

114TH CONGRESS  
1ST SESSION

# H. R. 118

To amend the Internal Revenue Code of 1986 to reduce the Federal tax on fuels by the amount of any increase in the rate of tax on such fuel by the States.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 2015

Mr. GARRETT 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 reduce the Federal tax on fuels by the amount of any increase in the rate of tax on such fuel by the States.

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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Surface Transportation and Taxation Equity Act” or as  
6 the “STATE Act”.

7 (b) PURPOSES.—The purposes of this Act are to—

8 (1) return primary transportation program re-  
9 sponsibility and taxing authority to the States,

1           (2) free States' transportation dollars from  
2 Federal micromanagement, earmarking, and budg-  
3 etary pressures,

4           (3) enable decisions regarding which infrastruc-  
5 ture projects will be built, how they will be financed,  
6 and how they will be regulated to be made by per-  
7 sons best able to make those decisions,

8           (4) eliminate the current system in which a  
9 Federal gasoline tax is sent to Washington and  
10 through a cumbersome Department of Transpor-  
11 tation bureaucracy,

12           (5) prohibit the Federal Government from forc-  
13 ing unwanted mandates on States by threatening to  
14 withhold transportation money, and

15           (6) achieve measurable congestion mitigation  
16 and infrastructure preservation and safety in a cost  
17 effective way subject to available resources.

18 **SEC. 2. FEDERAL TAX ON FUELS DECREASED BY AMOUNT**

19 **OF INCREASE IN STATE TAX ON FUEL.**

20           (a) IN GENERAL.—Subpart B of part III of sub-  
21 chapter A of chapter 32 of the Internal Revenue Code of  
22 1986 (relating to special provisions applicable to fuels tax)  
23 is amended by adding at the end the following new section:

1 **“SEC. 4106. REDUCTION IN RATES OF TAX BASED ON IN-**  
2 **CREASE IN STATE TAX RATE.**

3 “(a) IN GENERAL.—Under regulations prescribed by  
4 the Secretary, the rate of tax imposed under section 4081  
5 with respect to any fuel and the rate of tax imposed under  
6 section 4041 with respect to any liquid shall be decreased,  
7 but not below 2 cents per gallon, by the applicable State  
8 tax rate increase with respect to such fuel or liquid.

9 “(b) APPLICABLE STATE TAX RATE INCREASE.—  
10 For purposes of this section, the term ‘applicable State  
11 tax rate increase’ means, with respect to any fuel or liquid,  
12 the excess, as periodically determined under tables pre-  
13 scribed by the Secretary, of—

14 “(1) the rate of tax imposed by the applicable  
15 State on the sale or use of such fuel or liquid, over

16 “(2) the rate of tax imposed by the applicable  
17 State on the sale or use of such fuel or liquid as of  
18 the date of the introduction of the STATE Act.

19 Any increase in the rate of tax imposed by any applicable  
20 State on the sale or use of any fuel or liquid shall be taken  
21 into account under this subsection only if State law pro-  
22 vides that such increase is to be taken into account under  
23 this subsection.

24 “(c) APPLICABLE STATE.—For purposes of this sec-  
25 tion, the term ‘applicable State’ means the State which

1 is determined under regulations prescribed by the Sec-  
2 retary as—

3 “(1) in the case of a liquid to which section  
4 4041 applies, the State in which such liquid is sold  
5 or used, or

6 “(2) in the case of a fuel to which section 4081  
7 applies, the State in which such fuel is most likely  
8 to be sold or used.

9 “(d) REQUIREMENT TO MAINTAIN INTERSTATE  
10 HIGHWAY SYSTEM.—Subsection (a) shall not apply with  
11 respect to any fuel or liquid if the applicable State with  
12 respect to such fuel or liquid has not entered into an  
13 agreement with the Secretary of Transportation under  
14 which such State has agreed to provide for the proper  
15 maintenance of that portion of the interstate highway sys-  
16 tem which is within such State.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Section 9503 of such Code is amended by  
19 striking subsection (d).

20 (2)(A) Paragraph (4) of section 9503(e) of such  
21 Code is amended to read as follows:

22 “(4) REDUCTION IN RATE OF TRANSFER BASED  
23 ON REDUCTION IN STATE TAX RATES.—

24 “(A) IN GENERAL.—There shall be sub-  
25 stituted for each amount in paragraph (2) an

1 amount which bears the same ratio to such  
2 amount as the aggregate reduced tax rate bears  
3 to the aggregate unreduced tax rate.

4 “(B) AGGREGATE REDUCED TAX RATE.—  
5 For purposes of subparagraph (A), the term  
6 ‘aggregate reduced tax rate’ means, with re-  
7 spect to any amount for any calendar year, the  
8 amount of tax that the Secretary estimates will  
9 be imposed with respect to the liquid or fuel to  
10 which such amount relates for such year after  
11 application of section 4106.

12 “(C) AGGREGATE UNREDUCED TAX  
13 RATE.—For purposes of subparagraph (A), the  
14 term ‘aggregate unreduced tax rate’ means,  
15 with respect to any amount for any calendar  
16 year, the amount of tax that the Secretary esti-  
17 mates would have been imposed with respect to  
18 the liquid or fuel to which such amount relates  
19 for such year if section 4106 did not apply for  
20 such year.”.

21 (B) Subparagraph (A) of section 9503(e)(2) of  
22 such Code is amended by striking “sentence” and  
23 inserting “subsection”.

24 (3) The table for section for subpart B of part  
25 III of subchapter A of chapter 32 of such Code is

1       amended by adding at the end the following new  
2       item:

“Sec. 4106. Reduction in rates of tax based on increase in State tax rate.”.

3       (c) **EFFECTIVE DATE.**—The amendment made by  
4 this section shall apply to liquid or fuel removed, entered,  
5 sold, or used after the date of the enactment of this Act.

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