United States Senate

WASHINGTON, DC 20510

August 20, 2026

Ms. Heather M. Hill
Acting Inspector General for Tax Administration
Treasury Inspector General for Tax Administration
901 D St SW, Suite 600
Washington, DC 20024

Dear Acting Inspector General Hill,

We are writing to request you open an investigation into reports the Internal Revenue Service (IRS) has improperly determined that companies using liquefied natural gas (LNG) for propelling LNG tankers qualify for credits under the Alternative Fuel Excise Tax (AFET) and whether the determination was intended to reward the President's campaign contributors.

Providing LNG 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' 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. [1] 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 or more in length. The more appropriate descriptor for an LNG tanker is the term "vessel," which Congress explicitly defined in section 4221 of the Internal Revenue Code (IRC) as ships employed in fishing, whaling, foreign trade, or war. [2] 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." [3] Vessels, as defined in the IRC, are not referenced in the AFET credit, implying that Congress did not intend for these ships to qualify for this tax credit.

The AFET credit was intended to encourage new and expanded use of alternative fuels but allowing taxpayers to claim the AFET for LNG tankers would allow companies to claim a tax credit for an activity they would have done regardless, on vessels that seemingly should not have qualified. Many LNG tankers are designed to operate by burning their own cargo, as LNG in tankers is continuously evaporating, and the gas must be removed, or "boiled-off," from the

---

[1] 46 CFR § 90.10-23
[2] 26 USC § 4221 (d)(3)
[3] 26 USC § 4221

tanks in order to maintain safe tank pressure.[4] The boiled-off gas is often 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.[5]

Despite these facts, news reports and public financial filings suggest the IRS has allowed taxpayers to claim the AFET credit for fuel used on LNG tankers, without publishing any updated guidance. Therefore, we request TIGTA investigate whether the IRS has made a determination that fuel used on LNG tankers is eligible for the AFET credit, and, if so, how the IRS made this determination and what guidance, if any, was provided to taxpayers.

We would further urge the Treasury Inspector General for Tax Administration to investigate the extent to which Secretary Bessent was involved in any decision to make LNG tankers eligible for the AFET, who Secretary Bessent may have discussed this issue with at the IRS, whether Secretary Bessent communicated with any impacted party about LNG tankers being motorboats under the AFET, and to what extent Secretary Bessent or his staff communicated with anyone in the White House, including President Trump, about a request for AFET credits for LNG tankers.

The IRS is designed to operate impartially to ensure that all taxpayers pay their fair share. We urge you to thoroughly investigate this matter.

Sincerely,

Jeffrey A. Merkley
United States Senator

Chris Van Hollen
United States Senator

Edward J. Markey
United States Senator

Sheldon Whitehouse
United States Senator

Charles E. Schumer
United States Senator

---

[4] Trans. marit. sci. 2013; 02: 91 - 100

[5] www.gallois.be/ggmagazine_2013/gg_05_09_2013_218.pdf