier II emis-
3 sion level established in regulations prescribed
4 by the Administrator of the Environmental Pro-
5 tection Agency under section 202(i) of the
6 Clean Air Act for that make and model year ve-
7 hicle,

8 “(C) which, in the case of a heavy duty hy-
9 brid motor vehicle, the internal combustion or
10 heat engine of which has received a certificate
11 of conformity under the Clean Air Act as meet-
12 ing the emission standards set in the regula-
13 tions prescribed by the Administrator of the
14 Environmental Protection Agency for 2004
15 through 2007 model year diesel heavy duty en-
16 gines or ottocycle heavy duty engines, as appli-
17 cable,

18 “(D) the original use of which commences
19 with the taxpayer,

20 “(E) which is acquired for use or lease by
21 the taxpayer and not for resale, and

22 “(F) which is made by a manufacturer.

23 “(4) HEAVY DUTY HYBRID MOTOR VEHICLE.—

24 For purposes of this subsection, the term ‘heavy
25 duty hybrid motor vehicle’ means a new qualified hy-

1 brid motor vehicle which has a gross vehicle weight
 2 rating of more than 8,500 pounds. Such term does
 3 not include a medium duty passenger vehicle.

4 “(d) NEW QUALIFIED ALTERNATIVE FUEL MOTOR
 5 VEHICLE CREDIT.—

6 “(1) ALLOWANCE OF CREDIT.—Except as pro-
 7 vided in paragraph (5), the new qualified alternative
 8 fuel motor vehicle credit determined under this sub-
 9 section is an amount equal to the applicable percent-
 10 age of the incremental cost of any new qualified al-
 11 ternative fuel motor vehicle placed in service by the
 12 taxpayer during the taxable year.

13 “(2) APPLICABLE PERCENTAGE.—For purposes
 14 of paragraph (1), the applicable percentage with re-
 15 spect to any new qualified alternative fuel motor ve-
 16 hicle is—

17 “(A) 50 percent, plus

18 “(B) 30 percent, if such vehicle—

19 “(i) has received a certificate of con-
 20 formity under the Clean Air Act and meets
 21 or exceeds the most stringent standard
 22 available for certification under the Clean
 23 Air Act for that make and model year vehi-
 24 cle (other than a zero emission standard),
 25 or

1 “(ii) has received an order certifying
2 the vehicle as meeting the same require-
3 ments as vehicles which may be sold or
4 leased in California and meets or exceeds
5 the most stringent standard available for
6 certification under the State laws of Cali-
7 fornia (enacted in accordance with a waiv-
8 er granted under section 209(b) of the
9 Clean Air Act) for that make and model
10 year vehicle (other than a zero emission
11 standard).

12 For purposes of the preceding sentence, in the case
13 of any new qualified alternative fuel motor vehicle
14 which weighs more than 14,000 pounds gross vehicle
15 weight rating, the most stringent standard available
16 shall be such standard available for certification in
17 2002.

18 “(3) INCREMENTAL COST.—For purposes of
19 this subsection, the incremental cost of any new
20 qualified alternative fuel motor vehicle is equal to
21 the amount of the excess of the manufacturer’s sug-
22 gested retail price for such vehicle over such price
23 for a gasoline or diesel fuel motor vehicle of the
24 same model, to the extent such amount does not ex-
25 ceed—

1 “(A) \$5,000, if such vehicle has a gross ve-
2 hicle weight rating of not more than 8,500
3 pounds,

4 “(B) \$10,000, if such vehicle has a gross
5 vehicle weight rating of more than 8,500
6 pounds but not more than 14,000 pounds,

7 “(C) \$25,000, if such vehicle has a gross
8 vehicle weight rating of more than 14,000
9 pounds but not more than 26,000 pounds, and

10 “(D) \$40,000, if such vehicle has a gross
11 vehicle weight rating of more than 26,000
12 pounds.

13 “(4) NEW QUALIFIED ALTERNATIVE FUEL
14 MOTOR VEHICLE.—For purposes of this sub-
15 section—

16 “(A) IN GENERAL.—The term ‘new quali-
17 fied alternative fuel motor vehicle’ means any
18 motor vehicle—

19 “(i) which is only capable of operating
20 on an alternative fuel,

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

23 “(iii) which is acquired by the tax-
24 payer for use or lease, but not for resale,
25 and

1 “(iv) which is made by a manufac-
2 turer.

3 “(B) ALTERNATIVE FUEL.—The term ‘al-
4 ternative fuel’ means compressed natural gas,
5 liquefied natural gas, liquefied petroleum gas,
6 hydrogen, and any liquid at least 85 percent of
7 the volume of which consists of methanol.

8 “(5) CREDIT FOR MIXED-FUEL VEHICLES.—

9 “(A) IN GENERAL.—In the case of a
10 mixed-fuel vehicle placed in service by the tax-
11 payer during the taxable year, the credit deter-
12 mined under this subsection is an amount equal
13 to—

14 “(i) in the case of a 75/25 mixed-fuel
15 vehicle, 70 percent of the credit which
16 would have been allowed under this sub-
17 section if such vehicle was a qualified alter-
18 native fuel motor vehicle, and

19 “(ii) in the case of a 90/10 mixed-fuel
20 vehicle, 90 percent of the credit which
21 would have been allowed under this sub-
22 section if such vehicle was a qualified alter-
23 native fuel motor vehicle.

24 “(B) MIXED-FUEL VEHICLE.—For pur-
25 poses of this subsection, the term ‘mixed-fuel

1 vehicle' means any motor vehicle described in
2 subparagraph (C) or (D) of paragraph (3),
3 which—

4 “(i) is certified by the manufacturer
5 as being able to perform efficiently in nor-
6 mal operation on a combination of an al-
7 ternative fuel and a petroleum-based fuel,

8 “(ii) either—

9 “(I) has received a certificate of
10 conformity under the Clean Air Act,
11 or

12 “(II) has received an order certi-
13 fying the vehicle as meeting the same
14 requirements as vehicles which may be
15 sold or leased in California and meets
16 or exceeds the low emission vehicle
17 standard under section 88.105–94 of
18 title 40, Code of Federal Regulations,
19 for that make and model year vehicle,

20 “(iii) the original use of which com-
21 mences with the taxpayer,

22 “(iv) which is acquired by the tax-
23 payer for use or lease, but not for resale,
24 and

1 “(v) which is made by a manufac-
2 turer.

3 “(C) 75/25 MIXED-FUEL VEHICLE.—For
4 purposes of this subsection, the term ‘75/25
5 mixed-fuel vehicle’ means a mixed-fuel vehicle
6 which operates using at least 75 percent alter-
7 native fuel and not more than 25 percent petro-
8 leum-based fuel.

9 “(D) 90/10 MIXED-FUEL VEHICLE.—For
10 purposes of this subsection, the term ‘90/10
11 mixed-fuel vehicle’ means a mixed-fuel vehicle
12 which operates using at least 90 percent alter-
13 native fuel and not more than 10 percent petro-
14 leum-based fuel.

15 “(e) APPLICATION WITH OTHER CREDITS.—The
16 credit allowed under subsection (a) for any taxable year
17 shall not exceed the excess (if any) of—

18 “(1) the regular tax for the taxable year re-
19 duced by the sum of the credits allowable under sub-
20 part A and sections 27, 29, and 30, over

21 “(2) the tentative minimum tax for the taxable
22 year.

23 “(f) OTHER DEFINITIONS AND SPECIAL RULES.—
24 For purposes of this section—

1 “(1) CONSUMABLE FUEL.—The term
2 ‘consumable fuel’ means any solid, liquid, or gaseous
3 matter which releases energy when consumed by an
4 auxiliary power unit.

5 “(2) MOTOR VEHICLE.—The term ‘motor vehi-
6 cle’ has the meaning given such term by section
7 30(c)(2).

8 “(3) CITY FUEL ECONOMY.—The city fuel econ-
9 omy with respect to any vehicle shall be measured in
10 a manner which is substantially similar to the man-
11 ner city fuel economy is measured in accordance
12 with procedures under part 600 of subchapter Q of
13 chapter I of title 40, Code of Federal Regulations,
14 as in effect on the date of the enactment of this sec-
15 tion.

16 “(4) OTHER TERMS.—The terms ‘automobile’,
17 ‘passenger automobile’, ‘medium duty passenger ve-
18 hicle’, ‘light truck’, and ‘manufacturer’ have the
19 meanings given such terms in regulations prescribed
20 by the Administrator of the Environmental Protec-
21 tion Agency for purposes of the administration of
22 title II of the Clean Air Act (42 U.S.C. 7521 et
23 seq.).

24 “(5) REDUCTION IN BASIS.—For purposes of
25 this subtitle, the basis of any property for which a

1 credit is allowable under subsection (a) shall be re-
2 duced by the amount of such credit so allowed (de-
3 termined without regard to subsection (e)).

4 “(6) NO DOUBLE BENEFIT.—The amount of
5 any deduction or other credit allowable under this
6 chapter—

7 “(A) for any incremental cost taken into
8 account in computing the amount of the credit
9 determined under subsection (d) shall be re-
10 duced by the amount of such credit attributable
11 to such cost, and

12 “(B) with respect to a vehicle described
13 under subsection (b) or (c), shall be reduced by
14 the amount of credit allowed under subsection
15 (a) for such vehicle for the taxable year.

16 “(7) PROPERTY USED BY TAX-EXEMPT ENTI-
17 TIES.—In the case of a credit amount which is al-
18 lowable with respect to a motor vehicle which is ac-
19 quired by an entity exempt from tax under this
20 chapter, the person which sells or leases such vehicle
21 to the entity shall be treated as the taxpayer with
22 respect to the vehicle for purposes of this section
23 and the credit shall be allowed to such person, but
24 only if the person clearly discloses to the entity at
25 the time of any sale or lease the specific amount of

1 any credit otherwise allowable to the entity under
2 this section.

3 “(8) RECAPTURE.—The Secretary shall, by reg-
4 ulations, provide for recapturing the benefit of any
5 credit allowable under subsection (a) with respect to
6 any property which ceases to be property eligible for
7 such credit (including recapture in the case of a
8 lease period of less than the economic life of a vehi-
9 cle).

10 “(9) PROPERTY USED OUTSIDE UNITED
11 STATES, ETC., NOT QUALIFIED.—No credit shall be
12 allowed under subsection (a) with respect to any
13 property referred to in section 50(b) or with respect
14 to the portion of the cost of any property taken into
15 account under section 179.

16 “(10) ELECTION TO NOT TAKE CREDIT.—No
17 credit shall be allowed under subsection (a) for any
18 vehicle if the taxpayer elects to not have this section
19 apply to such vehicle.

20 “(11) CARRYBACK AND CARRYFORWARD AL-
21 LOWED.—

22 “(A) IN GENERAL.—If the credit amount
23 allowable under subsection (a) for a taxable
24 year exceeds the amount of the limitation under
25 subsection (e) for such taxable year (in this

1 paragraph referred to as the ‘unused credit
2 year’), such excess shall be allowed as a credit
3 carryback for each of the 3 taxable years begin-
4 ning after the date of the enactment of this sec-
5 tion, which precede the unused credit year and
6 a credit carryforward for each of the 20 taxable
7 years which succeed the unused credit year.

8 “(B) RULES.—Rules similar to the rules of
9 section 39 shall apply with respect to the credit
10 carryback and credit carryforward under sub-
11 paragraph (A).

12 “(12) INTERACTION WITH AIR QUALITY AND
13 MOTOR VEHICLE SAFETY STANDARDS.—Unless oth-
14 erwise provided in this section, a motor vehicle shall
15 not be considered eligible for a credit under this sec-
16 tion unless such vehicle is in compliance with—

17 “(A) the applicable provisions of the Clean
18 Air Act for the applicable make and model year
19 of the vehicle (or applicable air quality provi-
20 sions of State law in the case of a State which
21 has adopted such provision under a waiver
22 under section 209(b) of the Clean Air Act), and

23 “(B) the motor vehicle safety provisions of
24 sections 30101 through 30169 of title 49,
25 United States Code.

1 “(g) REGULATIONS.—

2 “(1) IN GENERAL.—Except as provided in para-
3 graph (2), the Secretary shall promulgate such regu-
4 lations as necessary to carry out the provisions of
5 this section.

6 “(2) COORDINATION IN PRESCRIPTION OF CER-
7 TAIN REGULATIONS.—The Secretary of the Treas-
8 ury, in coordination with the Secretary of Transpor-
9 tation and the Administrator of the Environmental
10 Protection Agency, shall prescribe such regulations
11 as necessary to determine whether a motor vehicle
12 meets the requirements to be eligible for a credit
13 under this section.

14 “(h) TERMINATION.—This section shall not apply to
15 any property purchased after—

16 “(1) in the case of a new qualified fuel cell
17 motor vehicle (as described in subsection (b)), De-
18 cember 31, 2014, and

19 “(2) in the case of any other property, Decem-
20 ber 31, 2010.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) Section 1016(a) is amended by striking
23 “and” at the end of paragraph (30), by striking the
24 period at the end of paragraph (31) and inserting “,

1 and”, and by adding at the end the following new
2 paragraph:

3 “(32) to the extent provided in section
4 30B(f)(5).”.

5 (2) Section 55(c)(2) is amended by inserting
6 “30B(e),” after “30(b)(3)”.

7 (3) Section 6501(m) is amended by inserting
8 “30B(f)(10),” after “30(d)(4),”.

9 (4) The table of sections for subpart B of part
10 IV of subchapter A of chapter 1 is amended by in-
11 sserting after the item relating to section 30A the fol-
12 lowing new item:

“Sec. 30B. Alternative motor vehicle credit.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to property placed in service after
15 the date of the enactment of this Act, in taxable years
16 ending after such date.

17 **SEC. 4. MODIFICATION AND EXTENSION OF CREDIT FOR**
18 **QUALIFIED ELECTRIC VEHICLES.**

19 (a) AMOUNT OF CREDIT.—

20 (1) IN GENERAL.—Section 30(a) (relating to al-
21 lowance of credit) is amended by striking “10 per-
22 cent of”.

23 (2) LIMITATION OF CREDIT ACCORDING TO
24 TYPE OF VEHICLE.—Section 30(b) (relating to limi-
25 tations) is amended—

1 (A) by striking paragraphs (1) and (2) and
2 inserting the following new paragraph:

3 “(1) LIMITATION ACCORDING TO TYPE OF VE-
4 HICLE.—The amount of the credit allowed under
5 subsection (a) for any vehicle shall not exceed the
6 greatest of the following amounts applicable to such
7 vehicle:

8 “(A) In the case of a vehicle which con-
9 forms to the Motor Vehicle Safety Standard
10 500 prescribed by the Secretary of Transpor-
11 tation, as in effect on the date of the enactment
12 of the Clean Efficient Automobiles Resulting
13 From Advanced Car Technologies (CLEAR
14 ACT) Act of 2005, the lesser of—

15 “(i) 10 percent of the manufacturer’s
16 suggested retail price of the vehicle, or

17 “(ii) \$1,500.

18 “(B) In the case of a vehicle not described
19 in subparagraph (A) with a gross vehicle weight
20 rating not exceeding 8,500 pounds—

21 “(i) \$4,000, or

22 “(ii) \$6,000, if such vehicle is—

23 “(I) capable of a driving range of
24 at least 100 miles on a single charge
25 of the vehicle’s rechargeable batteries

1 as measured pursuant to the urban
2 dynamometer schedules under appen-
3 dix I to part 86 of title 40, Code of
4 Federal Regulations, or

5 “(II) capable of a payload capac-
6 ity of at least 1,000 pounds.

7 “(C) In the case of a vehicle with a gross
8 vehicle weight rating exceeding 8,500 but not
9 exceeding 14,000 pounds, \$10,000.

10 “(D) In the case of a vehicle with a gross
11 vehicle weight rating exceeding 14,000 but not
12 exceeding 26,000 pounds, \$20,000.

13 “(E) In the case of a vehicle with a gross
14 vehicle weight rating exceeding 26,000 pounds,
15 \$40,000.”, and

16 (B) by redesignating paragraph (3) as
17 paragraph (2).

18 (3) CONFORMING AMENDMENTS.—

19 (A) Section 53(d)(1)(B)(iii) is amended by
20 striking “section 30(b)(3)(B)” and inserting
21 “section 30(b)(2)(B)”.

22 (B) Section 55(c)(2), as amended by this
23 Act, is amended by striking “30(b)(3)” and in-
24 serting “30(b)(2)”.

25 (b) QUALIFIED BATTERY ELECTRIC VEHICLE.—

1 (1) IN GENERAL.—Section 30(c)(1)(A) (defin-
2 ing qualified electric vehicle) is amended to read as
3 follows:

4 “(A) which is—

5 “(i) operated solely by use of a bat-
6 tery or battery pack, or

7 “(ii) powered primarily through the
8 use of an electric battery or battery pack
9 using a flywheel or capacitor which stores
10 energy produced by an electric motor
11 through regenerative braking to assist in
12 vehicle operation,”.

13 (2) LEASED VEHICLES.—Section 30(c)(1)(C) is
14 amended by inserting “or lease” after “use”.

15 (3) CONFORMING AMENDMENTS.—

16 (A) Subsections (a), (b)(2), and (c) of sec-
17 tion 30 are each amended by inserting “bat-
18 tery” after “qualified” each place it appears.

19 (B) The heading of subsection (c) of sec-
20 tion 30 is amended by inserting “BATTERY”
21 after “QUALIFIED”.

22 (C) The heading of section 30 is amended
23 by inserting “**BATTERY**” after “**QUALIFIED**”.

24 (D) The item relating to section 30 in the
25 table of sections for subpart B of part IV of

1 subchapter A of chapter 1 is amended by in-
2 serting “battery” after “qualified”.

3 (E) Section 179A(c)(3) is amended by in-
4 serting “battery” before “electric”.

5 (F) The heading of paragraph (3) of sec-
6 tion 179A(c) is amended by inserting “BAT-
7 TERY” before “ELECTRIC”.

8 (c) ADDITIONAL SPECIAL RULES.—Section 30(d)
9 (relating to special rules) is amended by adding at the end
10 the following new paragraphs:

11 “(5) NO DOUBLE BENEFIT.—The amount of
12 any deduction or other credit allowable under this
13 chapter for any cost taken into account in com-
14 puting the amount of the credit determined under
15 subsection (a) shall be reduced by the amount of
16 such credit attributable to such cost.

17 “(6) PROPERTY USED BY TAX-EXEMPT ENTI-
18 TIES.—In the case of a credit amount which is al-
19 lowable with respect to a vehicle which is acquired
20 by an entity exempt from tax under this chapter, the
21 person which sells or leases such vehicle to the entity
22 shall be treated as the taxpayer with respect to the
23 vehicle for purposes of this section and the credit
24 shall be allowed to such person, but only if the per-
25 son clearly discloses to the entity at the time of any

1 sale or lease the specific amount of any credit other-
2 wise allowable to the entity under this section.

3 “(7) CARRYBACK AND CARRYFORWARD AL-
4 LOWED.—

5 “(A) IN GENERAL.—If the credit amount
6 allowable under subsection (a) for a taxable
7 year exceeds the amount of the limitation under
8 subsection (b)(2) for such taxable year (in this
9 paragraph referred to as the ‘unused credit
10 year’), such excess shall be allowed as a credit
11 carryback for each of the 3 taxable years begin-
12 ning after the date of the enactment of this
13 paragraph, which precede the unused credit
14 year and a credit carryforward for each of the
15 20 taxable years which succeed the unused
16 credit year.

17 “(B) RULES.—Rules similar to the rules of
18 section 39 shall apply with respect to the credit
19 carryback and credit carryforward under sub-
20 paragraph (A).”.

21 (d) EXTENSION OF CREDIT.—Section 30(e) (relating
22 to termination) is amended by striking “2006” and insert-
23 ing “2010”.

24 (e) EFFECTIVE DATE.—The amendments made by
25 this section shall apply to property placed in service after

1 the date of the enactment of this Act, in taxable years
2 ending after such date.

3 **SEC. 5. CREDIT FOR INSTALLATION OF ALTERNATIVE**
4 **FUELING STATIONS.**

5 (a) IN GENERAL.—Subpart B of part IV of sub-
6 chapter A of chapter 1 (relating to foreign tax credit, etc.),
7 as amended by this Act, is amended by adding at the end
8 the following new section:

9 **“SEC. 30C. CLEAN-FUEL VEHICLE REFUELING PROPERTY**
10 **CREDIT.**

11 “(a) CREDIT ALLOWED.—There shall be allowed as
12 a credit against the tax imposed by this chapter for the
13 taxable year an amount equal to 50 percent of the amount
14 paid or incurred by the taxpayer during the taxable year
15 for the installation of qualified clean-fuel vehicle refueling
16 property.

17 “(b) LIMITATION.—

18 “(1) IN GENERAL.—The credit allowed under
19 subsection (a)—

20 “(A) with respect to any retail clean-fuel
21 vehicle refueling property, shall not exceed
22 \$30,000, and

23 “(B) with respect to any residential clean-
24 fuel vehicle refueling property, shall not exceed
25 \$1,000.

1 “(2) PHASEOUT.—

2 “(A) IN GENERAL.—Except as provided in
3 subparagraph (B), in the case of any qualified
4 clean-fuel vehicle refueling property placed in
5 service after December 31, 2008, the limit oth-
6 erwise applicable under paragraph (1) shall be
7 reduced by—

8 “(i) 25 percent in the case of any
9 property placed in service in calendar year
10 2009, and

11 “(ii) 50 percent in the case of any
12 property placed in service in calendar year
13 2010.

14 “(B) HYDROGEN PROPERTY.—In the case
15 of any qualified clean-fuel vehicle refueling
16 property relating to hydrogen placed in service
17 after December 31, 2012, the limit otherwise
18 applicable under paragraph (1) shall be reduced
19 by—

20 “(i) 25 percent in the case of any
21 property placed in service in calendar year
22 2013, and

23 “(ii) 50 percent in the case of any
24 property placed in service in calendar year
25 2014.

1 “(c) YEAR CREDIT ALLOWED.—The credit allowed
2 under subsection (a) shall be allowed in the taxable year
3 in which the qualified clean-fuel vehicle refueling property
4 is placed in service by the taxpayer.

5 “(d) DEFINITIONS.—For purposes of this section—

6 “(1) QUALIFIED CLEAN-FUEL VEHICLE RE-
7 FUELING PROPERTY.—The term ‘qualified clean-fuel
8 vehicle refueling property’ has the same meaning
9 given such term by section 179A(d).

10 “(2) RESIDENTIAL CLEAN-FUEL VEHICLE RE-
11 FUELING PROPERTY.—The term ‘residential clean-
12 fuel vehicle refueling property’ means qualified
13 clean-fuel vehicle refueling property which is in-
14 stalled on property which is used as the principal
15 residence (within the meaning of section 121) of the
16 taxpayer.

17 “(3) RETAIL CLEAN-FUEL VEHICLE REFUELING
18 PROPERTY.—The term ‘retail clean-fuel vehicle re-
19 fueling property’ means qualified clean-fuel vehicle
20 refueling property which is installed on property
21 (other than property described in paragraph (2))
22 used in a trade or business of the taxpayer.

23 “(e) APPLICATION WITH OTHER CREDITS.—The
24 credit allowed under subsection (a) for any taxable year
25 shall not exceed the excess (if any) of—

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 sections 27, 29, 30, and 30B, over

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

6 “(f) BASIS REDUCTION.—For purposes of this title,
7 the basis of any property shall be reduced by the portion
8 of the cost of such property taken into account under sub-
9 section (a).

10 “(g) NO DOUBLE BENEFIT.—No deduction shall be
11 allowed under section 179A with respect to any property
12 with respect to which a credit is allowed under subsection
13 (a).

14 “(h) REFUELING PROPERTY INSTALLED FOR TAX-
15 EXEMPT ENTITIES.—In the case of qualified clean-fuel ve-
16 hicle refueling property installed on property owned or
17 used by an entity exempt from tax under this chapter, the
18 person which installs such refueling property for the entity
19 shall be treated as the taxpayer with respect to the refuel-
20 ing property for purposes of this section (and such refuel-
21 ing property shall be treated as retail clean-fuel vehicle
22 refueling property) and the credit shall be allowed to such
23 person, but only if the person clearly discloses to the entity
24 in any installation contract the specific amount of the
25 credit allowable under this section.

1 “(i) CARRYFORWARD ALLOWED.—

2 “(1) IN GENERAL.—If the credit amount allow-
3 able under subsection (a) for a taxable year exceeds
4 the amount of the limitation under subsection (e) for
5 such taxable year (referred to as the ‘unused credit
6 year’ in this subsection), such excess shall be allowed
7 as a credit carryforward for each of the 20 taxable
8 years following the unused credit year.

9 “(2) RULES.—Rules similar to the rules of sec-
10 tion 39 shall apply with respect to the credit
11 carryforward under paragraph (1).

12 “(j) SPECIAL RULES.—Rules similar to the rules of
13 paragraphs (4) and (5) of section 179A(e) shall apply.

14 “(k) REGULATIONS.—The Secretary shall prescribe
15 such regulations as necessary to carry out the provisions
16 of this section.

17 “(l) TERMINATION.—This section shall not apply to
18 any property placed in service—

19 “(1) in the case of property relating to hydro-
20 gen, after December 31, 2014, and

21 “(2) in the case of any other property, after
22 December 31, 2010.”.

23 (b) INCENTIVE FOR PRODUCTION OF HYDROGEN AT
24 QUALIFIED CLEAN-FUEL VEHICLE REFUELING PROP-
25 erty.—Section 179A(d) (defining qualified clean-fuel ve-

1 hicle refueling property) is amended by adding at the end
2 the following new flush sentence:

3 “In the case of clean-burning fuel which is hydrogen pro-
4 duced from another clean-burning fuel, paragraph (3)(A)
5 shall be applied by substituting ‘production, storage, or
6 dispensing’ for ‘storage or dispensing’ both places it ap-
7 pears.”.

8 (c) CONFORMING AMENDMENTS.—

9 (1) Section 1016(a), as amended by this Act, is
10 amended by striking “and” at the end of paragraph
11 (28), by striking the period at the end of paragraph
12 (29) and inserting “, and”, and by adding at the
13 end the following new paragraph:

14 “(30) to the extent provided in section
15 30C(f).”.

16 (2) Section 55(c)(2), as amended by this Act, is
17 amended by inserting “30C(e),” after “30B(e)”.

18 (3) The table of sections for subpart B of part
19 IV of subchapter A of chapter 1, as amended by this
20 Act, is amended by inserting after the item relating
21 to section 30B the following new item:

“Sec. 30C. Clean-fuel vehicle refueling property credit.”.

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

1 **SEC. 6. CREDIT FOR RETAIL SALE OF ALTERNATIVE FUELS**
2 **AS MOTOR VEHICLE FUEL.**

3 (a) IN GENERAL.—Subpart D of part IV of sub-
4 chapter A of chapter 1 (relating to business related cred-
5 its) is amended by inserting after section 40A the fol-
6 lowing new section:

7 **“SEC. 40B. CREDIT FOR RETAIL SALE OF ALTERNATIVE**
8 **FUELS AS MOTOR VEHICLE FUEL.**

9 “(a) GENERAL RULE.—For purposes of section 38,
10 the alternative fuel retail sales credit for any taxable year
11 is the applicable amount for each gasoline gallon equiva-
12 lent of alternative fuel sold at retail by the taxpayer during
13 such year as a fuel to propel any qualified motor vehicle.

14 “(b) DEFINITIONS.—For purposes of this section—

15 “(1) APPLICABLE AMOUNT.—The term ‘applica-
16 ble amount’ means as follows:

17 “(A) IN GENERAL.—Except as provided in
18 subparagraph (B), the amount determined in
19 accordance with the following table:

“In the case of any taxable year	The applicable amount is—
ending in—	
2005 or 2006	50 cents
2007	40 cents
2008 or 2009	30 cents.

20 “(B) HYDROGEN FUEL.—In the case of an
21 alternative fuel which is hydrogen fuel, the
22 amount determined in accordance with the fol-
23 lowing table:

“In the case of any taxable year ending in—	The applicable amount is—
2005 through 2011	50 cents
2012	40 cents
2013 or 2014	30 cents.

1 “(2) ALTERNATIVE FUEL.—The term ‘alter-
 2 native fuel’ means compressed natural gas, liquefied
 3 natural gas, liquefied petroleum gas, hydrogen, and
 4 any liquid at least 85 percent of the volume of which
 5 consists of methanol or ethanol.

6 “(3) GASOLINE GALLON EQUIVALENT.—The
 7 term ‘gasoline gallon equivalent’ means, with respect
 8 to any alternative fuel, the amount (determined by
 9 the Secretary) of such fuel having a Btu content of
 10 114,000.

11 “(4) QUALIFIED MOTOR VEHICLE.—The term
 12 ‘qualified motor vehicle’ means any motor vehicle (as
 13 defined in section 30(c)(2)) which meets any appli-
 14 cable Federal or State emissions standards with re-
 15 spect to each fuel by which such vehicle is designed
 16 to be propelled.

17 “(5) SOLD AT RETAIL.—

18 “(A) IN GENERAL.—The term ‘sold at re-
 19 tail’ means the sale, for a purpose other than
 20 resale, after manufacture, production, or impor-
 21 tation.

22 “(B) USE TREATED AS SALE.—If any per-
 23 son uses alternative fuel (including any use

1 after importation) as a fuel to propel any quali-
2 fied alternative fuel motor vehicle (as defined in
3 section 30B(d)(4)) before such fuel is sold at
4 retail, then such use shall be treated in the
5 same manner as if such fuel were sold at retail
6 as a fuel to propel such a vehicle by such per-
7 son.

8 “(c) ELECTION TO PASS CREDIT.—A person which
9 sells alternative fuel at retail may elect to pass the credit
10 allowable under this section to the purchaser of such fuel
11 or, in the event the purchaser is a tax-exempt entity or
12 otherwise declines to accept such credit, to the person
13 which supplied such fuel, under rules established by the
14 Secretary.

15 “(d) NO DOUBLE BENEFIT.—The amount of any de-
16 duction or other credit allowable under this chapter for
17 any fuel taken into account in computing the amount of
18 the credit determined under subsection (a) shall be re-
19 duced by the amount of such credit attributable to such
20 fuel.

21 “(e) PASS-THRU IN THE CASE OF ESTATES AND
22 TRUSTS.—Under regulations prescribed by the Secretary,
23 rules similar to the rules of subsection (d) of section 52
24 shall apply.

25 “(f) TERMINATION.—

1 “(1) IN GENERAL.—Except as provided in para-
2 graph (2), this section shall not apply to any fuel
3 sold at retail after December 31, 2009.

4 “(2) HYDROGEN FUEL.—In the case of an al-
5 ternative fuel which is hydrogen fuel, this section
6 shall not apply to any fuel sold at retail after De-
7 cember 31, 2014.”.

8 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
9 tion 38(b) (relating to current year business credit) is
10 amended by striking “plus” at the end of paragraph (18),
11 by striking the period at the end of paragraph (19) and
12 inserting “, plus”, and by adding at the end the following
13 new paragraph:

14 “(20) the alternative fuel retail sales credit de-
15 termined under section 40B(a).”.

16 (c) CLERICAL AMENDMENT.—The table of sections
17 for subpart D of part IV of subchapter A of chapter 1
18 is amended by inserting after the item relating to section
19 40 the following new item:

 “Sec. 40B. Credit for retail sale of alternative fuels as motor vehicle fuel.”.

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to fuel sold at retail after the date
22 of the enactment of this Act, in taxable years ending after
23 such date.

1 **SEC. 7. STUDY OF EFFECTIVENESS OF CERTAIN PROVI-**
2 **SIONS BY GAO.**

3 (a) **STUDY.**—The Comptroller General of the United
4 States shall undertake an ongoing analysis of—

5 (1) the effectiveness of the alternative motor ve-
6 hicles and fuel incentives provisions under this Act,
7 and

8 (2) the recipients of the tax benefits contained
9 in such provisions, including an identification of
10 such recipients by income and other appropriate
11 measurements.

12 Such analysis shall quantify the effectiveness of such pro-
13 visions by examining and comparing the Federal Govern-
14 ment's forgone revenue to the aggregate amount of energy
15 actually conserved and tangible environmental benefits
16 gained as a result of such provisions.

17 (b) **REPORTS.**—The Comptroller General of the
18 United States shall report the analysis required under sub-
19 section (a) to Congress not later than December 31, 2006,
20 and annually thereafter.

○