

# United States Senate

WASHINGTON, DC 20510

April 7, 2026

The Honorable Scott Bessent  
Acting Commissioner, Internal Revenue Service  
and Secretary of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Secretary Bessent,

We write to clarify whether the Internal Revenue Service has determined that companies using liquefied natural gas (LNG) for propelling LNG tankers qualify for credits under the Alternative Fuel Excise Tax (AFET). Providing tankers with AFET credits would unnecessarily waste taxpayer money while doing nothing to protect the environment, reduce costs for everyday Americans, or lessen the United States' (U.S.) dependence on oil.

The AFET credit was created to decrease oil dependence by subsidizing the use of alternative fuels. The AFET credit provided 50 cents for every gallon equivalent of a nonliquid alternative fuel sold for use in a motorboat used by the taxpayer for the same purpose. While the tax code does not define “motorboats,” federal shipping regulations have defined “motorboats” as ships no more than 65 feet long since 1965.<sup>1</sup> It is safe to assume that in drafting the AFET credit, Congress understood motorboat to retain the meaning that had been in federal regulations for almost 50 years.

LNG Tankers are typically 1,000 feet in length. The more appropriate descriptor for an LNG tanker is the term “vessel,” which Congress defines in 26 USC § 4221 as ships employed in fishing, whaling, foreign trade, or war.<sup>2</sup> Vessels already receive special tax free treatment for using alternative fuels if they are “engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions.”<sup>3</sup> There is no indication that Congress intended to stack additional tax credits.

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<sup>1</sup> 46 CFR § 90.10-23

<sup>2</sup> 26 USC § 4221 (d)(3)

<sup>3</sup> 26 USC § 4221

The AFET credit was intended to encourage the use of alternative fuels, but many LNG tankers are designed to operate by burning their own cargo. LNG in tankers is continuously evaporating and the gas must be removed, or “boiled-off,” from the tanks in order to maintain safe tank pressure.<sup>4</sup> In new tankers, the boiled-off gas is used to fuel the tanker; if it were not removed, the gas would have to be flared or vented into the atmosphere or reliquefied back into LNG. Tankers burn this gas for propulsion because it allows for the utilization of a valuable resource that would be otherwise wasted and potentially hazardous.<sup>5</sup> Qualifying LNG tankers for the AFET credit would allow companies to claim a tax credit for an activity they would have done regardless, on vessels that seemingly should not have qualified.

To help us understand this issue we ask that you answer the following questions and provide the following documents within 45 days:

- 1) Has the IRS determined that LNG tankers are motorboats for the purposes of the AFET? If so, do you plan to provide guidance to taxpayers?
- 2) Since December 30th, 1965, federal shipping regulations have defined a motorboat as no more than 65 feet.<sup>6</sup> What evidence did you use to determine that Congress meant to deviate from this long-accepted definition of motorboat when drafting the AFET?
- 3) Before making the determination, were you aware that LNG tankers are built to use LNG that boils-off from their hold for propulsion because this gas would otherwise need to be vented into the atmosphere, flared or reliquefied back into LNG?
- 4) Are there any other ships or vessels that you think might be eligible for AFET credits if motorboats are not limited to ships no more than 65 feet? What about container ships or car carriers?<sup>7</sup>
- 5) Did the IRS produce any documents to support a decision that LNG tankers are motorboats under the AFET? Please provide any documents that exist, including the legal rationale for a decision.
- 6) Is it the position of the IRS that the term motorboat applies to vessels longer than 65 feet for purposes of 26 USC § 4081? If no, why? If yes, do you have plans to alert taxpayers moving forward? If yes, does the IRS plan to recoup funds from taxpayers who did not pay taxes in previous tax years because they did not categorize their boats as motorboats pursuant to the law?

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<sup>4</sup> Trans. marit. sci. 2013; 02: 91 - 100

<sup>5</sup> [www.gallois.be/ggmagazine\\_2013/gg\\_05\\_09\\_2013\\_218.pdf](http://www.gallois.be/ggmagazine_2013/gg_05_09_2013_218.pdf)

<sup>6</sup> 46 CFR § 90.10-23

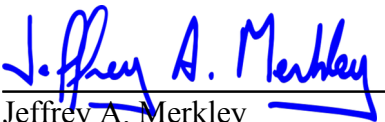
<sup>7</sup> [www.rystadenergy.com/news/lng-shipping](http://www.rystadenergy.com/news/lng-shipping)

- 7) Are there other tax provisions that may be implicated in a decision to determine that LNG tankers are motorboats for the purposes of the AFET? If yes, what are they?
- 8) Did you notify the Joint Committee on Taxation (JCT) about your decision to grant AFET credits for LNG tankers? If yes, please provide any documents that you provided to JCT. Please redact anything required by 26 USC § 6103.
- 9) What was your involvement in any decision to make LNG tankers eligible for the AFET? Who did you discuss this issue with within the IRS? Did you talk to any impacted party about LNG tankers being motorboats under the AFET?
- 10) What do you estimate the cost to the Treasury will be of classifying LNG tankers as motorboats for the purposes of the AFET?
- 11) Did you or your staff communicate with anyone in the White House, including President Trump, about a request for AFET credits for LNG tankers? If yes, please provide a list of names and dates of all conversations.

The IRS is designed to operate impartially to ensure that all taxpayers pay their fair share. We look forward to better understanding any IRS decision on this.

Sincerely,

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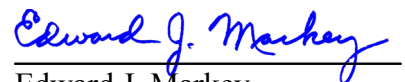
Jeffrey A. Merkley  
United States Senator



Elizabeth Warren  
United States Senator



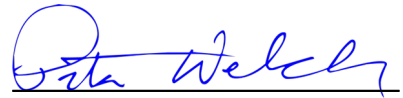
Charles E. Schumer  
United States Senator




Edward J. Markey  
United States Senator



Sheldon Whitehouse  
United States Senator



Peter Welch  
United States Senator



Chris Van Hollen  
United States Senator