



## **OPPOSE Sec. 201 of H.R. 4520** **Curb Tax Boondoggle for Huge SUVs**

Section 201 of H.R. 4520 extends the Bush tax cut allowing small businesses to immediately deduct up to \$100,000 from taxable income for purchasing an SUV or other light truck weighing over 6,000 pounds. The provision originally was set to expire at the end of 2005, but section 201 of H.R. 4520 would extend it until the end of 2007.

This provision encourages the needless purchase of enormous, gas-guzzling SUVs, while costing the federal government hundreds of millions of dollars annually. **The heaviest SUVs are also the most dangerous in crashes with other vehicles on the road, costing lives and imposing additional costs on society and individuals.**

The tax break has made the purchase of at least 55 large SUVs, passenger vans, and trucks completely deductible in the first year — only the Hummer H1 would still exceed the deduction cap.<sup>1</sup> In all, this tax break will cost the government \$1.4 billion for every 100,000 taxpayers that take advantage of the loophole.<sup>2</sup>

<b>Sample List of Vehicles that Would Qualify for the SUV Tax Break<sup>3</sup></b>		
<b>Vehicle Model</b>	<b>Weight (lbs.)</b>	<b>Sticker Price</b>
Cadillac Escalade ESV	7,200	\$56,160
Ford Excursion	8,900	\$43,650
Hummer H1	10,300	\$111,845
Hummer H2	8,600	\$50,590
Land Rover Range Rover	6,724	\$71,865

**Do not distort consumer choice with a reckless tax giveaway.  
Oppose section 201 of H.R. 4520.**

<sup>1</sup> Taxpayers for Common Sense. "A Hummer of a Tax Break." December 12, 2003.

<sup>2</sup> *Id.*

<sup>3</sup> Roder, Aileen and Moinster, Lucas. Taxpayers for Common Sense, <http://www.taxpayer.net/TCS/whitepapers/SUVtaxbreak.html#12>, (visited on February 20, 2003).

**Tax law creates SUV-size write-off  
LOOPHOLE: Business owners can deduct entire purchase of  
vehicles weighing 6,000 pounds.**

By PAULA DOBBYN  
Anchorage Daily News

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Call it the SUV tax break: a loophole big enough to drive a Hummer through.

Auto dealerships across the country, including Anchorage, are cashing in on a federal economic stimulus package signed into law by President Bush in late May. It contains what seems like a gift from Uncle Sam too good to be true. The \$330 billion tax-cut plan allows small-business owners and the self-employed to write off the entire cost of vehicles that weigh 6,000 pounds or more.

That means doctors, lawyers and other self-employed professionals can buy a \$75,000 Hummer H2, for example, and write off the purchase price as a business expense.

The Bush tax package raised the deduction for business equipment from \$25,000 to \$100,000. The tax cut was originally intended to help farmers and ranchers buy pickup trucks. But the evolution of SUVs, considered not cars but "light trucks," opened the way for other business owners to claim the deduction.

Environmentalists and consumer advocates denounce the new tax policy as a federal incentive to buy gas guzzlers and a giveaway to the wealthy that will cost the government hundreds of millions of dollars in lost revenue.

"I thought it was some kind of funny joke," said Steve Cleary, executive director of the Alaska Public Interest Research Group, upon learning of the tax break on Friday.

Local car dealers are laughing too, but for a different reason.

Mercedes-Benz of Anchorage on East Sixth Avenue has run newspaper ads showing the luxury automaker's gigantic M-Class SUV. The ads read, "Attn: Business Owners. This Year's New Tax laws allow you to WRITE OFF 100%." The ad encourages buyers to "act now" before the law changes.

The state's only Hummer dealership, across from Merrill Field in East Anchorage, recently sent out thousands of fliers to doctors, lawyers, construction company owners and other well-paid entrepreneurs, to let them know about a "fabulous opportunity."

"Imagine being able to purchase the #1 large luxury SUV in America today, the Hummer H2 with its incredible styling, bona fide off-road capability and awesome driveability and receive a deduction for the entire purchase amount from your taxes this year!" wrote Chris Thorpe, sales representative.

"We wanted to use it as a sales tool," said Roger Swanson, account manager. "It piques the interest level."

The strategy appears to be paying off. Sales have been strong at the Anchorage dealership, according to sales representatives. Thorpe said he's sold 10 H2s in the last month alone.

One of them was to Anchorage resident Ed Gohr, whose wife, Birdie, owns Delta Leasing. The South Anchorage company leases cargo vans, pickup trucks and other big vehicles, including Hummers. The Gohrs heard about the tax policy from their accountant. The couple wasted no time making a big purchase.

"It did motivate us to buy a couple because you can really make some money with the tax breaks," Gohr said. "It's almost a godsend. It helps the small guy out."

Of course it helps the big guy out, too, those who can afford to snap up a pricey BMW X5, a Cadillac Escalade, a Lincoln Navigator or a Range Rover, say. Most H1s or H2s at the Hummer dealership are bought by doctors and lawyers, and others earning six-figure salaries, said Matt Thorpe, general manager of Hummer of Alaska.

The SUV tax break is good policy because it helps the economy, from the person at the factory putting the car together, to the guy selling parts, to the family that gets the tax write-off, he said. Plus, Hummers are fun vehicles and the more people who enjoy them, the better, in his view.

"I've never had a customer complaint," he said.

But complaints are rolling in, from consumer advocates. With the government facing a budget deficit in the hundreds of billions of the dollars, and as the nation struggles to wean its appetite for foreign oil, the SUV tax break is simply ridiculous, according to organizations like Taxpayers for Common Sense.

"This is just outrageous that Hummers and other gas guzzling SUVs are eligible for a tax cut," Cleary said. "What we should be doing is taxing these cars more because of the pollution they produce ... and reward someone for buying a hybrid."

Unlike the tax cut for heavy SUVs, which often consume a gallon of gas every 10 to 15 miles, buyers of environmentally friendly electric-and-gas hybrid cars only get a one-time \$2,000 break on their taxes.

Wayne Anthony Ross, an Anchorage attorney, shares Thorpe's enthusiasm for the military-style Hummers. Ross said he relishes driving his metallic hulk and, like a 16-year-old who just got his license, uses any excuse to get behind the wheel.

"My cheeks hurt from grinning all the time," Ross said.

But Hummer-lover that he is, Ross doesn't support the tax break on his favorite car or any other fancy SUV for that matter.

"This seems to be somewhat discriminatory to people who have to drive little bitty cars," Ross said.

While the conservative Republican is grateful he can own a Hummer, he's not planning to buy another anytime soon, tax break or no tax break. He doesn't support a policy that encourages wealthy people to buy big, expensive cars to lower their bill with the IRS.

"It sure doesn't sound too fair to me. I think we all have a duty to pay reasonable taxes."

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