

106TH CONGRESS  
1ST SESSION

# S. 1003

To amend the Internal Revenue Code of 1986 to provide increased tax incentives for the purchase of alternative fuel and electric vehicles, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MAY 11, 1999

Mr. ROCKEFELLER (for himself, Mr. HATCH, Mr. CRAPO, and Mr. BRYAN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide increased tax incentives for the purchase of alternative fuel and electric vehicles, 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Alternative Fuels Pro-  
5 motion Act”.

6 **SEC. 2. FINDINGS.**

7 The Senate finds the following:

8 (1)(A) Since 1994, the United States has im-  
9 ported over half its oil.

1           (B) Without efforts to mitigate this dependence  
2           on foreign oil, the percentage of oil imported is ex-  
3           pected to grow to all-time highs.

4           (C) This reliance on foreign oil presents a na-  
5           tional security risk, which Congress should address  
6           through policy changes designed to increase the use  
7           of domestically-available alternative transportation  
8           fuels.

9           (2)(A) The importing of a majority of the oil  
10          used in the United States contributes negatively to  
11          the balance of trade of the United States.

12          (B) Assuring the Nation's economic security de-  
13          mands the development and promotion of domesti-  
14          cally-available alternative transportation fuels.

15          (3)(A) The reliance on oil as a transportation  
16          fuel has numerous negative environmental con-  
17          sequences, including increasing air pollution and  
18          greenhouse gas emissions.

19          (B) Developing alternative transportation fuels  
20          will help address these environmental impacts by re-  
21          ducing emissions.

22          (4) In order to encourage installation of alter-  
23          native fueling infrastructure, and make alternative  
24          fuels economically favorable to the producer, dis-  
25          tributor, marketer, and consumer, tax credits pro-

1 vided at the point of distribution into an alternative  
2 fuel vehicle are necessary.

3 (5)(A) In the short-term, United States alter-  
4 native fuel policy must be made fuel neutral.

5 (B) Fuel neutrality will foster private innova-  
6 tion and commercialization using the most techno-  
7 logically feasible and economic fuels available.

8 (C) This will allow market forces to decide the  
9 alternative fuel winners and losers.

10 (6)(A) Tax credits which have been in place  
11 have led to increases in the quantity and quality of  
12 alternative fuel technology available today.

13 (B) Extending these credits is an efficient  
14 means of promoting alternative fuel vehicles and al-  
15 ternative fueling infrastructures.

16 (7)(A) The Federal fleet is one of the best cus-  
17 tomers for alternative fuel vehicles due to its com-  
18 bination of large purchasing power, tight record  
19 keeping, geographic diversity, and high fuel usage.

20 (B) For these reasons, the National Energy  
21 Policy Act of 1991 required Federal fleets to pur-  
22 chase certain numbers of alternatively-fueled vehi-  
23 cles.

24 (C) In most cases, these requirements have not  
25 been met.

1 (D) Efforts must be made to ensure that all  
 2 Federal agencies comply with Federal fleet purchase  
 3 requirement laws and executive orders.

## 4 **TITLE I—TAX INCENTIVES**

### 5 **SEC. 101. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

6 (a) INCREASED CREDIT FOR VEHICLES WHICH  
 7 MEET CERTAIN RANGE REQUIREMENTS.—

8 (1) IN GENERAL.—Section 30(a) of the Internal  
 9 Revenue Code of 1986 (relating to allowance of  
 10 credit) is amended to read as follows:

11 “(a) ALLOWANCE OF CREDIT.—

12 “(1) IN GENERAL.—There shall be allowed as a  
 13 credit against the tax imposed by this chapter for  
 14 the taxable year an amount equal to the sum of—

15 “(A) 10 percent of the cost of any quali-  
 16 fied electric vehicle placed in service by the tax-  
 17 payer during the taxable year, plus

18 “(B) in the case of any such vehicle also  
 19 meeting the requirement described in paragraph  
 20 (2), \$5,000.

21 “(2) RANGE REQUIREMENT.—The requirement  
 22 described in this paragraph is a driving range of at  
 23 least 100 miles—

1           “(A) on a single charge of the vehicle’s re-  
2           chargeable batteries, fuel cells, or other portable  
3           source of electrical current, and

4           “(B) measured pursuant to the urban dy-  
5           namometer schedules under appendix I to part  
6           86 of title 40, Code of Federal Regulations.”.

7           (2) CONFORMING AMENDMENT.—Section  
8           30(b)(1) of the Internal Revenue Code of 1986 is  
9           amended by striking “subsection (a)” and inserting  
10          “subsection (a)(1)(A)”.

11          (b) CREDIT EXTENDED THROUGH 2010.—

12           (1) IN GENERAL.—Section 30(e) of the Internal  
13          Revenue Code of 1986 (relating to termination) is  
14          amended by striking “2004” and inserting “2010”.

15           (2) CONFORMING AMENDMENTS.—Section  
16          30(b)(2) of such Code (relating to phaseout) is  
17          amended—

18           (A) by striking “2002” in subparagraph  
19          (A) and inserting “2008”,

20           (B) by striking “2003” in subparagraph  
21          (B) and inserting “2009”, and

22           (C) by striking “2004” in subparagraph  
23          (C) and inserting “2010”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to property placed in service after  
 3 the date of enactment of this Act.

4 **SEC. 102. ADDITIONAL DEDUCTION FOR COST OF INSTAL-**  
 5 **LATION OF ALTERNATIVE FUELING STA-**  
 6 **TIONS.**

7 (a) IN GENERAL.—Subparagraph (A) of section  
 8 179A(b)(2) of the Internal Revenue Code of 1986 (relat-  
 9 ing to qualified clean-fuel vehicle refueling property) is  
 10 amended to read as follows:

11 “(A) IN GENERAL.—The aggregate cost  
 12 which may be taken into account under sub-  
 13 section (a)(1)(B) with respect to qualified  
 14 clean-fuel vehicle refueling property placed in  
 15 service during the taxable year at a location  
 16 shall not exceed the sum of—

17 “(i) with respect to costs not de-  
 18 scribed in clause (ii), the excess (if any)  
 19 of—

20 “(I) \$100,000, over

21 “(II) the aggregate amount of  
 22 such costs taken into account under  
 23 subsection (a)(1)(B) by the taxpayer  
 24 (or any related person or predecessor)  
 25 with respect to property placed in

1 service at such location for all pre-  
 2 ceding taxable years, plus

3 “(ii) the lesser of—

4 “(I) the cost of the installation of  
 5 such property, or

6 “(II) \$30,000.”.

7 (b) EFFECTIVE DATE.—The amendment made by  
 8 this section shall apply to property placed in service after  
 9 the date of enactment of this Act.

10 **SEC. 103. CREDIT FOR RETAIL SALE OF CLEAN BURNING**  
 11 **FUELS AS MOTOR VEHICLE FUEL.**

12 (a) IN GENERAL.—Subpart D of part IV of sub-  
 13 chapter A of chapter 1 of the Internal Revenue Code of  
 14 1986 (relating to business related credits) is amended by  
 15 inserting after section 40 the following:

16 **“SEC. 40A. CREDIT FOR RETAIL SALE OF CLEAN BURNING**  
 17 **FUELS AS MOTOR VEHICLE FUEL.**

18 “(a) GENERAL RULE.—For purposes of section 38,  
 19 the clean burning fuel retail sales credit of any taxpayer  
 20 for any taxable year is 50 cents for each gasoline gallon  
 21 equivalent of clean burning fuel sold at retail by the tax-  
 22 payer during such year as a fuel to propel any qualified  
 23 motor vehicle.

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

1           “(1) CLEAN BURNING FUEL.—The term ‘clean  
2 burning fuel’ means natural gas, compressed natural  
3 gas, liquefied natural gas, liquefied petroleum gas,  
4 hydrogen, and any liquid at least 85 percent of  
5 which consists of methanol.

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

11           “(3) QUALIFIED MOTOR VEHICLE.—The term  
12 ‘qualified motor vehicle’ means any motor vehicle (as  
13 defined in section 179A(e)) which meets any applica-  
14 ble Federal or State emissions standards with re-  
15 spect to each fuel by which such vehicle is designed  
16 to be propelled.

17           “(4) 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 clean burning fuel as a fuel to propel  
24 any qualified motor vehicle (including any use  
25 after importation) before such fuel is sold at re-

1           tail, then such use shall be treated in the same  
2           manner as if such fuel were sold at retail as a  
3           fuel to propel such a vehicle by such person.

4           “(c) NO DOUBLE BENEFIT.—The amount of the  
5           credit determined under subsection (a) shall be reduced  
6           by the amount of any deduction or credit allowable under  
7           this chapter for fuel taken into account in computing the  
8           amount of such credit.

9           “(d) TERMINATION.—This section shall not apply to  
10          any fuel sold at retail after December 31, 2007.”.

11          (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-  
12          tion 38(b) of the Internal Revenue Code of 1986 (relating  
13          to current year business credit) is amended by striking  
14          “plus” at the end of paragraph (11), by striking the period  
15          at the end of paragraph (12) and inserting “, plus”, and  
16          by adding at the end the following:

17                 “(13) the clean burning fuel retail sales credit  
18                 determined under section 40A(a).”.

19          (c) TRANSITIONAL RULE.—Section 39(d) of the In-  
20          ternal Revenue Code of 1986 (relating to transitional  
21          rules) is amended by adding at the end the following:

22                 “(9) NO CARRYBACK OF SECTION 40A CREDIT  
23                 BEFORE EFFECTIVE DATE.—No portion of the un-  
24                 used business credit for any taxable year which is  
25                 attributable to the clean burning fuel retail sales

1 credit determined under section 40A(a) may be car-  
 2 ried back to a taxable year ending before January  
 3 1, 1999.”.

4 (d) CLERICAL AMENDMENT.—The table of sections  
 5 for subpart D of part IV of subchapter A of chapter 1  
 6 of the Internal Revenue Code of 1986 is amended by in-  
 7 serting after the item relating to section 40 the following:

“Sec. 40A. Credit for retail sale of clean burning fuels as motor vehicle  
 fuel.”.

8 (e) EFFECTIVE DATE.—The amendments made by  
 9 this section shall apply to fuel sold at retail after Decem-  
 10 ber 31, 1999, in taxable years ending after such date.

## 11 **TITLE II—PROGRAM** 12 **EFFICIENCIES**

### 13 **SEC. 201. EXCEPTION TO HOV PASSENGER REQUIREMENTS** 14 **FOR ALTERNATIVE FUEL VEHICLES.**

15 Section 102(a) of title 23, United States Code, is  
 16 amended by inserting “(unless, at the discretion of the  
 17 State highway department, the vehicle operates on, or is  
 18 fueled by, an alternative fuel (as defined in section 301  
 19 of Public Law 102–486 (42 U.S.C. 13211(2)))” after  
 20 “required”.

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