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**SUMMARY
OF
H.R. 3919**

**THE CRUDE OIL WINDFALL PROFIT TAX
ACT OF 1980**

(As Agreed to by the Conferees)

PREPARED BY THE
STAFF OF THE
JOINT COMMITTEE ON TAXATION



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INTRODUCTION

This pamphlet summarizes the conference agreement on H.R. 3919, the Crude Oil Windfall Profit Tax Act of 1980. It also presents the budget effects of the bill.

This is intended to be a brief summary of the decisions made by the conferees. The committee reports and the Statement of Managers provide the official legislative history.

(1)

OVERVIEW OF BILL

The Crude Oil Windfall Profit Tax Act of 1980, as agreed to by the conference committee, consists of seven major parts. Part 1 imposes a windfall profit tax on domestically produced crude oil. Part 2 expands the existing tax credits to encourage residential energy conservation. Part 3 provides tax incentives for businesses to encourage energy conservation and production of alternative energy sources. Part 4 provides energy assistance to low-income persons. Part 5 contains guidelines for the allocation of the proceeds from the windfall profit tax. Part 6 contains several income tax changes, including a \$200 interest and dividend exclusion and repeal of carryover basis. Part 7 imposes restrictions on the President's ability to control oil imports.

Windfall Profit Tax

The windfall profit tax is an excise, or severance, tax on domestically produced crude oil. Taxable oil is taxed in one of three tiers. Tier one consists essentially of oil which would have been lower or upper tier oil had previous price controls been continued. Tier two consists of oil which is stripper oil or production from a National Petroleum Reserve. Tier three oil consists of newly discovered oil, certain heavy oil, and incremental tertiary oil.

For each tier, the taxable windfall profit is the difference between the selling price of the oil and the adjusted base price, minus an adjustment for the State severance tax on the windfall profit.

The base price for tier one oil is the May 1979 upper tier ceiling price for that oil, less \$0.21. These tier one base prices will average \$12.81 per barrel. The base price for tier two oil will average \$15.20, and that for tier three oil will average \$16.55. All base prices will be adjusted for inflation, and the tier two and tier three base prices will be adjusted for quality and location differentials as well. A "kicker" of 2 percent per year applies to the adjustment to the tier 3 base price.

The tax rate applied to the windfall profit is 70 percent for tier one, 60 percent for tier two, and 30 percent for tier three. Independent producers are allowed reduced rates on 1,000 barrels a day of their combined production of tier one and tier two oil. For tier one oil the reduced rate is 50 percent, and for tier two oil the reduced rate is 30 percent.

State and local governments, certain charitable medical facilities and educational institutions, and Indian tribes and Indians over whom the United States exercises trust responsibilities are exempt from the tax. There are also exemptions for new oil produced in most of Alaska and for front-end tertiary oil.

The entire windfall profit tax will phase out over a 33-month period after December 31, 1987, or when cumulative revenues raised by the tax reach \$227.3 billion, whichever is later. However, the phase-out will begin no later than January 1991.

The tax will start for production after February 29, 1980. The tier one and tier two base prices have been reduced to compensate for the two-month delay in the effective date.

Assuming a price of uncontrolled oil of \$30 in the fourth quarter of 1979, and price increases 2 percent above the inflation rate, the tax is expected to raise \$227.7 billion between 1980 and 1990.

Residential Energy Tax Credits

The conference agreement increases the existing tax credit for residential solar energy property to 40 percent of the first \$10,000 of expenditures and makes additional kinds of property eligible for that credit. It also adds specific standards which the Secretary of the Treasury will use when exercising the existing authority to add items to the list of property eligible for the home insulation and solar energy tax credits.

Business Energy Tax Incentives

The principal business energy tax incentives in the bill are:

(1) An increase to 15 percent and extension through 1985 for the energy investment credit for solar, wind and geothermal equipment, as well as extension of the solar credit to equipment used to provide process heat.

(2) A 15-percent energy credit for certain ocean thermal equipment.

(3) An 11-percent energy credit for small-scale hydroelectric equipment.

(4) A 10-percent energy credit for cogeneration equipment not fueled by oil or gas.

(5) Specific standards which the Secretary of the Treasury will use in exercising the existing authority to add items to the list of property eligible for the business energy credits.

(6) Restoration of the regular investment credit and accelerated depreciation to boilers using petroleum coke and pitch.

(7) A 10-percent energy credit for coke ovens.

(8) Extension through 1985 of the energy credit for certain biomass and gasohol equipment.

(9) A 10-percent energy credit for certain intercity buses.

(10) A transition rule for energy credits expiring in 1982 to allow those credits through 1990 where affirmative commitments have been made.

(11) A \$3 per barrel credit for the production of various alternative energy sources.

(12) Extension through 1992 of the excise tax exemption for gasohol, along with various other tax incentives for gasohol.

(13) Tax exemption for industrial development bonds used to finance small-scale hydroelectric equipment, certain solid waste disposal facilities, and certain renewable energy programs.

(14) Expensing of injectants used in tertiary oil recovery.

Low-Income Energy Assistance

The conference agreement authorizes \$3.115 billion for fiscal year 1981 for a program of block grants to the States to provide assistance to lower-income families for heating and cooling costs.

For fiscal year 1982 and subsequent years the 25 percent of the windfall profit tax revenues allocated for low income assistance, as specified below, is to be divided equally between a program to assist AFDC and SSI recipients under the Social Security Act and a program of emergency energy assistance.

Disposition of Tax Proceeds

The revenues raised by the windfall profit tax; up to the amount currently expected (\$227.7 billion between 1980 and 1990), are to be allocated as follows:

	<i>Percent</i>
Income tax reductions-----	60
Low-income assistance-----	25
Energy and transportation programs-----	15

Any windfall tax revenues in excess of those currently expected would be allocated two-thirds for tax cuts and one-third for low-income assistance.

Other Income Tax Provisions

General income tax provisions in the conference agreement include:

- (1) Repeal of carryover basis.
- (2) A \$200 exclusion for interest and dividends (\$400 for married couples).
- (3) Changes to LIFO inventory accounting rules.

Oil Imports

The conference agreement denies the President the authority to impose oil import quotas if Congress passes a joint resolution disapproving such a quota. The resolution could be vetoed, but the veto could be overridden by a two-thirds vote of both Houses.

SUMMARY OF H.R. 3919

1. Windfall Profit Tax

Overview

The windfall profit tax is a temporary excise, or severance, tax applying to taxable crude oil produced in the United States according to its classification in one of three tiers. Essentially, the tax structure is the same for the three tiers except that each tier has a different base price above which price increases are subject to tax and a different rate. The tax equals the tax rate times the windfall profit. The windfall profit is defined as the difference between the actual selling price of the oil and its base price (with a deduction for severance taxes on the windfall profit).

Certain kinds of producers and certain kinds of oil are exempt from tax entirely. Up to 1,000 barrels per day of flowing oil produced by independent producers are eligible for a reduced tax rate.

Tier one tax

For oil in tier one, the tax is 70 percent of the windfall profit. The windfall profit is the difference between the actual selling price of the oil and its May 1979 upper tier ceiling price (which averaged \$13.02 per barrel) less \$0.21, adjusted for inflation.

The tier one tax applies to all oil that would have been controlled as lower or upper tier oil if the pre-June 1979 price controls had remained in effect (generally, oil discovered prior to 1979), including production from the Sadlerochit reservoir on the Alaskan North Slope. This tier does not include (1) oil from stripper well properties, (2) oil in which the U.S. has an economic interest and which is produced from a National Petroleum Reserve, (3) most oil deregulated as front-end financing for tertiary recovery projects, (4) newly discovered oil, (5) certain heavy oil, or (6) incremental tertiary oil. Generally, these categories of oil are taxed in another tier.

Tier two tax

The tier two tax is 60 percent of the windfall profit. The windfall profit is the difference between the actual selling price of the oil and \$15.20, adjusted for inflation and for differences in quality and location. Under the conference agreement, tier two oil includes production from stripper well properties and oil produced from a National Petroleum Reserve in which the U.S. has an economic interest.

Alaska North Slope oil.—Under the conference agreement, oil produced from the Sadlerochit reservoir on Prudhoe Bay is taxed like other upper tier oil, i.e., at a 70-percent rate on price increases above the May 1979 upper tier ceiling price, less \$0.21, adjusted for inflation. The base price for Sadlerochit oil, however, is adjusted upward to reflect decreases in the Trans-Alaska Pipeline System (TAPS) tariff below \$6.26.

Other oil produced north of the Arctic Circle is exempt from the tax, as is any oil produced from a well located north of the Alaskan-Aleutian mountain range and more than 75 miles from the Alaska pipeline.

Front-end tertiary oil.—Oil that DOE releases from price controls, under its August 1979 regulations, to finance investments in tertiary recovery projects is exempt from the windfall profit tax if the project is controlled by producers who are not integrated oil companies. Also, tax refunds are available for the windfall profit tax paid on front-end tertiary oil for projects controlled by integrated oil companies to the extent the producers of the front-end tertiary oil incur qualifying expenditures in excess of the amount recouped under the front-end program.

This windfall profit tax treatment of front-end tertiary oil applies only with respect to oil which could not have been released from price controls under any other provision, and it terminates on September 30, 1981.

Tier three tax

Tier three oil consists of taxable production which is (1) newly discovered oil, (2) certain heavy oil, or (3) incremental tertiary oil. Under the conference agreement, oil in this tier is subject to a 30-percent tax on the difference between the actual selling price of the oil and \$16.55, adjusted for inflation plus 2 percent and for differences in quality and location.

Newly discovered oil.—Newly discovered oil has the same definition for tax purposes as it has for price control purposes. Therefore, newly discovered oil is defined as crude oil from (1) an outer continental shelf area for which the lease was entered into on or after January 1, 1979, or (2) an onshore property from which no oil was produced in calendar year 1978.

Heavy oil.—For tax purposes, heavy oil is defined as oil with an API specific gravity of 16 degrees or less for the last month prior to July 1979 for which the property had production, or which has such a specific gravity for the taxable period.

Incremental tertiary oil.—Incremental tertiary oil is the amount of production from a property on which the producer uses a qualified tertiary method in excess of a statutory base level. The base level is the average daily production from the property for the 6-month period ending March 31, 1979, reduced by the sum of 1 percent for each post-1978 month up to the project beginning date and 2½ percent for each month thereafter.

The conference agreement allows producers to self-certify their projects or to have a competent governmental body certify the tertiary project in advance as meeting the following criteria: (1) use of a tertiary recovery method, (2) application in accordance with sound engineering principles, (3) a reasonable expectation of more than an insignificant increase in production, and (4) compliance with Treasury regulations. Generally, only production from a project which began after May 31, 1979, will qualify as incremental tertiary oil; however, production from a significantly expanded project, or from a DOE-certified project, which began prior to that date also could qualify.

Independent producers

Independent producers are allowed reduced tax rates on so much of their combined production of tier one and tier two oil as does not exceed 1,000 barrels a day. If an independent producer's daily production of tier one and tier two oil exceeds 1,000 barrels, the reduced rates apply ratably to each of these categories of oil (but not in excess of a total of 1,000 barrels a day). For tier one oil the special rate is 50, rather than 70, percent; for tier two oil the rate is 30, rather than 60, percent. These reduced rates apply only with respect to working interests which were held on January 1, 1980, and do not apply to integrated oil companies, or to owners of royalty or similar interests. The reduced rates are not available for production from properties transferred after 1979 if the transferor is an integrated oil company, a royalty owner, or a producer whose production at any time between 1979 and the date of the transfer exceeded 1,000 barrels a day.

A producer and a controlled corporation must share one 1,000-barrel quantity. Owners of overriding royalties may qualify for reduced rates only from the time that such interests convert into working interests pursuant to contracts in existence on February 20, 1980. In the case of partnerships, the reduced rates are computed on the partner level.

Indian oil

The conference agreement exempts from tax oil produced from a mineral interest which was held on January 21, 1980, by or for the benefit of an Indian tribe, an individual member of an Indian tribe, or an Indian tribal organization and which is (1) held in trust by the U.S. for the tribe, member, or organization, or (2) held by the tribe, member, or organization subject to a restriction on alienation imposed by the U.S. because it is held by such tribe, individual, or tribal organization. Indian oil also includes taxable crude oil produced before 1992 by a native corporation organized under the Alaska Native Claims Settlement Act which is produced from a mineral interest which is held by the corporation and which was received under that Act. Oil produced by such a corporation qualifies as Indian oil until 1992, the time at which stock in such a corporation may be traded.

State and local governments

Oil production of State and local governments is exempt from the tax if the proceeds are used for a public purpose. This requirement is satisfied as to proceeds which are placed in a permanent fund the earnings of which are dedicated to a public purpose, or which are deposited in the U.S. Treasury to the credit of tribal or native trust funds.

Medical and educational charities

Oil produced from properties owned by charitable medical facilities and educational institutions is exempt from the windfall profit tax if the properties were owned by the charity on January 21, 1980. Oil produced by churches is also exempt if prior to January 22, 1980, the church had dedicated the proceeds from the oil to the use of a charitable medical facility or educational institution.

Net income limitation

The windfall profit subject to tax is limited to 90 percent of the net income from a property. For this purpose, qualified tertiary injectant expenses may be capitalized.

Interaction with income tax and percentage depletion

The windfall profit tax is a deductible business expense under the income tax. For purposes of computing percentage depletion, gross income from the property is not reduced by the windfall profit.

State severance taxes

The windfall profit subject to tax is reduced by the amount of State severance taxes on the windfall profit. The deduction equals the difference between the actual severance tax and what the severance tax would have been had the oil been sold at its adjusted base price. Increases in the rate of State severance tax after March 31, 1979, are taken into account only if the increase applies equally to the entire price of the barrel of oil, and only to the extent that the total rate of severance tax imposed by the State does not exceed 15 percent.

Inflation adjustment

The base price for every barrel of oil is adjusted for inflation occurring after the second quarter of 1979. The adjustment, however, is lagged by two quarters; that is, the adjustment for the first quarter of 1980 will equal the inflation between the second and third quarters of 1979. The base price for tier three oil is increased by the rate of inflation plus 2 percent. The GNP deflator is the measure of inflation used for this adjustment.

Administrative provisions

First purchasers of domestic crude oil have the primary responsibility for collecting and depositing the tax, and for filing quarterly tax returns. Generally, the operator of a property must certify to the purchaser all the information needed to compute the tax liability. Adjustments in tax withholding are required during the course of the year to reflect over- or under-withholding. Producers who are eligible for a reduced tax rate can have withholding adjusted accordingly.

Integrated oil companies generally must make semimonthly estimated tax payments both with respect to oil purchased and oil produced by them which is not subject to withholding. Independent refiners with delayed payment contracts must make tax deposits within 60 days after the end of the month of purchase. Other parties must make tax deposits within 45 days after the month of purchase.

The Secretary is granted broad authority to prescribe regulations for the administration of the tax.

The U.S. Tax Court is granted concurrent jurisdiction, with the United States District Courts and the United States Court of Claims, over the windfall profit tax.

Effective date

The tax will apply to oil produced after February 29, 1980. The tier one and tier two base prices have been reduced by 10 cents to compensate for the two-month delay in the start of the tax.

Termination of tax

The tax will phase out over a 33-month period starting in January 1988 or one month after the month for which Secretary of the Treasury estimates that \$227.3 billion has been raised by the tax. Even if \$227.3 billion has not been raised, the phase out will begin on January 1, 1991.

2. Residential Energy Tax Credits

Present law

Under present law, a 15-percent home insulation credit is available on the first \$2,000 of qualifying expenditures, for a maximum credit of \$300. It is available for installations made after April 19, 1977, and before January 1, 1986, with respect to a taxpayer's principal residence, if the residence was substantially completed before April 20, 1977. The credit is allowed on expenditures to install insulation and several other specific kinds of energy conserving property.

A residential solar energy credit is allowed for 30 percent of the first \$2,000 and 20 percent of the next \$8,000 of expenditures, for a maximum credit of \$2,200, for installations of solar, wind or geothermal energy property in connection with a principal residence. This credit applies to expenditures made after April 19, 1977, and before January 1, 1986, for both existing and new residences. Eligible property includes solar and geothermal property to heat, cool or provide hot water to a dwelling or to use wind energy for residential purposes.

In addition, the Secretary of Treasury may add specific items to the lists of qualified property for both of the residential credits.

Rate of solar credit

The conference agreement increases the tax credit for expenditures made for residential solar, wind and geothermal property to 40 percent of the first \$10,000 of expenditures.

Changes in availability of residential credits

The conference agreement reduces qualified expenditures and the limits on qualifying expenditures per dwelling for the residential credits to the extent that the property is financed with grants or subsidized energy loans.

The conference agreement also clarifies that, in cases of joint ownership of qualifying property, the credits are available separately for the expenditures made by each taxpayer.

Property eligible for solar credit

The list of equipment eligible for the residential solar tax credit is expanded to include equipment to generate electricity from solar or geothermal energy, costs of drilling an onsite geothermal well, and a limited category of structural components of a dwelling.

Effective date

The provisions approved by the conference will apply to expenditures in taxable years beginning after December 31, 1979.

Standards for discretionary authority

The conference agreement provides specific standards which the Secretary of the Treasury must apply when exercising authority to add items to the list of property eligible for both the residential and business energy credits. The principal standard for evaluating whether an item should be made eligible for the credits is whether the reduction in the nation's use of oil which would result from this eligibility would be sufficiently large to justify the associated loss of Federal revenues. In addition, an item may be made eligible only if increased use of that item is not known to be, or is not reasonably suspected of being, hazardous to the environment or to public health or safety. Treasury is required to give a final response to a ruling request one year after the filing of the relevant data.

3. Business Tax Incentives

Business Energy Investment Credits

Solar or wind property

The present 10-percent refundable energy credit for equipment which uses solar or wind energy to generate electricity or to provide heating, cooling, or hot water in a structure, is increased to a 15-percent credit, and the effective period of the credit for this property is extended from 1982 through 1985. In addition, equipment which uses solar energy to provide industrial, agricultural, or commercial process heat is added as eligible solar energy property, and the refundable feature of this credit is repealed.

Geothermal equipment

The present 10-percent nonrefundable energy credit for equipment to produce, distribute, or use geothermal energy (including the generation of electricity) is expanded to a 15-percent credit. In addition, the termination date for this credit is extended from 1982 through 1985.

Ocean thermal equipment

Ocean thermal equipment is provided a nonrefundable energy credit of 15 percent through 1985 at two sites to be selected by the Department of the Treasury in consultation with the Department of Energy. Ocean thermal equipment is defined as equipment used to convert ocean thermal energy into electrical energy or another form of useful energy.

Small-scale hydroelectric facilities

The conference agreement provides an 11-percent nonrefundable credit for property used in the production of electrical energy by hydroelectric power where the generating equipment has an installed capacity of less than 125 megawatts and is installed either at the site of an existing dam or at a site which does not involve the use of a dam or other water impoundment structure. Public utility property is eligible for this credit.

Qualifying hydroelectric property for purposes of this credit is generating equipment and also powerhouses (and similar structures), penstocks, and fish passageways where this property is constructed or installed in connection with the installation of qualifying generating equipment. Qualifying property also includes costs to rehabilitate or reconstruct existing dams where these costs are incurred in connection with the installation of qualifying generating equipment.

The credit would be phased out as the installed capacity of the electrical generating equipment installed on a site increases from 25 to 125 megawatts. Where the capacity of the equipment is between 25 and 100 megawatts, qualified investment for purposes of this energy credit is total qualified investment multiplied by a fraction equal to 25 di-

vided by the capacity (in megawatts) on that site. In addition, qualified investment phases out entirely as generating capacity rises from 100 to 125 megawatts.

Cogeneration equipment

Another category of property made eligible for an energy investment credit under the conference agreement is cogeneration property, for which a 10-percent nonrefundable credit is provided through 1982. Cogeneration equipment means property which produces steam, heat, or some other form of useful energy (other than electricity) for industrial, agricultural, commercial, or space heating purposes, and which also produces electricity in the same energy consuming system.

To qualify, cogeneration equipment must be installed in connection with a boiler or burner at an existing facility and must result in an expansion in the facility's cogenerating capacity (including the start of cogenerating activity). In addition, in order for cogeneration equipment in a system to qualify for this energy credit, the annual use of an oil or natural gas fuel in the systems must be less than 20 percent of all fuel used each year and must be limited to use as a start-up, back-up, or flame stabilization fuel.

Specially defined energy property

Two changes are made to provisions of present law which provide a 10-percent nonrefundable credit through 1982 for specially defined energy property used to increase the efficiency of energy consumption in existing processes at existing agricultural, industrial, and commercial facilities. A new category of property, modifications to alumina electrolytic cells, is added where these modifications are for the principal purpose of reducing the amount of energy consumed or heat wasted and the costs are incurred after September 30, 1978.

Under the second change made by the conference agreement to present law, the authority of the Secretary of the Treasury to specify additional items of qualifying property is clarified by providing certain standards for the exercise of this authority. Under these standards, future eligibility of additional items of specially defined energy property for the credit is to be determined on the basis of such factors as oil savings, environmental impact, and availability of other government subsidies for the property.

Petroleum coke and pitch

The conference agreement provides that petroleum coke and pitch (byproducts of petroleum refining) will not be considered as petroleum products for purposes of the provisions in present law which deny the regular 10-percent investment credit and accelerated methods of depreciation to certain boilers fueled by oil, natural gas, or their products. In addition, present law concerning the energy credit for equipment which uses coal as a feedstock in coal liquefaction and gasification is clarified to include equipment to treat intermediate products derived from these processes.

Coke and coke gas equipment

Under present law, equipment to produce coke and coke gas is not eligible for an energy investment credit. The conference agreement makes this equipment eligible for a 10-percent energy credit through 1982.

Biomass property

Several changes are made by the conference agreement to the present 10-percent energy investment credit, which is generally available through 1982 for property which uses or produces fuels from substances other than oil or natural gas or their products. Under the conference agreement, the 10-percent credit is extended through 1985 for equipment to produce a solid fuel from biomass or to burn biomass or a solid fuel derived from biomass. In addition, the effective period of the credit is extended for three additional years, through 1985, for equipment to convert biomass into alcohol for fuel purposes, if the primary source of energy for eligible equipment is a substance other than oil, natural gas, or a product of oil or natural gas.

For purposes of these provisions, biomass is generally any organic substance other than oil, natural gas, or coal, or a product of oil, natural gas, or coal, and includes waste, sewage, sludge, oceanic and terrestrial crops, and crop residues. Qualifying equipment in these two categories also includes related fuel or feedstock handling equipment and pollution control equipment.

The final change made by the conference agreement is to extend the 10-percent energy credit to equipment used to store refuse-derived fuel where this equipment is located at the site where the fuel was produced.

Intercity buses

Under the conference agreement, a 10-percent energy credit is made available through 1985 for certain intercity buses to the extent the taxpayer's total seating capacity is increased over seating capacity for the preceding taxable year.

Affirmative commitments

Many categories of energy property investments under present law involve complicated licensing procedures, lengthy design and construction periods, and corresponding long-term commitments of funds. Because under present law there is a period of less than three years before some of these credits expire on December 31, 1982, the conference agreement sets forth a rule under which energy credits which otherwise expire in 1982 may be claimed for qualifying investments which occur after that date and before January 1, 1991, where certain tests are satisfied to manifest an affirmative commitment to acquire or construct qualifying energy property which involves long-term projects, such as large boiler and electrical generating systems and gasification and synthetic fuel plants.

Double-dipping rules

Under present law, the energy credit rate is reduced to one-half the otherwise available rate if energy property is financed to any extent by a tax-exempt industrial development bond. In addition, depreciation and investment credits are not available to the extent the cost basis of property is financed through capital contributions arising from nontaxable government grants. The conference agreement provides that for purposes of the energy investment credits, qualified investment is reduced to the extent qualified energy property is financed by government-subsidized, energy-related financing or by tax-exempt industrial development bonds.

Effective dates of credit provisions

The business energy credit provisions are generally effective after December 31, 1979. The provision which adds modifications to alumina electrolytic cells to the energy credit will apply to expenditures incurred after September 30, 1978, for qualifying modifications placed in service after that date. The double-dipping rules are generally effective on January 1, 1980, for most property which first becomes eligible for an energy credit under this bill. In other cases, the double-dipping rules become effective on January 1, 1983.

Tertiary Injectants

Expenditures for tertiary injectants, other than hydrocarbon injectants, are made deductible for income tax purposes in the year in which they are injected.

Alternative Fuel Production Credit

General rule

The conference agreement includes a nonrefundable income tax credit for the production and sale of certain alternatives energy sources. This credit is intended to provide a guaranteed price floor for production from these sources in the event of future declines in the price of oil. The credit is \$3 per barrel of oil-equivalent, measured on a Btu basis. The \$3 amount (except in the case of tight sands gas production) is adjusted for inflation occurring after 1979, as measured by the GNP deflator.

The credit is allowed only for energy produced and sold from domestic facilities placed in service between December 31, 1979, and January 1, 1990, or from wells drilled during that period on properties with no production before January 1, 1980. Fuel is eligible only if the sale occurs after December 31, 1979, and before January 1, 2001. The credit for production from any particular facility is reduced proportionately to the extent the facility or equipment was financed with grants, subsidized energy loans, or tax-exempt financing. The production credit otherwise allowable for any facility is reduced dollar-for-dollar to the extent that the energy investment credit was allowable for that facility until the full energy credit is recaptured.

The credit phases out as the average price of uncontrolled domestic oil rises from \$23.50 to \$29.50 per barrel, adjusted for inflation occurring after 1979. The credit for tight sands gas production terminates if that gas is deregulated.

The following energy sources are eligible for the credit:

- (1) oil from shale;
- (2) oil from tar sands;
- (3) liquid, gaseous or synthetic solid fuel or feedstock produced from coal;
- (4) natural gas from geopressured brine, coal seams, tight sands, or Devonian shale;
- (5) gas produced from biomass;
- (6) steam produced from solid agricultural by-products; and

(7) processed wood if the energy content, per unit of weight or volume, of the processed wood exceeds that of the raw wood by at least 40 percent.

Special rules

Devonian shale.—For production and sales in 1980, 1981 and 1982, the phaseout of the credit for gas produced from Devonian shale is based on the price of deregulated natural gas, not deregulated oil. Specifically, the credit phases out as the average price of high cost natural gas (as defined under section 107(c)(2), (c)(3), and (c)(4) of the Natural Gas Policy Act of 1978) rises from \$4.05 to \$5.08 per thousand cubic feet (mcf).

Qualifying processed wood.—The credit is available only for facilities placed in service in calendar years 1980 and 1981 and for production from these facilities before either October 1, 1983, or three years from the date that the facility first is placed in service, whichever comes later. However, the phaseout based on the price of oil will not apply to the first three years of production from any facility.

Steam from solid agricultural byproducts.—The credit is available only for production before January 1, 1985. However, the phaseout based on the price of oil will not apply to the first three years of production from any facility, and expansions of pre-1980 facilities will be treated as facilities placed in service after December 31, 1979, and, therefore, will be eligible with respect to incremental production.

Industrial Development Bonds

Solid waste disposal facilities

Under present law, interest on industrial development bonds (IDBs) used to provide solid waste disposal facilities is exempt from income tax. A solid waste disposal facility, in general, includes property used to recover materials or heat from solid waste and to put it into a marketable form, such as steam. However, where solid waste is converted into a fuel before burning, and the fuel has a market value at the place it is produced, the property used to burn the fuel and to convert the heat into steam does not constitute qualifying property.

In addition, under present law, it is unclear whether interest on obligations issued by a State or local government is exempt from Federal income tax if the Federal Government purchases all of the output of a facility financed with such obligations.

Under the conference agreement, solid waste disposal facilities eligible for financing with tax-exempt IDBs will include certain property which is used primarily to convert fuel derived from solid waste into steam.

In addition, interest on an obligation used to finance a solid waste disposal facility and a related electric energy facility will be tax-exempt if—

- (1) all the electric energy and steam which is produced (except amounts used onsite) and sold from the two facilities is sold to the Federal Government and is not resold;
- (2) the facility is owned for tax purposes by and operated by, or on behalf of, a State or local government; and

(3) substantially all the fuel used to operate the electric energy facility is solid waste or is derived from solid waste produced at the solid waste disposal facility.

The conference agreement also provides that tax-exempt IDB's can be used to finance certain facilities which are primarily used to convert solid waste into alcohol.

Hydroelectric power facilities

Under present law, interest on industrial development bonds (IDBs) used to provide (1) facilities for the furnishing of water and (2) facilities for the local furnishing of electric energy is exempt from Federal income tax.

Facilities for the furnishing of water include property used for the collection, treatment, or distribution of water, but such facilities do not include property used for the production of electric energy.

Property used for the production of electric energy may be financed with tax-exempt IDBs, however, if the property qualifies as a facility for the local furnishing of electric energy. Property will, in general, qualify under the local furnishing requirement if it is part of a system which provides electric energy to the general population in a service area comprising no more than two contiguous counties.

Under the conference agreement, tax-exempt IDBs may be used to finance hydroelectric facilities at existing dams or at sites where no dam or water impoundment is involved. Tax exemptions will be available only with respect to facilities where there is no current production of electricity and only if the facilities are owned for tax purposes by a governmental unit. The public use test of existing law also must be satisfied. Qualifying property will include generating equipment, powerhouses, penstocks, fish passageways, and costs of rehabilitating existing dams.

For sites with installed capacity of 25 megawatts or less, tax-exempt IDB financing will be available for all qualifying property. For sites with installed capacity between 25 and 100 megawatts, property qualifying for the tax-exempt IDB financing would equal the total qualifying property to be financed on the site multiplied by a fraction equal to 25 divided by the installed capacity (in megawatts) of the entire facility. Furthermore, the amount of qualifying property on a site will phase out entirely as capacity rises from 100 to 125 megawatts.

The conference agreement also includes the Senate amendment relating to certain dams in Grant County, Washington.

Renewable energy property

Under present law, interest on industrial development bonds (IDBs) used to provide property which produces energy from renewable energy resources, in general, is not exempt from Federal income taxation.

Under the conference agreement, tax-exempt IDBs can be used to finance renewable energy property where the following requirements are met:

- (1) the obligations are general obligations of a State;
- (2) the authority for issuance of the obligations requires that taxes be levied in sufficient amount to provide for payment of principal and interest on the obligations; and

(3) such obligations are issued pursuant to a State program to finance renewable energy property in a State whose legislature approved before October 18, 1979, a constitutional amendment of the State which specifically allowed general obligation bonds of the State to be used to finance renewable energy property.

Renewable energy property is defined as any property used to produce energy (including heat, electricity, and substitute fuels) from renewable energy sources (such as wind, solar, geothermal, waste heat, biomass or water).

The maximum amount of obligations that may be outstanding at any time under the qualifying program of a State is the lesser of \$500 million or $\frac{1}{2}$ of 1 percent of the value of property within the State.

General rules

All of the IDBs issued under the provisions of the conference agreement must be in registered form as to both principal and interest. In addition, any IDB's that would otherwise be tax-exempt under the provisions of this bill will lose their tax-exempt status if the principal and/or interest payments are subsidized or Federally guaranteed.

Alcohol Fuels Tax Exemption and Credit

Excise tax exemption for gasohol

Under present law there is an exemption from the 4-cent-per-gallon Federal excise taxes on gasoline, diesel fuel, or other motor fuels, for gasohol which is at least 10 percent alcohol (other than alcohol derived from petroleum, natural gas or coal). The exemption expires on October 1, 1984.

The conference agreement extends this exemption through December 31, 1992.

The conferees are very concerned with the reduction in estimated tax receipts dedicated to the Highway Trust Fund (including the reduction due to the gasohol exemption). They intend that the financing of the Fund be reviewed at an early date and that favorable consideration be given to providing additional revenues to the Fund. The conferees also intend that the gasohol exemption should not apply to any future increases in the taxes on gasoline or other motor fuels to the extent that such increases result in the taxes being imposed at a rate in excess of 4 cents per gallon.

Credit

Where alcohol is used as a fuel (either blended or straight) of a type suitable for use in an internal combustion engine and the excise tax exemption for gasohol does not apply, a tax credit is provided. In general, the credit is available to the blender in the case of blended fuels and the user in the case of straight fuels, and the amount is 40 cents per gallon for alcohol of at least 190 proof and 30 cents per gallon for alcohol between 150 and 190 proof. The credit nonrefundable, but a 7-year carry forward would be allowed.

An amount equal to the amount of credit claimed by the taxpayer for the previous taxable year is included in the taxpayer's income for the taxable year.

Tax-paid gasoline

If a person purchases tax-paid gasoline which is used in the production of tax-exempt gasohol, the person may obtain a refundable income tax credit or a payment (if the amount is \$200 or more during any of the first 3 quarters of the taxable year) of the taxes paid on such gasoline.

Regulation of alcohol production

The conference agreement encourages the production of alcohol for fuel purposes by providing special rules for distilled spirits plants used to produce alcohol for fuel. The Secretary of the Treasury is provided with broad authority to waive or reduce existing regulatory requirements for these new types of plants, such as by allowing simplified application and recordkeeping procedures and providing reduced control and bonding requirements for distilled spirits plants which produce alcohol for fuel purposes.

The conference agreement provides an expedited permit application procedure (and no bond) for small producers of alcohol for fuel use. This procedure requires Treasury action within 60 days of the submission of a completed application and provides for automatic approval of applications if Treasury action is delayed. A small producer means a plant that produces no more than 10,000 proof gallons of alcohol per year.

Study of imported alcohol

The conference agreement directs the Secretary of the Treasury to recommend to Congress, ways in which the excise tax exemption and the credit can be denied to fuels containing imported alcohol.

Reports

The annual reports currently required to be made by the Secretary of Energy through 1984 on the use of alcohol in fuels are to be made from 1981 through 1992 and are to contain information on the effect of the revenue loss from the excise tax exemption on the Highway Trust Fund.

4. Low-Income Energy Assistance

The conference agreement authorizes the appropriation of \$3.115 billion for fiscal year 1981 for a program of block grants to the States to provide assistance to lower-income families for heating and cooling costs.

Eligible households

Eligibility is restricted to households who have income less than the Bureau of Labor Statistics lower living standard. The BLS lower living standard, which is currently used in various eligibility determinations under the CETA program, is adjusted by family size and geographic location. The national average amount for a 4 person family for 1979 is \$11,600.

In addition, States may give assistance, regardless of income, to households which receive food stamps, AFDC, needs-tested veterans' pensions, or SSI, except for SSI recipients who live in another household and whose benefits are therefore reduced, SSI children living with non-SSI parents, and SSI recipients living in Medicaid institutions.

Allotments to States

Ninety-five percent of the total amount appropriated is allotted by various formulas to the 50 States and the District of Columbia. A State's percentage would be calculated under the assumption that \$3.115 billion is appropriated under this program. These percentages would apply, however, even if a lower amount were actually appropriated. The basic formula allots half of the funds according to a State's aggregate residential energy expenditure (relative to the total for all States), and half according to heating degree days squared, weighted by number of households below the BLS lower living standard. However, the allotment of any State would be increased by an amount necessary to provide at least \$120 per year to each AFDC, SSI, and food stamp household in the State. Further, no State would receive less than the lower of the amounts it would have received under either of two alternative formulas. Increases in allotments which result from either the minimum or from the alternative formulas would result in pro rata reductions in the allotments of other States, except that up to \$25 million is authorized to meet the additional costs resulting from the application of the minimum benefit provision to certain states.

The remaining five percent of the total amount appropriated is reserved for the territories, the Community Service Administration's crisis intervention program (\$100 million), and matching incentive grants to States for State initiatives under this program.

State plan requirements

Each State would be required to submit an energy assistance plan, which would be subject to approval by the Secretary of Health, Edu-

cation, and Welfare. The following would be among the provisions allowed or required under an approved State plan, except that the Secretary could waive any of these requirements if he found them inconsistent with the purposes of the Act:

1. Residential energy assistance could be given directly to eligible households, in the form of either cash or coupons; to suppliers of energy to these households, in either cash or State tax credits; and to operators of subsidized housing projects. Renters and owners would be treated equitably.

2. Priority generally would be given to the lowest-income households, to the aged, and disabled, and to those with the largest energy costs in relation to their income.

3. The amount of assistance could vary within the State according to such factors as type of fuel used and degree days in different locations.

4. Energy suppliers who participate in providing assistance would have to agree to various conditions including notice and delay requirements before shutting off service to eligible households. These notice and delay requirements would not apply to small suppliers.

5. States would be required to provide 50 percent of administrative cost from non-Federal sources. Total administrative costs, other than under exceptional circumstances, would be limited to 10 percent of program costs (i.e., 5 percent Federal and 5 percent non-Federal).

6. Plans would be required to provide for referral, coordination, outreach, monitoring and auditing.

7. States would be required to maintain existing levels of public assistance benefits, except that assistance under this program could replace any public assistance increase made solely to provide energy assistance.

8. Any assets test used for eligibility determination could not count cars, personal belongings, and primary residences.

9. States could reserve up to three percent of funds for emergencies.

10. Grants specifically to meet the rising costs of cooling are allowed whenever the cooling is medically necessary.

Disregard provisions

Any assistance provided under this Act could not be counted as income or resources under any Federal, State, or local program of assistance or taxation. The Food Stamp Act would be amended for fiscal year 1981 to provide that any increase in State public assistance intended primarily to meet the increased cost of home energy would not be counted as income in the Food Stamp program.

5. Disposition of Windfall Profit Tax Revenue

The net revenues from the windfall profit tax from 1980 through 1990 are allocated to a separate account of the Treasury, for accounting purposes only. The net revenues projected under current price assumptions are allocated as follows:

- (1) Aid to lower income households—25 percent of net revenues.
- (2) Income tax reductions—60 percent of net revenues.
- (3) Energy and transportation programs—15 percent of net revenues.

Of the net revenues in excess of what is projected under current price assumptions (as shown in table 4 in the section on "Budget Effects"), one-third would be used to provide aid to lower income households and two-thirds would be used for income tax reductions. The energy tax incentives provided in the conference agreement, and any Synthetic Fuel Corporation will be funded from general revenues.

6. Other Income Tax Provisions

Repeal of carryover basis

Under present law, the basis of property acquired from a decedent dying after December 31, 1979, will be the basis in the hands of the decedent increased by certain adjustments for death taxes attributable to appreciation and for the fair market value at the end of 1976.

The conference agreement repeals carryover basis. However, for property passing from decedents dying after 1976 and before November 7, 1978, an executor may elect to have the carryover basis provisions apply.

Interest and dividend exclusion

The conference agreement increases the amount of the existing exclusion for dividends from \$100 to \$200 (from \$200 to \$400 for joint returns) and broadens the exclusion to apply to certain types of interest received by individuals from domestic sources. Eligible interest includes (1) interest received from a bank; (2) interest paid by a thrift institution on deposits or other amounts which are insured under Federal or State law or protected or guaranteed under State law; (3) interest on certain types of corporate debt; (4) interest paid by the United States or by a State or local government which is not already excluded from gross income; and (5) interest attributable to a participation share in a trust established and maintained by a corporation established pursuant to Federal law.

In the case of distributions received by individuals through entities such as trusts, mutual funds and real estate investment trusts, the distributions generally qualify for the exclusion to the same extent that the gross income of the entity consists of eligible dividends or eligible interest.

The exclusion for interest and dividends will apply to 1981 and 1982.

Involuntary liquidation of LIFO inventories

Taxpayers who liquidate their LIFO inventories in response to a Department of Energy regulation or request (with respect to energy supplies) or to a major foreign trade interruption, may apply for a refund of taxes paid on the LIFO inventory profits of such sale if the liquidated inventory is replaced within three years. LIFO inventory profits are the excess of the cost of the replacement inventory over the LIFO basis of the inventory which was sold. The Secretary of the Treasury must designate in advance those situations to which this provision will apply.

Recognition of gain on certain dispositions of LIFO inventories

A liquidating corporation (other than a subsidiary corporation being liquidated into a parent corporation where the adjusted basis of the assets is carried over) will recognize ordinary income in the

amount of its LIFO recapture amount. Similarly, a corporation selling its assets in the course of a 12-month liquidation will also recognize the amount of its LIFO recapture amount. A corporation's LIFO recapture amount is the excess of the adjusted basis of such inventory determined under the first-in, first-out (FIFO) method of accounting for inventories over the LIFO adjusted basis of the inventory.

This provision is effective for distributions and dispositions occurring after December 31, 1981, pursuant to plans adopted after that date.

7. Oil Imports

The Trade Expansion Act of 1962 is amended to eliminate the President's authority under that Act to impose oil import quotas whenever the Congress passes a Joint Resolution disapproving such executive action. Such a Joint Resolution is to be considered under normal legislative, rather than Trade Act, procedures, and is not to be amendable. A veto of such a resolution could be overridden by a two-third vote of both Houses.

BUDGET EFFECTS

Table 1 summarizes the revenue effect of the conference agreement for calendar years 1979 to 1990. In 1980, the windfall profit tax will raise \$6.3 billion, and the various tax reductions in the bill will reduce revenues by \$0.2 billion. The overall revenue gain, then, will be \$6.1 billion. Over the entire 12-year period 1979 to 1990, the tax will raise \$227.7 billion, and the tax reductions will be \$15.5 billion, for a net revenue gain of \$212.2 billion.

Table 2 summarizes the revenue effects of the conference agreement for fiscal years 1980 to 1990. In fiscal year 1980, the windfall profit tax raises \$3.2 billion, and the tax reductions will be \$0.1 billion. Thus, the net tax increase in fiscal year 1980 will be \$3.1 billion.

Tables 3 and 4 present the gross and net revenues raised by the windfall profit tax for calendar years 1980-90 and fiscal years 1980-90, respectively. The gross windfall profit tax is the actual receipts from the tax itself. However, the imposition of the tax affects corporate and individual income tax receipts because it is deductible, because it reduces deductible State income taxes, and because it affects oil drilling. The net windfall profit tax is the gross windfall profit tax minus the reduction in corporate and individual income taxes expected to result from imposition of the windfall profit tax.

These revenue estimates assume that the price of uncontrolled oil equals \$30 per barrel in the fourth quarter of 1979 and grows at the rate of inflation plus two percent per year.

Tables 5 and 6 show the revenue effects of the individual residential energy tax credits for calendar and fiscal years 1980-90, respectively.

Tables 7 and 8 show the revenue effects of the various business tax incentives for calendar and fiscal years 1980-90, respectively.

Up to \$3.115 billion is authorized to be appropriated in fiscal year 1981 for the low-income energy assistance program contained in this bill.

Table 1.—Summary of Estimated Revenue Effects of the Crude Oil Windfall Profit Tax Act of 1980 as Agreed to by the Conference Committee, Calendar Years 1979-90

[In millions of dollars]

Item	Calendar year liabilities					
	1979	1980	1981	1982	1983	1984
Net gain from windfall profit tax	36 ¹	6,306	14,719	18,875	20,147	21,312
Residential energy tax credits		-42	-53	-69	-97	-138
Business energy tax incentives	-3	-146	-232	-329	-864	-1,182
Repeal carryover basis		(²)	-36	-95	-163	-238
Interest and dividend exclusion			-2,095	-2,210		
Involuntary liquidation of LIFO inventories ⁴			-85	-85	-80	
Taxing inventory profits at corporate liquidations ⁵				250	250	250
Total	33	6,118	12,218	16,337	19,193	20,004
						20,445

Footnotes at end of table.

Table 1.—Summary of Estimated Revenue Effects of the Crude Oil Windfall Profit Tax Act of 1980 as Agreed to by the Conference Committee, Calendar Years 1979-90—Continued

In millions of dollars]

Calendar year liabilities

Item	1986	1987	1988	1989	1990	Total 1979-90
Net gain from windfall profit tax-----	22,907	23,778	24,588	25,771	27,017	227,723
Residential energy tax credits-----						-600
Business energy tax incentives-----	-824	-887	-1,044	-626	-616	-8,297 ³
Repeal carryover basis-----	-440	-560	-680	-810	-950	-4,302
Interest and dividend exclusion-----						-4,305
Involuntary liquidation of LIFO inventories ⁴ -----						-250
Taxing inventory profits at corporate liquidations ⁵ -----	250	250	250	250	250	2,250
Total-----	21,893	22,581	23,114	24,585	25,701	212,219³

¹ The conference agreement would raise a small amount of income tax revenue in 1979 because the estimates assume that the tax on newly discovered oil reduces intangible drilling deductions in that year.

² Less than \$1 million.

³ This total includes \$3 million in calendar year 1978 reductions.

⁴ These estimates are based on the assumption that the Secretary will invoke this provision for disruptions of oil shipments during 1980.

⁵ These estimates are based on information obtained from a selected number of cases known to the Treasury and the figures are intended to provide representative averages during the forecast period.

Table 2.—Summary of Estimated Revenue Effects of the Crude Oil Windfall Profit Tax Act of 1980 as Agreed to by the Conference Committee, Fiscal Years 1980-90

[In millions of dollars]

Item	Fiscal year receipts				
	1980	1981	1982	1983	1984
Net gain from windfall profit tax	3,172	13,436	19,543	19,958	21,144
Residential energy tax credits	-7	-44	-55	-74	-105
Business energy tax incentives	-50	-206	-274	-567	-985
Repeal carryover basis		(¹)	-36	-95	-163
Interest and dividend exclusion		-314	-2,278	-1,713	
Involuntary liquidation of LIFO inventories ²			-85	-85	-80
Taxing inventory profits at corporate liquidations ³			112	250	250
Total	3,115	12,872	16,927	17,674	20,061
					20,665

Footnotes at end of table.

Table 2.—Summary of Estimated Revenue Effects of the Crude Oil Windfall Profit Tax Act of 1980 as Agreed to by the Conference Committee, Fiscal Years 1980-90—Continued

[In millions of dollars]

Item	Fiscal year receipts					Total 1980-90
	1986	1987	1988	1989	1990	
Net gain from windfall profit tax-----	22,776	23,601	24,423	25,593	26,772	222,646
Residential energy tax credits-----	-167					-600
Business energy tax incentives-----	-1,233	-866	-972	-870	-637	-8,086
Repeal carryover basis-----	-330	-440	-560	-680	-810	-3,352
Interest and dividend exclusion-----						-4,305
Involuntary liquidation of LIFO inventories ² -----						-250
Taxing inventory profits at corporate liquidations ³ -----	250	250	250	250	250	2,112
Total-----	21,296	22,545	23,141	24,293	25,575	208,165

¹ Less than \$1 million.

² These estimates are based on the assumption that the Secretary will invoke this provision for disruptions of oil shipments during 1980.

Note:—Details may not add to totals because of rounding.

³ These estimates are based on information obtained from a selected number of cases known to the Treasury and the figures are intended to provide representative averages during the forecast period.

**Table 3.—Estimated Revenue Effect of the Crude Oil Windfall Profit Tax as Agreed to by the Conference Committee,
Calendar Years 1980-90**

[In millions of dollars]

Item	Calendar year liabilities					
	1980	1981	1982	1983	1984	1985
Gross windfall profit tax-----	10, 876	25, 952	33, 534	35, 952	38, 202	40, 104
Change in income taxes-----	-4, 570	-11, 234	-14, 659	-15, 805	-16, 890	-17, 837
Net windfall profit tax-----	6, 306	14, 719	18, 875	20, 147	21, 312	22, 267

Item	Calendar year liabilities					Total 1979-90 ¹
	1986	1987	1988	1989	1990	
Gross windfall profit tax-----	41,445	43,185	44,789	47,049	49,399	410,486
Change in income taxes-----	-18,538	-19,407	-20,200	-21,278	-22,382	-182,763
Net windfall profit tax-----	22,907	23,778	24,588	25,771	27,017	227,723

1 The conference agreement would raise a small amount of income tax revenue in 1979 because the estimates assume that the tax on newly discovered oil reduces intangible drilling deductions in that year.

Note: Details may not add to totals because of rounding.

Table 4.—Estimated Revenue Effect of the Crude Oil Windfall Profit Tax as Agreed to by the Conference Committee,
Fiscal Years 1980-90

[In millions of dollars]

Item	Fiscal year receipts				
	1980	1981	1982	1983	1984
Gross windfall profit tax-----	5, 159	20, 955	32, 293	35, 124	37, 429
Change in income taxes-----	-1, 987	-7, 518	-12, 749	-15, 166	-16, 285
Net windfall profit tax-----	3, 172	13, 436	19, 543	19, 958	21, 144
					22, 227

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Item	Fiscal year receipts				Total
	1986	1987	1988	1989	1980-90
Gross windfall profit tax-----	40, 923	42, 524	44, 181	46, 270	392, 931
Change in income taxes-----	-18, 147	-18, 923	-19, 758	-20, 677	-170, 285
Net windfall profit tax-----	22, 776	23, 601	24, 423	25, 593	222, 646

Note: Details may not add to totals because of rounding.

Table 5.—Estimated Budget Effect of Residential Energy Tax Credits as Agreed to by the Conference Committee,
Calendar Years 1980-90

Provision	1980	1981	1982	1983	1984	1985
Solar, wind and geothermal credit, 40 percent---	-40	-50	-65	-82	-119	-177
Business energy tax credit to landlords, 15 per- cent-----	-2	-3	-4	-15	-19	-24
Total-----	-42	-53	-69	-97	-138	-201

34

Provision	1986	1987	1988	1989	1990	1980-90
Solar, wind and geothermal credit, 40 percent-----						-533
Business energy tax credit to landlords, 15 per- cent-----						-67
Total-----						-600

Table 6.—Estimated Budget Effect of Residential Energy Tax Credits as Agreed to by the Conference Committee,
Fiscal Years 1980-90

Provision	1980	1981	1982	1983	1984	1985
Solar, wind, and geothermal credit, 40 percent----	-6	-42	-52	-67	-88	-128
Business energy tax credit to landlords, 15 per- cent-----	-1	-2	-3	-7	-17	-20
Total-----	-7	-44	-55	-74	-105	-148
Provision	1986	1987	1988	1989	1990	1980-90
Solar, wind, and geothermal credit, 40 percent----	-150	-----	-----	-----	-----	-533
Business energy tax credit to landlords, 15 per- cent-----	-17	-----	-----	-----	-----	-67
Total-----	-167	-----	-----	-----	-----	-600

Table 7.--Estimated Budget Effect of Business Energy Tax Incentives as Agreed to by the Conference Committee,
Calendar Years 1980-85

Provision	1980	1981	1982	1983	1984	1985
<i>Business energy investment credits:</i>						
Solar and wind property, including solar process heat equipment, 15% energy credit-----	-10	-19	-34	-108	-282	-497
Geothermal equipment, 15% energy credit-----	-1	-2	-2	-5	-8	-11
Ocean thermal energy conversion equipment, 15% energy credit-----	(2)	(2)	(2)	(2)	-2	-2
Small-scale hydroelectric facilities, 11% energy credit-----	-7	-13	-17	-21	-81	-144
Cogeneration equipment, 10% energy credit-----	-31	-53	-78	-82	-65	-36
Petroleum coke and pitch, regular investment credit and accelerated depreciation-----	-25	-30	-34	-38	-43	-47
Certain equipment for producing feedstocks-----			(1)	-22	-29	-28
Alumina electrolytic cells, 10% energy credit-----	-1	-1	-1	-1	-1	-1
Coke ovens, 10% energy credit-----	-37	-46	-56	-59	-45	-23
Biomass equipment, 10% energy credit-----	(2)	-4	-4	-18	-160	-352
Intercity buses, 10% energy credit-----	-5	-5	-6	-6	-7	-7
Affirmative commitments, special transition rule-----			(1)	-448	-358	-202
Total, energy investment credits-----	-117	-173	-232	-808	-1,081	-1,350

Alternative fuel production credit: ⁴

Devonian shale gas, special rule-----	-9	-26	-45	(⁴)	(⁴)
Qualifying processed wood, phaseout suspension	-2	-13	-25	-21	-8
Steam from agricultural byproducts, phase-out suspension-----	-1	-2	-2	-3	-3

Total, production credits-----

	-12	-41	-72	-24	-11
					(⁴)

Alcohol fuels provisions ⁵-----

	-3	-4	-5	-7	-59
					-158

Industrial development bonds:

Solid waste disposal facilities-----	(²)	-3	-5	-5	-5
Alcohol from solid waste facilities-----			(²)	(²)	-1
Small-scale hydroelectric facilities-----	(²)	(²)	-2	-2	-6
Additions to certain existing hydroelectric facilities-----			-3	-7	-8
State renewable resource programs-----	-1	-1	-2	-4	-7
					-8

Total, bonds-----

	-1	-4	-12	-18	-25
					-28

Tertiary injectants-----

	-13	-10	-8	-7	-6
					-5

Total, Business Tax Incentives-----

	-146	-232	-329	-864	-1,182
					-1,541

See footnotes at end of table.

Table 7.—Estimated Budget Effect of Business Energy Tax Incentives as Agreed to by the Conference Committee,
Calendar Years 1986-90—Continued

Provision	1986	1987	1988	1989	1990	1980-90
<i>Business energy investment credits:</i>						
Solar and wind property, including solar process heat equipment, 15% energy credit-----	-78	-30	(¹)	-----	-----	-1,058
Geothermal equipment, 15% energy credit-----	(¹)	-----	-----	-----	-----	-29
Ocean thermal energy conversion equipment, 15% energy credit-----	-1	-----	-----	-----	-----	-5
Small-scale hydroelectric facilities, 11% energy credit-----	-284	-427	-582	-137	-84	-1,797
Cogeneration equipment, 10% energy credit-----	-11	(¹)	-----	-----	-----	-356
Petroleum coke and pitch, regular investment credit and accelerated depreciation-----	-52	-58	-63	-68	-74	-532
Certain equipment for producing feedstocks-----	-22	-9	(²)	-----	-----	-110
Alumina electrolytic cells, 10% energy credit-----	-----	-----	-----	-----	-----	-12 ³
Coke ovens, 10% energy credit-----	-7	-3	-1	-----	-----	-277
Biomass equipment, 10% energy credit-----	-55	-32	-23	(¹)	-----	-648
Intercity buses, 10% energy credit-----	-----	-----	-----	-----	-----	-36
Affirmative commitments, special transition rule-----	-90	-42	-12	(¹)	(²)	-1,152
Total, energy investment credits-----	-600	-601	-681	-205	-158	-6,012³

Alternative fuel production credit: ⁴

Devonian shale gas, special rule-----	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	-80
Qualifying processed wood, phaseout suspension-----						-69
Steam from agricultural byproducts, phase-out suspension-----						-11

Total, production credits-----

(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	-160
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Alcohol fuels provision ⁵-----

-188	-228	-268	-307	-347	-1,574
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Industrial development bonds:

Solid waste disposal facilities-----	-5	-5	-5	-5	-48
Alcohol from solid waste facilities-----	-1	-1	-1	-1	-7
Small-scale hydroelectric facilities-----	-8	-29	-66	-85	-283
Additions to certain existing hydroelectric facilities-----	-8	-8	-8	-8	-66
State renewable resource programs-----	-9	-9	-9	-9	-68

Total, bonds-----

-31	-52	-89	-108	-104	-472
-----	-----	-----	------	------	------

Tertiary injectants-----

-5	-6	-6	-6	-7	-79
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Total, Business Tax Incentives-----

-824	-887	-1,044	-626	-616	-8,297 ³
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¹ Less than \$5 million.

² Less than \$1 million.

³ This total includes \$6 million in calendar year liability reductions from 1978 and 1979.

⁴ It is assumed that the applicable reference price will be in excess of the credit phase-out range for oil from shale or tar sands, liquid, gaseous or synthetic solid fuel from coal, geopressured brine gas, coal seam methane gas, tight formation gas, biomass gas, steam from agricultural by-products and processed wood.

⁵ The estimates for calendar years 1984-1990 assume that the Federal excise taxes on gasoline, diesel fuel, and other motor fuels will continue at the present rate of 4 cents per gallon. Under present law, these taxes are scheduled to be reduced to 1½ cents per gallon on October 1, 1984, when the Highway Trust Fund is scheduled to expire.

Table 8.—Estimated Budget Effect of Business Energy Tax Incentives as Agreed to by the Conference Committee,
Fiscal Years 1980-85

Provision	1980	1981	1982	1983	1984	1985
<i>Business energy investment credits:</i>						
Solar and wind property, including solar process heat equipment, 15% energy credit-----	-3	-15	-26	-67	-185	-377
Geothermal equipment, 15% energy credit-----	(2)	-2	-2	-3	-7	-9
Ocean thermal energy conversion equipment						
15% energy credit-----	(2)	(2)	(2)	(2)	-1	-2
Small-scale hydroelectric facilities, 11% energy credit-----	-2	-11	-15	-19	-48	-109
Cogeneration equipment, 10% energy credit-----	-9	-46	-64	-80	-74	-52
Petroleum coke and pitch, regular investment credit and accelerated depreciation-----	-8	-31	-32	-36	-40	-44
Certain equipment for producing feed stocks-----			(1)	-7	-28	-29
Alumina electrolytic cells, 10% energy credit-----	-6	-1	-1	-1	-1	-1
Coke ovens, 10% energy credit-----	-11	-47	-51	-57	-53	-35
Biomass equipment, 10% energy credit-----	(2)	-2	-4	-10	-82	-246
Intercity buses, 10% energy credit-----	-2	-5	-6	-6	-6	-7
Affirmative commitments, special transition rule-----			(1)	-202	-407	-288
Total, energy investment credits-----	-41	-160	-201	-488	-932	-1,199

Alternative fuel production credit: ³

Devonian shale gas, special rule-----	-3	-18	-34	-25	(³)
Qualifying processed wood, phaseout suspension-----	-1	-7	-18	-23	-5
Steam from agricultural by-products, phase-out suspension-----	(²)	-1	-2	-2	-3

Total, production credits-----

	-4	-26	-54	-50	-18	-8
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Alcohol fuels provisions-----

	-1	-4	-4	-6	-8	-187
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Industrial development bonds:

Solid waste disposal facilities	(2)	-1	-4	-5	-5
Alcohol from solid waste facilities			(2)	(2)	-1
Small-scale hydroelectric facilities	(2)	(2)	(2)	-2	-3
Additions to certain existing hydroelectric facilities			-1	-5	-7
State renewable resource programs	(2)	-1	-1	-3	-5

Total, bonds-----

	(²)	-2	-6	-15	-20	-26
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Tertiary injectants-----

	-4	-14	-9	-8	-7	-6
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Total, Business Tax Incentives-----

	-50	-206	-274	-567	-985	-1,426
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Footnotes at end of table.

Table 8.—Estimated Budget Effect of Business Energy Tax Incentives as Agreed to by the Conference Committee,
Fiscal Years 1986-90—Continued

Provision	1986	1987	1988	1989	1990	1980-90
<i>Business energy investment credits:</i>						
Solar and wind property, including solar process heat equipment, 15% energy credit-----	-311	-57	-17	(¹)-----	-----	-1,058
Geothermal equipment 15% energy credit-----	-6	(²)-----	-----	-----	-----	-29
Ocean thermal energy conversion equipment, 15% energy credit-----	-2	(²)-----	(²)-----	-----	-----	-5
Small-scale hydroelectric facilities, 11% energy credit-----	-207	-348	-497	-382	-113	-1,751
Cogeneration equipment, 10% credit-----	-25	-6	(²)-----	-----	-----	-356
Petroleum coke and pitch, regular investment credit and accelerated depreciation-----	-49	-55	-60	-65	-71	-491
Certain equipment for producing feed stocks-----	-25	-16	-5	(²)-----	-----	-110
Alumina electrolytic cells, 10% energy credit-----	-1	-----	-----	-----	-----	-12
Coke ovens, 10% energy credit-----	-16	-5	-2	(²)-----	(¹)-----	-277
Biomass equipment, 10% energy credit-----	-218	-45	-28	-13	(¹)-----	-648
Intercity buses, 10% energy credit-----	-4	-----	-----	-----	-----	-36
Affirmative commitments, special transition rule-----	-152	-68	-28	-7	(¹)-----	-1,152
Total, energy investment credits-----	-1,016	-600	-637	-467	-184	-5,925

Alternative fuel production credit:³

Devonian shale gas, special rule	(3)	(3)	(3)	(3)	-80
Qualifying processed wood, phase-out suspension					-69
Steam from agricultural by-products, phase-out suspension					-11

Total, production credits

	(3)	(3)	(3)	(3)	-160
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Alcohol fuels provisions

	-183	-221	-261	-300	-340	-1,515
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Industrial development bonds:

Solid waste disposal facilities	-5	-5	-5	-5	-5	-45
Alcohol from solid waste facilities	-1	-1	-1	-1	-1	-6
Small-scale hydroelectric facilities	-7	-17	-45	-74	-84	-237
Additions to certain existing hydroelectric facilities	-8	-8	-8	-8	-8	-61
State renewable resource programs	-8	-9	-9	-9	-9	-61

Total, bonds

	-29	-40	-68	-97	-107	-410
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Tertiary injectants

	-5	-5	-6	-6	-6	-76
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Total Business Tax Incentives

	-1,233	-866	-972	-870	-637	-8,086
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¹ Less than \$5,000,000.

² Less than \$1,000,000.

³ It is assumed that the applicable reference price will be in excess of the credit phase-out range for oil from shale or tar sands, liquid, gaseous or synthetic solid fuel from coal, geopressured brine gas, coal seam methane gas, tight formation gas, biomass gas, steam from agricultural by-products and processed wood.

⁴ The estimates for calendar years 1984-90 assume that the Federal excise taxes on gasoline, diesel fuel, and other motor fuels will continue at the present rate of 4 cents per gallon. Under present law, these taxes are scheduled to be reduced to 1½ cents per gallon on Oct. 1, 1984, when the Highway Trust Fund is scheduled to expire.



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