

Gas Guzzler Tax

Manufacturers of new cars that fail to meet the minimum fuel economy level of 22.5 miles per gallon (mpg) have to pay a “Gas Guzzler Tax.” The tax is intended to discourage the production and purchase of fuel inefficient vehicles. This fact sheet explains what the Gas Guzzler Tax is and how it is calculated.

Introduction

The Energy Tax Act of 1978 imposes a Gas Guzzler Tax on manufacturers who sell cars that fail to meet certain statutory fuel economy levels. This tax does not apply to minivans, sport utility vehicles, and pick-up trucks. Congress did not impose a gas guzzler tax on these vehicle types because in 1978, at the time the law was enacted, they represented a relatively small fraction of the overall fleet of passenger vehicles and were used more for business purposes than personal transportation. The tax is collected by the Internal Revenue Service (IRS) and normally paid by the manufacturer or importer. The amount of the tax paid is displayed on the vehicle’s fuel economy label (the window sticker on new cars).

Calculation Technique

The Gas Guzzler Tax for each vehicle is based on its combined city and highway fuel economy value. Manufacturers must follow U.S. Environmental Protection Agency (EPA) procedures to calculate the tax. The calculation uses a formula that weights fuel economy test results for city and highway driving cycles (the combined value is based on 55% city driving and 45% highway driving). Fuel economy values are calculated before sales begin for the model year. The total amount of the tax is determined later and is based on the total number of gas guzzler vehicles that were sold that year. It is assessed after production has ended for the model year and is paid by the vehicle manufacturer or importer.

EPA and manufacturers use the same test to measure vehicle fuel economy for the Gas Guzzler Tax and for new car fuel economy labels. However, the calculation procedures for tax and label purposes differ, resulting in different fuel economy values.

This is because an adjustment factor is applied to the fuel economy test results for purposes of the label, but not for the tax. The adjustment is intended to help account for the differences between “real-world” and laboratory testing conditions.

EPA conducts fuel economy tests in a laboratory on a dynamometer (a device similar to a treadmill). Laboratory conditions can be different from real world conditions for such parameters as vehicle speeds, acceleration rates, driving patterns, ambient temperatures, fuel type, tire pressure, wind resistance, etc. EPA studies indicate that vehicles driven by typical drivers under typical road conditions get approximately 70 to 90 percent of the laboratory test-based city miles per gallon (mpg) value and approximately 70 to 80 percent of laboratory highway mpg value. This difference is referred to as “in-use shortfall.” To account for the in-use shortfall, the city and highway mpg values listed in Fuel Economy Guide and shown on fuel economy labels are based on fuel economy test results of the city and highway tests plus three additional tests. The three additional tests measure fuel economy 1) at cold ambient temperatures, 2) at warmer temperatures with the air conditioner running, and 3) when operated at high speeds and high acceleration rates. However, the combined city and highway fuel economy that is used to determine tax liability is not adjusted to account for in-use shortfall, so it is higher than the mpg values provided in the Fuel Economy Guide (www.fueleconomy.gov) and posted on the window stickers of new vehicles.

Tax Schedule

The IRS collects the tax directly from the manufacturer or importer of the vehicles. The following table shows the gas guzzler tax rates which have been in effect since January 1, 1991. The manufacturer or importer must pay this amount for each vehicle that doesn’t meet the minimum fuel economy level of 22.5 mpg.

Combined fuel economy of:	Amount
at least 22.5 mpg	No tax
at least 21.5, but less than 22.5 mpg	\$1000
at least 20.5, but less than 21.5 mpg	\$1300
at least 19.5, but less than 20.5 mpg	\$1700
at least 18.5, but less than 19.5 mpg	\$2100
at least 17.5, but less than 18.5 mpg	\$2600
at least 16.5, but less than 17.5 mpg	\$3000
at least 15.5, but less than 16.5 mpg	\$3700
at least 14.5, but less than 15.5 mpg	\$4500
at least 13.5, but less than 14.5 mpg	\$5400
at least 12.5, but less than 13.5 mpg	\$6400
less than 12.5 mpg	\$7700

Lists of Gas Guzzler Vehicles from 1980 to the current model year

Each model year, EPA identifies vehicles subject to the Gas Guzzler Tax. These lists are available on EPA's web site at: www.epa.gov/fueleconomy/guzzler. These lists should not be construed as "all inclusive" lists and are not intended to replace the applicable IRS or EPA regulations. The regulations take precedence should there be any discrepancies in this information.

For More Information

You can access additional information at the following Web sites:

- **Gas Guzzler Tax and Vehicles:**
www.epa.gov/fueleconomy/guzzler
EPA Web site provides the lists of gas guzzler vehicles by model year.
- **IRS Publication 510 – Excise Taxes for 2005:**
www.irs.gov/publications/p510/ch05.html#d0e7229 (HTML)
www.irs.gov/pub/irs-pdf/p510.pdf (PDF)
Part Two, Chapter 5 - Manufacturers Taxes of this Internal Revenue Service (IRS) publication details the payment obligations for the gas guzzler tax. (PDF, 47 pages, 278K)
- **IRS Form 6197 – Gas Guzzler Tax:**
www.irs.gov/pub/irs-pdf/f6197.pdf
IRS form used to calculate the gas guzzler tax. (PDF, 2 pages, 60K)
- **EPA Regulations regarding gas guzzler tax compliance:**
 - 40 CFR § 600.314–01 Updating label values, annual fuel cost, Gas Guzzler Tax, and range of fuel economies for comparable automobiles. (PDF, 3 pp, 33K)
http://a257.g.akamaitech.net/7/257/2422/08aug20051500/edocket.access.gpo.gov/cfr_2005/julqtr/pdf/40cfr600.314-01.pdf
 - 40 CFR § 600.314–86 Updating label values, annual fuel cost, Gas Guzzler Tax, and range of fuel economies for comparable automobiles. (PDF, 1 pg, 28K)
http://a257.g.akamaitech.net/7/257/2422/08aug20051500/edocket.access.gpo.gov/cfr_2005/julqtr/pdf/40cfr600.314-86.pdf
- **Fuel Economy**
www.epa.gov/fueleconomy
EPA's web site on fuel economy provides information on how EPA determines fuel economy estimates, the regulations that govern fuel economy testing and reporting, and fuel economy test data.

- **Green Vehicle Guide**
www.epa.gov/greenvehicles
EPA's Green Vehicle Guide provides consumers with fuel economy and emission information for all cars and light trucks. Consumers can use the Green Vehicle Guide to find the cleanest, most fuel-efficient vehicle that meets their needs. Each vehicle is given an Air Pollution Score and Greenhouse Gas score on a scale of 0-10, with 10 being the best. Users can look up individual vehicles or types of vehicles to see how they rate.
- **www.fueleconomy.gov**
www.fueleconomy.gov
This is the official site for fuel economy information, including downloadable versions of the annual Fuel Economy Guide, files of the annual underlying fuel economy data, as well as much more information. Users can look up individual vehicles for specific fuel economy information and read tips for improving gas mileage. There are links to related sites, including where to find information about possible tax credits for alternative fueled vehicles.