

112TH CONGRESS  
1ST SESSION

# H. R. 3756

To amend the Internal Revenue Code of 1986 to allow a deduction for interest paid on indebtedness incurred in connection with the purchase of a new automobile or light truck.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 20, 2011

Ms. RICHARDSON introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for interest paid on indebtedness incurred in connection with the purchase of a new automobile or light truck.

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 “Drivers Accelerated  
5 Interest Deductibility Act of 2011” or the “Drivers AID  
6 Act”.

7       **SEC. 2. FINDINGS.**

8       Congress finds the following:

1           (1) The economic health and well-being of the  
2           United States depends on a strong and resurgent  
3           automotive industry. Until 2008, automotive sales  
4           historically accounted for approximately 20 percent  
5           of all retail spending in the United States, and pro-  
6           vided the income and financial security for millions  
7           of Americans.

8           (2) From June 2006 through May 2008, the  
9           seasonally adjusted annual rate of automotive sales  
10          ranged from a high of approximately 17,500,000  
11          units in June 2006 to a low of 14,200,000 units in  
12          May 2008, substantially above the 13,000,000 unit  
13          seasonally adjusted annual rate generally regarded  
14          to be the indicator of a robust automotive industry.

15          (3) Beginning in June 2008 and continuing  
16          through the present, the seasonally adjusted annual  
17          rate of automotive sales has averaged less than  
18          10,000,000 units and has exceeded that number in  
19          only three months and has not in any matched or  
20          exceeded the 13,000,000 unit seasonally adjusted  
21          annual rate threshold.

22          (4) The annual contributions of the automotive  
23          new vehicle dealers industry to the national economy  
24          are substantial. In 2008, the average sales revenue  
25          for the approximately 20,000 new automobile dealers

1 in the United States was \$28,800,000 and the total  
2 sales of all new-vehicle dealerships in the United  
3 States was \$576,000,000,000 which constituted 14.6  
4 percent of total retail sales in the United States.

5 (5) In 2008, the 1,057,500 persons employed in  
6 new-vehicle dealerships in the United States, an av-  
7 erage of 53 employees per dealership, earned on av-  
8 erage \$48,963 per year, generating a national pay-  
9 roll of more than \$52,000,000,000 and \$2,660,000  
10 per dealership and millions more in tax revenue for  
11 State and local governments.

12 (6) Because a well capitalized, financially sound  
13 dealer network is essential to the success of every  
14 automobile manufacturer, especially a manufacturer  
15 facing economic challenges, preserving the viability  
16 of the new-vehicle dealer industry further the na-  
17 tional economic interest of the United States.

18 (7) Because sales of new vehicles is highly de-  
19 pendent on consumer confidence and the existence of  
20 incentives to motivate consumers to purchase a new-  
21 vehicle, a reduction in the cost of capital needed to  
22 finance the purchase of a new vehicle over a period  
23 of years will have a positive effect on the viability of  
24 the new-vehicle dealer industry, which in turn will

1 strengthen the automotive manufacturing industry  
2 and the national economy.

3 (8) Payment of nonmortgage interest payments,  
4 such as automobile loan debt, was deductible for  
5 Federal income tax purposes for 73 years, from the  
6 inception of the Internal Revenue Code in 1913 until  
7 Congress ended the deduction in 1986 when the Tax  
8 Reform Act of 1986 was passed.

9 **SEC. 3. DEDUCTION FOR INTEREST ON INDEBTEDNESS IN-**  
10 **CURRED TO ACQUIRE A PASSENGER CAR OR**  
11 **LIGHT TRUCK.**

12 (a) IN GENERAL.—Paragraph (2) of section 163(h)  
13 of the Internal Revenue Code of 1986 is amended by strik-  
14 ing “and” at the end of subparagraph (E), by striking  
15 the period at the end of subparagraph (F) and inserting  
16 “, and”, and by adding at the end the following new sub-  
17 paragraph:

18 “(G) in the case of the acquisition of a  
19 qualified vehicle, any qualified vehicle interest  
20 if, for the calendar quarter preceding the date  
21 on which such vehicle is acquired, the average  
22 national unemployment rate for such quarter is  
23 not less than 7 percent.”.

1 (b) QUALIFIED VEHICLE INTEREST.—Paragraph (5)  
2 of section 163(h) of the Internal Revenue Code of 1986  
3 is amended to read as follows:

4 “(5) QUALIFIED VEHICLE INTEREST.—For pur-  
5 poses of paragraph (2)(G) and this paragraph—

6 “(A) IN GENERAL.—The term ‘qualified  
7 vehicle interest’ means any interest which—

8 “(i) is properly chargeable on indebt-  
9 edness incurred in acquiring a qualified ve-  
10 hicle, and

11 “(ii) is properly allocable to the 36-  
12 month period described in subparagraph  
13 (B)(ii).

14 “(B) LIMITATIONS.—

15 “(i) DOLLAR LIMITATION.—The  
16 amount of interest taken into account  
17 under this paragraph (after the application  
18 of subparagraph (A)(ii)) with respect to a  
19 qualified vehicle shall not exceed \$5,000.

20 “(ii) PERIOD LIMITATION.—Only in-  
21 terest on such indebtedness properly allo-  
22 cable to the 36-month period beginning on  
23 the date such indebtedness is incurred may  
24 be taken into account under this para-  
25 graph.

1 “(C) QUALIFIED VEHICLE.—

2 “(i) IN GENERAL.—The term ‘quali-  
3 fied vehicle’ means a motor vehicle—

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

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

8 “(III) with respect to which no  
9 payment is made under section 1302  
10 of the Consumer Assistance to Recycle  
11 and Save Act of 2009,

12 “(IV) which is made by a manu-  
13 facturer,

14 “(V) which is treated as a motor  
15 vehicle for purposes of title II of the  
16 Clean Air Act,

17 “(VI) which has a gross vehicle  
18 weight rating of 6,000 pounds or less,  
19 and

20 “(VII) which is a passenger auto-  
21 mobile or light truck.

22 “(ii) MOTOR VEHICLE.—The term  
23 ‘motor vehicle’ means any vehicle which is  
24 manufactured primarily for use on public  
25 streets, roads, and highways (not including

1 a vehicle operated exclusively on a rail or  
2 rails) and which has at least 4 wheels.

3 “(iii) OTHER TERMS.—The terms  
4 ‘automobile’, ‘passenger automobile’, ‘light  
5 truck’, and ‘manufacturer’ have the mean-  
6 ings given such terms in regulations pre-  
7 scribed by the Administrator of the Envi-  
8 ronmental Protection Agency for purposes  
9 of the administration of title II of the  
10 Clean Air Act (42 U.S.C. 7521 et seq.).

11 “(D) AVERAGE NATIONAL UNEMPLOYMENT  
12 RATE.—The average national unemployment  
13 rate for a calendar quarter means the national  
14 unemployment rate means the average of the  
15 monthly national unemployment rates for  
16 months in the calendar quarter, as reported by  
17 the Bureau of Labor Statistics, Department of  
18 Labor.”.

19 (c) DEDUCTION ALLOWED IN COMPUTING ADJUSTED  
20 GROSS INCOME.—Subsection (a) of section 62 of such  
21 Code is amended by inserting before the last sentence the  
22 following new paragraph:

23 “(22) QUALIFIED VEHICLE INTEREST.—The  
24 deduction allowed by reason of section  
25 163(h)(2)(G).”.

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply with respect to vehicles acquired  
3 on or after January 1, 2011.

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