

119TH CONGRESS
1ST SESSION

H. R. 1293

To amend the Internal Revenue Code of 1986 to provide tax incentives and fees for increasing motor vehicle fuel economy, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 13, 2025

Mr. CASTEN (for himself and Ms. MATSUI) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives and fees for increasing motor vehicle fuel economy, 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 (a) SHORT TITLE.—This Act may be cited as the
5 “Vehicle Energy Performance Act of 2025”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
2 shall be considered to be made to a section or other provi-
3 sion of the Internal Revenue Code of 1986.

4 **SEC. 2. TAX CREDIT FOR VEHICLE ENERGY PERFORMANCE.**

5 (a) IN GENERAL.—Subpart B of part IV of sub-
6 chapter A of chapter 1 (relating to other credits) is
7 amended by inserting after section 30D the following new
8 section:

9 **“SEC. 30E. VEHICLE ENERGY PERFORMANCE REBATE.**

10 “(a) ALLOWANCE OF CREDIT.—

11 “(1) IN GENERAL.—There shall be allowed as a
12 credit against the tax imposed by this chapter for
13 the taxable year an amount equal to the amount de-
14 termined under paragraph (2) with respect to any
15 new qualified high energy performance motor vehicle
16 placed in service by the taxpayer during the taxable
17 year.

18 “(2) CREDIT AMOUNT.—With respect to each
19 new qualified high energy performance motor vehi-
20 cle, the amount determined under this paragraph
21 shall be equal to the amount (not greater than
22 \$5,000) that bears the same ratio to \$5,000 as—

23 “(A) the excess of—

24 “(i) the vehicle energy performance of
25 such vehicle, over

1 “(ii) the median vehicle energy per-
2 formance for the model year immediately
3 preceding the model year of such vehicle,
4 bears to

5 “(B) the excess of—

6 “(i) the best vehicle energy perform-
7 ance for the model year immediately pre-
8 ceding the model year of such vehicle, over

9 “(ii) the median vehicle energy per-
10 formance for the model year immediately
11 preceding the model year of such vehicle.

12 “(b) NEW QUALIFIED HIGH ENERGY PERFORMANCE
13 MOTOR VEHICLE.—For purposes of this section, the term
14 ‘new qualified high energy performance motor vehicle’
15 means a passenger automobile or light truck—

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

18 “(2) which achieves vehicle energy performance
19 that is greater than the median vehicle energy per-
20 formance for the model year immediately preceding
21 the model year of such vehicle,

22 “(3) for which standards are prescribed pursu-
23 ant to section 32902 of title 49, United States Code,

24 “(4) the original use of which commences with
25 the taxpayer,

1 “(5) which is acquired for use or lease by the
2 taxpayer and not for resale, and

3 “(6) which is made by a manufacturer begin-
4 ning with model year 2027.

5 “(c) APPLICATION WITH OTHER CREDITS.—

6 “(1) BUSINESS CREDIT TREATED AS PART OF
7 GENERAL BUSINESS CREDIT.—So much of the credit
8 which would be allowed under subsection (a) for any
9 taxable year (determined without regard to this sub-
10 section) that is attributable to property of a char-
11 acter subject to an allowance for depreciation shall
12 be treated as a credit listed in section 38(b) for such
13 taxable year (and not allowed under subsection (a)).

14 “(2) REFUNDABLE PERSONAL CREDIT.—

15 “(A) IN GENERAL.—For purposes of this
16 title, the credit allowed under subsection (a) for
17 any taxable year (determined after application
18 of paragraph (1)) shall be treated as a credit
19 allowable under subpart C for such taxable year
20 (and not allowed under subsection (a)).

21 “(B) REFUNDABLE CREDIT MAY BE
22 TRANSFERRED.—

23 “(i) IN GENERAL.—A taxpayer may,
24 in connection with the purchase of a new
25 qualified high energy performance motor

1 vehicle, transfer any refundable credit de-
2 scribed in subparagraph (A) to any person
3 who is in the trade or business of selling
4 new qualified high energy performance
5 motor vehicles and who sold such vehicle to
6 the taxpayer, but only if such person clear-
7 ly discloses to such taxpayer, through the
8 use of a window sticker attached to the
9 new qualified high energy performance ve-
10 hicle—

11 “(I) the amount of the refund-
12 able credit described in subparagraph
13 (A) with respect to such vehicle, and

14 “(II) a notification that the tax-
15 payer will not be eligible for any cred-
16 it under section 30D with respect to
17 such vehicle unless the taxpayer elects
18 not to have this section apply with re-
19 spect to such vehicle.

20 “(ii) CERTIFICATION.—A transferee
21 of a refundable credit described in sub-
22 paragraph (A) may not claim such credit
23 unless such claim is accompanied by a cer-
24 tification to the Secretary that the trans-
25 feree reduced the price the taxpayer paid

1 for the new qualified high energy perform-
2 ance motor vehicle by the entire amount of
3 such refundable credit.

4 “(iii) CONSENT REQUIRED FOR REV-
5 OCATION.—Any transfer under clause (i)
6 may be revoked only with the consent of
7 the Secretary.

8 “(iv) REGULATIONS.—The Secretary
9 may prescribe such regulations as nec-
10 essary to ensure that any refundable credit
11 described in clause (i) is claimed once and
12 not retransferred by a transferee.

13 “(d) OTHER DEFINITIONS.—For purposes of this
14 section:

15 “(1) VEHICLE ENERGY PERFORMANCE.—The
16 term ‘vehicle energy performance’ means, with re-
17 spect to any vehicle, the combined fuel-economy rat-
18 ing determined for the model and model year of such
19 vehicle.

20 “(2) MEDIAN VEHICLE ENERGY PERFORM-
21 ANCE.—The term ‘median vehicle energy perform-
22 ance’ means, with respect to any model year, the
23 median combined fuel-economy rating for all new
24 motor vehicles of such model year sold in the United
25 States.

1 “(3) BEST VEHICLE ENERGY PERFORMANCE.—
2 The term ‘best vehicle energy performance’ means,
3 with respect to any model year, the highest com-
4 bined fuel-economy rating of any model of motor ve-
5 hicle of such model year sold the United States.

6 “(4) COMBINED FUEL-ECONOMY RATING.—The
7 term ‘combined fuel-economy rating’ means the com-
8 bined fuel-economy rating determined in accordance
9 with section 32908 of title 49, United States Code,
10 and expressed in miles per gallon of gasoline equiva-
11 lent.

12 “(5) MODEL YEAR.—The term ‘model year’ has
13 the meaning given such term under section 32901(a)
14 of such title 49.

15 “(6) MOTOR VEHICLE.—The term ‘motor vehi-
16 cle’ means any vehicle which is manufactured pri-
17 marily for use on public streets, roads, and highways
18 (not including a vehicle operated exclusively on a rail
19 or rails) and which has at least 4 wheels.

20 “(7) OTHER TERMS.—The terms ‘automobile’,
21 ‘passenger automobile’, ‘light truck’, and ‘manufac-
22 turer’ have the meanings given such terms in regula-
23 tions prescribed by the Administrator of the Envi-
24 ronmental Protection Agency for purposes of the ad-

1 ministration of title II of the Clean Air Act (42
2 U.S.C. 7521 et seq.).

3 “(e) SPECIAL RULES.—

4 “(1) BASIS REDUCTION.—For purposes of this
5 subtitle, the basis of any property for which a credit
6 is allowable under subsection (a) shall be reduced by
7 the amount of such credit so allowed (determined
8 without regard to subsection (c)).

9 “(2) PROPERTY USED BY TAX-EXEMPT ENTI-
10 TY.—In the case of a vehicle whose use is described
11 in paragraph (3) or (4) of section 50(b) and which
12 is not subject to a lease, the person who sold such
13 vehicle to the person or entity using such vehicle
14 shall be treated as the taxpayer that placed such ve-
15 hicle in service, but only if such person clearly dis-
16 closes to such person or entity in a document the
17 amount of any credit allowable under subsection (a)
18 with respect to such vehicle (determined without re-
19 gard to subsection (c)). For purposes of subsection
20 (c), property to which this paragraph applies shall
21 be treated as of a character subject to an allowance
22 for depreciation.

23 “(3) PROPERTY USED OUTSIDE UNITED
24 STATES, ETC., NOT QUALIFIED.—No credit shall be
25 allowable under subsection (a) with respect to any

1 property referred to in section 50(b)(1) or with re-
2 spect to the portion of the cost of any property
3 taken into account under section 179.

4 “(4) RECAPTURE.—The Secretary shall, by reg-
5 ulations, provide for recapturing the benefit of any
6 credit allowable under subsection (a) with respect to
7 any property which ceases to be property eligible for
8 such credit.

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

13 “(6) INTERACTION WITH AIR QUALITY AND
14 MOTOR VEHICLE SAFETY STANDARDS.—A motor ve-
15 hicle shall not be considered eligible for a credit
16 under this section unless such vehicle is in compli-
17 ance with—

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

1 “(B) the motor vehicle safety provisions of
2 sections 30101 through 30169 of title 49,
3 United States Code.

4 “(7) INFLATION ADJUSTMENT.—In the case of
5 any model year beginning in a calendar year after
6 2027, each dollar amount in subsection (a)(2) shall
7 be increased by an amount equal to—

8 “(A) such dollar amount, multiplied by

9 “(B) the cost-of-living adjustment deter-
10 mined under section 1(f)(3) for the calendar
11 year in which the model year begins, deter-
12 mined by substituting ‘2026’ for ‘2016’ in sub-
13 paragraph (A)(ii) thereof.

14 Any increase determined under the preceding sen-
15 tence shall be rounded to the nearest multiple of
16 \$100.

17 “(8) ONE CREDIT PER VEHICLE.—In the case
18 of any vehicle, the credit described in subsection (a)
19 shall only be allowed once with respect to such vehi-
20 cle, as determined based upon the vehicle identifica-
21 tion number of such vehicle.

22 “(f) REPORTING OF VEHICLE ENERGY PERFORM-
23 ANCE.—

24 “(1) VEHICLE MANUFACTURERS.—Not later
25 than November 1 of each calendar year (beginning

1 with calendar year 2026), each vehicle manufacturer
2 shall submit to the Secretary a report that in-
3 cludes—

4 “(A) the vehicle energy performance for
5 each model of that model year which was manu-
6 factured by such manufacturer and sold in the
7 United States, and

8 “(B) with respect to each such model of
9 such model year, the number of vehicles of such
10 model and model year sold in the United States
11 during the 1-year period beginning on October
12 1 of the preceding year.

13 “(2) PUBLICATION BY TREASURY.—Not later
14 than December 1 of each calendar year (beginning
15 with calendar year 2026), the Secretary shall publish
16 the median vehicle energy performance and the best
17 vehicle energy performance for that model year.

18 “(g) REGULATIONS.—

19 “(1) IN GENERAL.—Except as provided in para-
20 graph (2), the Secretary shall promulgate such regu-
21 lations as necessary to carry out the provisions of
22 this section not later than 1 year after the date of
23 enactment.

24 “(2) COORDINATION IN PRESCRIPTION OF CER-
25 TAIN REGULATIONS.—The Secretary of the Treas-

1 ury, in coordination with the Secretary of Transpor-
2 tation and the Administrator of the Environmental
3 Protection Agency, shall prescribe such regulations
4 as necessary to determine whether a motor vehicle
5 meets the requirements to be eligible for a credit
6 under this section.”.

7 (b) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
8 IMUM TAX.—Section 38(c)(4)(B) is amended by redesi-
9 gnating clauses (i) through (xii) as clauses (ii) through
10 (xiii), respectively, and by inserting before clause (ii) (as
11 so redesignated) the following new clause:

12 “(i) the credit determined under sec-
13 tion 30E.”.

14 (c) DISPLAY OF CREDIT.—Section 32908(b) of title
15 49, United States Code, is amended—

16 (1) in paragraph (1)—

17 (A) by redesignating subparagraphs (E)
18 and (F) as subparagraphs (F) and (G), and

19 (B) by inserting after subparagraph (D)
20 the following new subparagraph:

21 “(E) the amount of the vehicle energy perform-
22 ance credit allowable with respect to the sale of the
23 automobile under section 30E of the Internal Rev-
24 enue Code of 1986 (26 U.S.C. 30E).”, and

1 (2) in paragraph (2), by striking “paragraph
2 (1)(E)” and inserting “paragraph (1)(F)”.

3 (d) CONFORMING AMENDMENTS.—

4 (1) Section 38(b) is amended by striking “plus”
5 at the end of paragraph (40), by striking the period
6 at the end of paragraph (41) and inserting “, plus”,
7 and by adding at the end the following new para-
8 graph:

9 “(42) the portion of the vehicle energy perform-
10 ance rebate to which section 30E(c)(1) applies.”.

11 (2) Section 1016(a) is amended by striking
12 “and” at the end of paragraph (37), by striking the
13 period at the end of paragraph (38) and inserting “,
14 and”, and by adding at the end the following new
15 paragraph:

16 “(39) to the extent provided in section
17 30E(e)(1).”.

18 (3) Section 6501(m) is amended by inserting
19 “30E(e)(6),” after “30D(e)(4),”.

20 (4) The table of section for subpart C of part
21 IV of subchapter A of chapter 1 is amended by in-
22 serting after the item relating to section 30D the
23 following new item:

“Sec. 30E. Vehicle energy performance rebate.”.

1 **SEC. 3. LOW VEHICLE ENERGY PERFORMANCE FEE.**

2 (a) IN GENERAL.—Section 4064 is amended to read
3 as follows:

4 **“SEC. 4064. LOW VEHICLE ENERGY PERFORMANCE FEE.**

5 “(a) IMPOSITION OF TAX.—There is hereby imposed
6 on the sale by the manufacturer of each low energy per-
7 formance vehicle a tax equal to the product of \$5,000,
8 multiplied by the quotient of—

9 “(1) the excess of—

10 “(A) the median vehicle energy perform-
11 ance for the model year immediately preceding
12 the model year of such vehicle, over

13 “(B) the vehicle energy performance of
14 such vehicle, divided by

15 “(2) the excess of—

16 “(A) the best vehicle energy performance
17 for the model year immediately preceding the
18 model year of such vehicle, over

19 “(B) the median vehicle energy perform-
20 ance for the model year immediately preceding
21 the model year of such vehicle.

22 “(b) LOW ENERGY PERFORMANCE VEHICLE.—For
23 purposes of this section—

24 “(1) IN GENERAL.—The term ‘low energy per-
25 formance vehicle’ means a passenger automobile or
26 light truck—

1 “(A) which is treated as a motor vehicle
2 for purposes of title II of the Clean Air Act,

3 “(B) which achieves vehicle energy per-
4 formance that is lower than the median vehicle
5 energy performance, and

6 “(C) which is made by a manufacturer be-
7 ginning with model year 2029.

8 “(2) EXCEPTION FOR CERTAIN VEHICLES.—
9 The term ‘low energy performance vehicle’ does not
10 include any vehicle—

11 “(A) which—

12 “(i) has a gross vehicle weight rating
13 of more than 8,500 pounds, and

14 “(ii) is determined by the Secretary to
15 be a vehicle which is designed for commer-
16 cial use, or

17 “(B) sold for use and used—

18 “(i) as an ambulance or combination
19 ambulance-hearse,

20 “(ii) by the United States or by a
21 State or local government for police or
22 other law enforcement purposes, or

23 “(iii) for other emergency uses pre-
24 scribed by the Secretary by regulations.

1 “(c) OTHER DEFINITIONS.—For purposes of this
2 section:

3 “(1) VEHICLE ENERGY PERFORMANCE.—The
4 term ‘vehicle energy performance’ means, with re-
5 spect to any vehicle, the combined fuel-economy rat-
6 ing determined for the model and model year of such
7 vehicle.

8 “(2) MEDIAN VEHICLE ENERGY PERFORM-
9 ANCE.—The term ‘median vehicle energy perform-
10 ance’ means, with respect to any model year, the
11 median combined fuel-economy rating for all new
12 motor vehicles of such model year sold in the United
13 States.

14 “(3) BEST VEHICLE ENERGY PERFORMANCE.—
15 The term ‘best vehicle energy performance’ means,
16 with respect to any model year, the highest com-
17 bined fuel-economy rating of any model of motor ve-
18 hicle of such model year sold the United States.

19 “(4) COMBINED FUEL-ECONOMY RATING.—The
20 term ‘combined fuel-economy rating’ means the com-
21 bined fuel-economy rating determined in accordance
22 with section 32908 of title 49, United States Code,
23 and expressed in miles per gallon of gasoline equiva-
24 lent.

1 “(5) MODEL YEAR.—The term ‘model year’ has
2 the meaning given such term under section 32901(a)
3 of such title 49.

4 “(6) MOTOR VEHICLE.—The term ‘motor vehi-
5 cle’ means any vehicle which is manufactured pri-
6 marily for use on public streets, roads, and highways
7 (not including a vehicle operated exclusively on a rail
8 or rails) and which has at least 4 wheels.

9 “(7) OTHER TERMS.—The terms ‘automobile’,
10 ‘passenger automobile’, ‘light truck’, and ‘manufac-
11 turer’ have the meanings given such terms in regula-
12 tions prescribed by the Administrator of the Envi-
13 ronmental Protection Agency for purposes of the ad-
14 ministration of title II of the Clean Air Act (42
15 U.S.C. 7521 et seq.).

16 “(d) INFLATION ADJUSTMENT.—In the case of any
17 model year beginning in a calendar year after 2029, each
18 dollar amount in subsection (a)(2) shall be increased by
19 an amount equal to—

20 “(1) such dollar amount, multiplied by

21 “(2) the cost-of-living adjustment determined
22 under section 1(f)(3) for the calendar year in which
23 the model year begins, determined by substituting
24 ‘2028’ for ‘2016’ in subparagraph (A)(ii) thereof.

1 Any increase determined under the preceding sentence
2 shall be rounded to the nearest multiple of \$100.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) The heading for part I of subchapter A of
5 chapter 32 is amended by striking “**GAS**” and in-
6 serting “**FUEL**”.

7 (2) The table of parts for subchapter A of chap-
8 ter 32 is amended by striking “Gas” in the item re-
9 lating to part I and inserting “Fuel”.

10 (3) The table of sections for part I of sub-
11 chapter A of chapter 32 is amended by striking
12 “Gas” in the item relating to section 4064 and in-
13 serting “Fuel”.

14 (4) The heading for subsection (d) of section
15 1016 is amended by striking “GAS GUZZLER TAX”
16 and inserting “LOW VEHICLE ENERGY PERFORM-
17 ANCE FEE”.

18 (5) The heading for subsection (e) of section
19 4217 is amended by striking “GAS GUZZLER TAX”
20 and inserting “LOW VEHICLE ENERGY PERFORM-
21 ANCE FEE”.

22 (6) The heading for subparagraph (B) of sec-
23 tion 4217(e)(3) is amended by striking “GAS GUZ-
24 ZLER TAX” and inserting “LOW VEHICLE ENERGY
25 PERFORMANCE FEE”.

1 (7) Section 4217(e) is amended by striking
2 “gas guzzler tax” each place it appears and insert-
3 ing “low vehicle energy performance fee”.

4 **SEC. 4. FUEL ECONOMY OF DUAL FUELED AUTOMOBILES.**

5 (a) MEASUREMENT OF FUEL ECONOMY FOR ELEC-
6 TRIC DUAL FUELED AUTOMOBILES.—Section 32905(e) of
7 title 49, United States Code, is amended—

8 (1) in paragraph (1), in the matter preceding
9 subparagraph (A)—

10 (A) by striking “At the request of the
11 manufacturer, the Administrator may” and in-
12 serting “The Administrator shall”; and

13 (B) by striking “model year 2015” and in-
14 serting “model year 2026”; and

15 (2) by amending paragraph (2) to read as fol-
16 lows:

17 “(2) REVIEW AND UPDATING OF FORMULA.—
18 Not later than 3 years after the date of the enact-
19 ment of this paragraph, and every 3 years there-
20 after, the Administrator shall, using real-world data
21 if possible, review and update the formula for deter-
22 mining under paragraph (1) percentage utilization
23 on gasoline or diesel fuel and percentage utilization
24 on electricity.”.

1 (b) FUEL ECONOMY INFORMATION FOR DUAL
2 FUELED AUTOMOBILES.—

3 (1) LABELING REQUIREMENTS AND CON-
4 TENTS.—Section 32908(b)(3) of title 49, United
5 States Code, is amended—

6 (A) by redesignating subparagraphs (B),
7 (C), and (D) as subparagraphs (D), (E), and
8 (F), respectively; and

9 (B) by inserting after subparagraph (A)
10 the following:

11 “(B) indicate the fuel economy of the auto-
12 mobile when operated primarily on alternative fuel;

13 “(C) indicate the multi-day average fuel econ-
14 omy of the automobile when operated on a combina-
15 tion of alternative fuel and gasoline or diesel fuel,
16 with the percentage utilization of alternative fuel
17 and the percentage utilization of gasoline or diesel
18 fuel being determined by a formula based on real-
19 world data and updated not less frequently than
20 every 3 years;”.

21 (2) FUEL ECONOMY INFORMATION BOOKLET.—
22 Section 32908(c)(2)(B) of title 49, United States
23 Code, is amended—

24 (A) in clause (i), by striking “; and” and
25 inserting a semicolon;

1 (B) by redesignating clause (ii) as clause
2 (iii); and

3 (C) by inserting after clause (i) the fol-
4 lowing:

5 “(ii) information on the multi-day average fuel
6 economy of the automobile when operated on a com-
7 bination of alternative fuel and gasoline or diesel
8 fuel, as indicated under subsection (b)(3)(C); and”.

9 (c) APPLICABILITY.—The amendments made by this
10 section shall apply with respect to automobiles of model
11 year 2027 or later.

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