

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5299

To amend the Internal Revenue Code of 1986 to phase out the tax subsidies for alcohol fuels involving alcohol produced from feedstocks eligible to receive Federal agricultural subsidies.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 29, 1994

Mr. FRANKS of New Jersey (for himself, Mr. FRANK of Massachusetts, Mr. ZIMMER, Mr. TORRICELLI, Mr. PAYNE of New Jersey, Mr. SAXTON, and Mr. PALLONE) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to phase out the tax subsidies for alcohol fuels involving alcohol produced from feedstocks eligible to receive Federal agricultural subsidies.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. PHASE-OUT OF TAX SUBSIDIES FOR ALCOHOL**  
2 **FUELS PRODUCED FROM FEEDSTOCKS ELIGI-**  
3 **BLE TO RECEIVE FEDERAL AGRICULTURAL**  
4 **SUBSIDIES.**

5 (a) ALCOHOL FUELS CREDIT.—Section 40 of the In-  
6 ternal Revenue Code of 1986 (relating to credit for alcohol  
7 used as a fuel) is amended by adding at the end the follow-  
8 ing new subsection:

9 “(g) PHASE-OUT OF CREDIT FOR ALCOHOL PRO-  
10 DUCED FROM FEEDSTOCKS ELIGIBLE TO RECEIVE FED-  
11 ERAL AGRICULTURAL SUBSIDIES.—

12 “(1) IN GENERAL.—No credit shall be allowed  
13 under this section with respect to any alcohol, or  
14 fuel containing alcohol, which is produced from any  
15 feedstock which is a subsidized agricultural commod-  
16 ity.

17 “(2) PHASE-IN OF DISALLOWANCE.—In the  
18 case of taxable years beginning in 1995 and 1996,  
19 paragraph (1) shall not apply and the credit deter-  
20 mined under this section with respect to alcohol or  
21 fuels described in paragraph (1) shall be equal to 67  
22 percent (33 percent in the case of taxable years be-  
23 ginning in 1996) of the credit determined without  
24 regard to this subsection.

25 “(3) SUBSIDIZED AGRICULTURAL COMMOD-  
26 ITY.—For purposes of this subsection, the term

1 'subsidized agricultural commodity' means any agri-  
2 cultural commodity which is supported, or is eligible  
3 to be supported, by a price support or production  
4 adjustment program carried out by the Secretary of  
5 Agriculture.”.

6 (b) EXCISE TAX REDUCTION.—

7 (1) PETROLEUM PRODUCTS.—Section 4081(c)  
8 of the Internal Revenue Code of 1986 (relating to  
9 taxable fuels mixed with alcohol) is amended by re-  
10 designating paragraph (8) as paragraph (9) and by  
11 adding after paragraph (7) the following new para-  
12 graph:

13 “(8) PHASE-OUT OF SUBSIDY FOR ALCOHOL  
14 PRODUCED FROM FEEDSTOCKS ELIGIBLE TO RE-  
15 CEIVE FEDERAL AGRICULTURAL SUBSIDIES.—

16 “(A) IN GENERAL.—This subsection shall  
17 not apply to any qualified alcohol mixture con-  
18 taining alcohol which is produced from any  
19 feedstock which is a subsidized agricultural  
20 commodity.

21 “(B) PHASE-IN OF DISALLOWANCE.—In  
22 the case of calendar years 1995 and 1996, the  
23 rate of tax under subsection (a) with respect to  
24 any qualified alcohol mixture described in sub-  
25 paragraph (A) shall be equal to the sum of—

1           “(i) the rate of tax determined under  
2           this subsection (without regard to this  
3           paragraph), plus

4           “(ii) 33 percent (67 percent in the  
5           case of 1996) of the difference between the  
6           rate of tax under subsection (a) deter-  
7           mined with and without regard to this sub-  
8           section.

9           “(C) SUBSIDIZED AGRICULTURAL COM-  
10          MODITY.—For purposes of this paragraph, the  
11          term ‘subsidized agricultural commodity’ means  
12          any agricultural commodity which is supported,  
13          or is eligible to be supported, by a price support  
14          or production adjustment program carried out  
15          by the Secretary of Agriculture.”.

16          (2) SPECIAL FUELS.—Section 4041 of such  
17          Code (relating to tax on special fuels) is amended by  
18          adding at the end the following new subsection:

19          “(n) PHASE-OUT OF SUBSIDY FOR ALCOHOL PRO-  
20          DUCED FROM FEEDSTOCKS ELIGIBLE TO RECEIVE FED-  
21          ERAL AGRICULTURAL SUBSIDIES.—

22          “(1) IN GENERAL.—Subsections (b)(2), (k),  
23          and (m) shall not apply to any alcohol fuel contain-  
24          ing alcohol which is produced from any feedstock  
25          which is a subsidized agricultural commodity.

1           “(2) PHASE-IN OF DISALLOWANCE.—In the  
2 case of calendar years 1995 and 1996, the rate of  
3 tax determined under subsection (b)(2), (k), or (m)  
4 with respect to any alcohol fuel described in para-  
5 graph (1) shall be equal to the sum of—

6                   “(A) the rate of tax determined under such  
7 subsection (without regard to this subsection),  
8 plus

9                   “(B) 33 percent (67 percent in the case of  
10 1996) of the difference between the rate of tax  
11 under this section determined with and without  
12 regard to subsection (b)(2), (k), or (m), which-  
13 ever is applicable.

14           “(3) SUBSIDIZED AGRICULTURAL COMMOD-  
15 ITY.—For purposes of this subsection, the term  
16 ‘subsidized agricultural commodity’ means any agri-  
17 cultural commodity which is supported, or is eligible  
18 to be supported, by a price support or production  
19 adjustment program carried out by the Secretary of  
20 Agriculture.”.

21           (3) AVIATION FUEL.—Section 4091(c) of such  
22 Code (relating to reduced rate of tax for aviation  
23 fuel in alcohol mixture) is amended by redesignating  
24 paragraph (5) as paragraph (6) and by inserting  
25 after paragraph (4) the following new paragraph:

1           “(5) PHASE-OUT OF SUBSIDY FOR ALCOHOL  
2           PRODUCED FROM FEEDSTOCKS ELIGIBLE TO RE-  
3           CEIVE FEDERAL AGRICULTURAL SUBSIDIES.—

4           “(A) IN GENERAL.—This subsection shall  
5           not apply to any mixture of aviation fuel con-  
6           taining alcohol which is produced from any  
7           feedstock which is a subsidized agricultural  
8           commodity.

9           “(B) PHASE-IN OF DISALLOWANCE.—In  
10          the case of calendar years 1995 and 1996, the  
11          rate of tax under subsection (a) with respect to  
12          any mixture of aviation fuel described in sub-  
13          paragraph (A) shall be equal to the sum of—

14               “(i) the rate of tax determined under  
15               this subsection (without regard to this  
16               paragraph), plus

17               “(ii) 33 percent (67 percent in the  
18               case of 1996) of the difference between the  
19               rate of tax under subsection (a) deter-  
20               mined with and without regard to this sub-  
21               section.

22          “(C) SUBSIDIZED AGRICULTURAL COM-  
23          MODITY.—For purposes of this paragraph, the  
24          term ‘subsidized agricultural commodity’ means  
25          any agricultural commodity which is supported,

1 or is eligible to be supported, by a price support  
2 or production adjustment program carried out  
3 by the Secretary of Agriculture.”.

4 (c) EFFECTIVE DATES.—

5 (1) CREDIT.—The amendment made by sub-  
6 section (a) shall apply to taxable years beginning  
7 after December 31, 1994.

8 (2) EXCISE TAXES.—

9 (A) IN GENERAL.—The amendments made  
10 by subsection (b) shall take effect on January  
11 1, 1995.

12 (B) FLOOR STOCK TAX.—

13 (i) IN GENERAL.—In the case of any  
14 alcohol fuel in which tax was imposed  
15 under section 4041, 4081, or 4091 of the  
16 Internal Revenue Code of 1986 before any  
17 tax-increase date, and which is held on  
18 such date by any person, then there is  
19 hereby imposed a floor stock tax on such  
20 fuel equal to the difference between the tax  
21 imposed under such section on such date  
22 and the tax so imposed.

23 (ii) LIABILITY FOR TAX AND METHOD  
24 OF PAYMENT.—A person holding an alco-  
25 hol fuel on any tax-increase date shall be

1           liable for such tax, shall pay such tax no  
2           later than 90 days after such date, and  
3           shall pay such tax in such manner as the  
4           Secretary may prescribe.

5           (iii) EXCEPTIONS.—The tax imposed  
6           by clause (i) shall not apply—

7                   (I) to any fuel held in the tank of  
8                   a motor vehicle or motorboat, or

9                   (II) to any fuel held by a person  
10                  if, on the tax-increase date, the aggre-  
11                  gate amount of fuel held by such per-  
12                  son and any related persons does not  
13                  exceed 2,000 gallons.

14          (iv) TAX-INCREASE DATE.—For pur-  
15          poses of this subparagraph, the term “tax-  
16          increase date” means January 1, 1995,  
17          and January 1, 1996.

18          (v) OTHER LAWS APPLICABLE.—All  
19          provisions of law, including penalties appli-  
20          cable with respect to the taxes imposed by  
21          sections 4041, 4081, and 4091 of such  
22          Code shall, insofar as applicable and not  
23          inconsistent with the provisions of this  
24          subparagraph, apply with respect to the  
25          floor stock taxes imposed by clause (i).

1 **SEC. 2. PORTION OF INCREASED REVENUES DEPOSITED**  
2 **INTO HARBOR MAINTENANCE TRUST FUND.**

3 (a) DREDGING MATERIAL ACCOUNT.—Section 9505  
4 of the Internal Revenue Code of 1986 (relating to Harbor  
5 Maintenance Trust Fund) is amended by adding at the  
6 end the following new subsection:

7 “(d) DREDGING MATERIAL ACCOUNT.—

8 “(1) CREATION OF ACCOUNT.—There is estab-  
9 lished in the Harbor Maintenance Trust Fund a sep-  
10 arate account to be known as the ‘Dredging Material  
11 Account’ consisting of such amounts as may be ap-  
12 propriated or credited to the Dredging Material Ac-  
13 count as provided in this subsection or 9602(b).

14 “(2) TRANSFERS TO ACCOUNT.—There is here-  
15 by appropriated to the Dredging Material Account  
16 amounts equivalent to 50 percent of the sum of—

17 “(A) the aggregate increase in tax liabil-  
18 ities under chapter 1 which is attributable to  
19 section 40(g), and

20 “(B) the aggregate increase in taxes re-  
21 ceived in the Treasury which is attributable to  
22 sections 4041(n), 4081(c)(8), and 4091(c)(5).

23 “(3) EXPENDITURES.—Amounts in the Dredg-  
24 ing Material Account shall be available, as provided  
25 in appropriation Acts, for—

1           “(A) research and development of dredged  
2 material decontamination technologies, and

3           “(B) research, development, and construc-  
4 tion of facilities for dredged material contain-  
5 ment or disposal (other than open water dis-  
6 posal).”

7 (b) NO TRANSFERS TO OTHER TRUST FUNDS.—

8           (1) Subsection (e) of section 9502 of such Code  
9 (relating to special rules for transfers to Airport and  
10 Airway Trust Fund) is amended by adding at the  
11 end the following new paragraph:

12           “(3) CERTAIN ADDITIONAL TAXES TO REMAIN  
13 IN GENERAL FUND.—The amount required to be ap-  
14 propriated by subsection (b) shall be determined  
15 without regard to any increase in taxes by reason of  
16 sections 4041(n), 4081(c)(8), and 4091(c)(5).”

17           (2) Paragraph (4) of section 9503(b) of such  
18 Code (relating to certain additional taxes not trans-  
19 ferred to Highway Trust Fund) is amended by strik-  
20 ing “and” at the end of subparagraph (A), by strik-  
21 ing the period at the end of subparagraph (B) and  
22 inserting “, and”, and by adding at the end the fol-  
23 lowing new subparagraph:

1                   “(C) there shall not be taken into account  
2                   any increase in taxes by reason of sections  
3                   4041(n) and 4081(c)(8).”

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