

United States Senate Committee on Finance

For Immediate Release

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Grassley, Baucus Bill Offers Businesses Significant Tax Breaks to Buy Fuel-efficient Alternative Energy Vehicles

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, today introduced legislation to significantly increase tax incentives for business owners who buy fuel-efficient alternative energy vehicles. The Grassley-Baucus bill will make certain that businesses receive tax benefits for buying more efficient, cleaner alternative energy vehicles just as they now receive for the purchase of sport utility vehicles (SUVs).

If enacted, the proposed changes would be the biggest incentives for the business purchase of alternative energy vehicles ever to emerge from the Finance Committee and possibly alter the way businesses approach their vehicle purchases. The alternative energy vehicles include electric cars; hybrid cars that run on part-fuel, part-electricity; and vehicles that run entirely on alternative fuel such as compressed natural gas.

“The tax code shouldn’t favor SUVs over alternative energy cars for business owners,” Grassley said. “Some business owners will want to use SUVs and some will want to use hybrid cars. The choice should be theirs and the tax code should be consistent. The purchase of either kind of vehicle will help business growth, especially for small businesses, which create most of the nation’s jobs.”

Baucus said, “At a time when America needs to shake its oil addiction, Congress needs to do all it can to encourage the purchase and use of alternative fuel vehicles. America’s small business owners are looking for ways to reduce their energy consumption and costs, and the tax code should provide benefits for those who can choose and use clean, lean alternative-fuel vehicles.”

Grassley and Baucus’ bill, the *America’s Business Choice (ABC) Act*, exempts passenger vehicles eligible for the alternative motor vehicle credit and the credit for qualified electric vehicles from the limitation on depreciation for “luxury” automobiles.

Under current depreciation rules, a business owner who buys an SUV gets a deduction for the depreciation not subject to the limitation for “luxury” automobiles. The Grassley-Baucus bill will provide the same depreciation deductions for business owners who buy alternative energy vehicles.

In addition, the Grassley-Baucus bill allows small business owners to use the tax benefit of expensing of up to \$100,000 for their alternative energy vehicles. Under current law, business owners have not been able to use expensing if they purchased a passenger vehicle that costs more

than \$10,585 (adjusted for inflation to \$14,800 for 2005 purchases).