

105TH CONGRESS  
1ST SESSION

# H. R. 1623

To amend the Internal Revenue Code of 1986 to provide that the rate of tax on certain fuels derived from natural gas shall be based on the Btu equivalence with a gallon of gasoline, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

MAY 15, 1997

Mr. ENSIGN (for himself, Mr. MATSUI, Mr. SAM JOHNSON of Texas, and Mr. WATKINS) introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to provide that the rate of tax on certain fuels derived from natural gas shall be based on the Btu equivalence with a gallon of gasoline, 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 This Act may be cited as the “Clean Fuels Tax Eq-  
5 uity Act of 1997”.

1 **SEC. 2. RATE OF TAX ON CERTAIN FUELS DERIVED FROM**  
2 **NATURAL GAS DETERMINED ON BASIS OF**  
3 **BTU EQUIVALENCE WITH GASOLINE.**

4 (a) LIQUEFIED NATURAL GAS AND LIQUEFIED PE-  
5 TROLEUM GAS.—Paragraph (2) of section 4041(a) of the  
6 Internal Revenue Code of 1986 (relating to special motor  
7 fuels) is amended by inserting before the period at the  
8 end of the last sentence “; except that the rate shall be  
9 12 cents per gallon on liquefied natural gas and 13.6 cents  
10 per gallon on liquefied petroleum gas”.

11 (b) METHANOL FUEL PRODUCED FROM NATURAL  
12 GAS.—

13 (1) IN GENERAL.—Paragraph (1) of section  
14 4041(m) of such Code is amended—

15 (A) by redesignating subparagraph (B) as  
16 subparagraph (C),

17 (B) in subparagraph (A) by inserting “ex-  
18 cept as provided in subparagraph (B),” after  
19 “(A)” and by striking “and” at the end, and

20 (C) by inserting after subparagraph (A)  
21 the following new subparagraph:

22 “(B) in the case of fuel none of the alcohol  
23 in which consists of ethanol, the rate of the tax  
24 imposed by subsection (a)(2) shall be—

1           “(i) the basic Btu equivalency rate  
2           after the date of the enactment of this  
3           clause and before October 1, 1999, and

4           “(ii) the deficit reduction Btu equiva-  
5           lency rate after September 30, 1999, and”.

6           (2) BTU EQUIVALENCY RATES.—Subsection (m)  
7           of section 4041 of such Code is amended by adding  
8           at the end the following new paragraph:

9           “(3) BTU EQUIVALENCY RATES.—For purposes  
10          of paragraph (1)—

11          “(A) BASIC BTU EQUIVALENCY RATE.—

12          The term ‘basic Btu equivalency rate’ means,  
13          with respect to any fuel, the number of cents  
14          per gallon which bears the same ratio to the  
15          number of cents specified in section  
16          4081(a)(2)(A)(i) (at the time of the sale or use)  
17          as the number of Btu’s in a gallon of such fuel  
18          bears to the number of Btu’s in a gallon of gas-  
19          oline.

20          “(B) DEFICIT REDUCTION BTU EQUIVA-

21          LENCY RATE.—The term ‘deficit reduction Btu  
22          equivalency rate’ means the rate which would  
23          be determined under subparagraph (A) if ‘4.3  
24          cents’ were substituted for the number of cents  
25          specified in section 4081(a)(2)(A)(i).”

1 (c) REDUCTION IN RATES NOT BORNE BY HIGHWAY  
2 TRUST FUND.—

3 (1) Subparagraph (A) of section 9503(f)(1) of  
4 such Code is amended by striking all that follows  
5 “fuels,” and inserting “14 cents per gallon (12 cents  
6 per gallon in the case of liquefied natural gas and  
7 13.6 cents per gallon in the case of liquefied petro-  
8 leum gas), and”.

9 (2) Subparagraph (C) of section 9503(f)(3) of  
10 such Code is amended by adding at the end the fol-  
11 lowing new sentence: “For periods after the date of  
12 the enactment of this sentence, in the case of fuel  
13 none of the alcohol in which consists of ethanol,  
14 clause (ii) shall be applied by substituting ‘deficit re-  
15 duction Btu equivalency rate (as defined in section  
16 4041(m)(3))’ for ‘4.3 cents per gallon.’”

17 (d) EFFECTIVE DATE.—The amendments made by  
18 this section shall take effect on the date of the enactment  
19 of this Act.

○