

108TH CONGRESS  
1ST SESSION

# H. R. 2209

To require that diesel fuel sold in the United States meet specifications designed to facilitate the widespread introduction of clean diesel vehicles in the United States, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 22, 2003

Mr. DINGELL introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To require that diesel fuel sold in the United States meet specifications designed to facilitate the widespread introduction of clean diesel vehicles in the United States, 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 Diesel Act of  
5 2003”.

6 **SEC. 2. FINDINGS.**

7       The Congress finds the following:

1 (1) Sulfur in diesel fuel is a source of air pollu-  
2 tion.

6 (3) Dependence on foreign oil is an issue of na-  
7 tional security.

8 (4) The fuel economy benefits of diesel vehicles  
9 can be seen in Europe, where diesel powered vehicles  
10 are widely available.

16 (6) It is in the national interest that American  
17 manufacturing and American workers are well posi-  
18 tioned to meet the rising consumer demand for ad-  
19 vanced technology vehicles.

1 **SEC. 3. DEFINITIONS.**

2 For purposes of this Act:

3 (1) The term “Administrator” means the Ad-  
4 ministrator of the Environmental Protection Agency.5 (2) The term “Secretary” means the Secretary  
6 of Energy.7 **TITLE I—CLEAN MOTOR VEH-  
8 CLE DIESEL FUEL STAND-  
9 ARDS**10 **SEC. 101. DEFINITIONS.**

11 For purposes of this title:

12 (1) IN GENERAL.—The terms “import”, “im-  
13 porter”, “ppm”, “produce”, “refiner”, “refinery”,  
14 and “motor vehicle diesel fuel” have the meanings  
15 given to those terms in regulations of the Adminis-  
16 trator relating to motor vehicle diesel fuel.17 (2) CLEAN DIESEL FUEL.—The term “clean  
18 diesel fuel” means motor vehicle diesel fuel subject  
19 to the standards of section 102(c).20 **SEC. 102. STANDARDS.**21 (a) EFFECTIVE DATE.—The standards and require-  
22 ments of this title apply to any motor vehicle diesel fuel  
23 produced or imported by any refiner or importer beginning  
24 on January 1, 2011.25 (b) EXCLUDED FUEL.—The provisions of this title  
26 do not apply to motor vehicle diesel fuel that is designated

1 for export outside the United States, and identified for  
2 export by a transfer document as required under regula-  
3 tions of the Administrator.

4 (c) STANDARDS.—Except as otherwise provided in  
5 this title, all motor vehicle diesel fuel is subject to the fol-  
6 lowing per gallon standards:

7 (1) SULFUR CONTENT.—A sulfur content as  
8 low as feasible, as determined by the Administrator  
9 taking into consideration costs, but not higher than  
10 10 ppm. Not less than every 5 years, the Adminis-  
11 trator shall review and, as appropriate, revise the de-  
12 termination made under this paragraph.

13 (2) CETANE NUMBER.—A minimum cetane  
14 number of 55.

15 (3) AROMATIC CONTENT.—A maximum aro-  
16 matic content of 15 volume percent.

17 (4) LUBRICITY LEVEL.—A maximum high-fre-  
18 quency reciprocating rig wear scar diameter of 400  
19 microns.

20 (d) REGULATIONS.—Not later than January 1, 2006,  
21 the Administrator shall promulgate regulations to imple-  
22 ment this title. Such regulations shall—

23 (1) require measures to minimize the extent of  
24 sulfur contamination in the motor vehicle diesel fuel  
25 distribution system;

## 12 SEC. 103. WAIVERS; EXEMPTION.

13 (a) WAIVER ON PETITION OF STATE.—

14 (1) IN GENERAL.—On petition by 1 or more  
15 States, the Administrator, in consultation with the  
16 Secretary, may, in whole or in part, waive the re-  
17 quirements of section 102 relating to clean diesel  
18 fuel by reducing the amount of clean diesel fuel re-  
19 quired under such section, if the Administrator de-  
20 termines, after public notice and opportunity for  
21 comment, that implementation of such requirements,  
22 without an appropriate waiver, would severely harm  
23 the economy of a State or region due to inadequate  
24 supply or distribution capacity sufficient to meet  
25 such requirements.

9 (b) ECONOMIC HARDSHIP EXEMPTION.—

19 (A) The term “disproportionate economic  
20 hardship” means economic impact resulting in  
21 substantial economic losses that threaten the vi-  
22 ability of the entity in question, as determined  
23 by the Administrator in consultation with the  
24 Secretary.

## 9 SEC. 104. MISFUELING.

10 (a) PROHIBITION.—After December 31, 2010, no  
11 person shall knowingly introduce, or cause or allow the  
12 introduction of, fuel other than clean diesel fuel into any  
13 motor vehicle that is designed to operate with diesel fuel.

14 (b) PENALTY.—Any person that violates this section  
15 shall be subject to the same penalties applicable to a per-  
16 son that violates section 211(g) of the Clean Air Act (42  
17 U.S.C. 7545(g)).

## 18 SEC. 105. PENALTIES AND INJUNCTIONS.

19 (a) CIVIL PENALTIES.—Subject to penalties applica-  
20 ble to misfueling under section 104, any person who vio-  
21 lates any provision of this title or the regulations pre-  
22 scribed under this title or who fails to furnish any infor-  
23 mation or conduct any tests required by the Administrator  
24 under regulations under this title shall be liable to the  
25 United States for a civil penalty of not more than the sum

1 of \$25,000 for every day of such violation and the amount  
2 of economic benefit or savings resulting from the violation.

3 (b) INJUNCTIVE AUTHORITY.—The district courts of  
4 the United States shall have jurisdiction to restrain viola-  
5 tions of this title and of the regulations prescribed under  
6 this title, to award other appropriate relief, and to compel  
7 the furnishing of information and the conduct of tests re-  
8 quired by the Administrator under regulations under this  
9 title. Actions to restrain such violations and compel such  
10 actions shall be brought by and in the name of the United  
11 States. In any such action, subpoenas for witnesses who  
12 are required to attend a district court in any district may  
13 run into any other district.

14 **TITLE II—INCENTIVES TO EN-**  
15 **COURAGE CLEAN DIESEL**  
16 **MOTOR VEHICLES**

17 **SEC. 201. DETERMINATION OF CREDIT AMOUNTS FOR**  
18 **CLEAN DIESEL MOTOR VEHICLE CREDIT AND**  
19 **LIFETIME FUEL SAVINGS CREDIT.**

20 (a) IN GENERAL.—Not later than 120 days after the  
21 date of the enactment of this Act, the Secretary of Energy  
22 shall determine credit amounts for the clean diesel motor  
23 vehicle credit under section 30B, and the lifetime fuel sav-  
24 ings credit under section 30C, of the Internal Revenue  
25 Code of 1986 in amounts which the Secretary determines

1 will provide appropriate incentives to encourage the wide-  
2 spread consumer acceptance of clean diesel motor vehicles.

3 In making determinations under the preceding sentence,  
4 the Secretary—

5 (1) may not increase or decrease the credit  
6 amount specified for a category in the table in sub-  
7 section (b) by more than \$500;

8 (2) may not increase the maximum fuel econ-  
9 omy for a category above the maximum fuel econ-  
10 omy specified for that category in the table in sub-  
11 section (b);

12 (3) may not increase or decrease the lifetime  
13 fuel savings amount specified for a category in the  
14 table in subsection (c) by more than \$500; and

15 (4) may not increase the number of gallons for  
16 the category of lifetime fuel savings in the table in  
17 subsection (c).

18 (b) ALTERNATIVE CREDIT AMOUNT FOR CLEAN  
19 DIESEL MOTOR VEHICLE CREDIT.—In the case that the  
20 Secretary of Energy does not meet the 120-day period  
21 specified in subsection (a), the credit amounts for the  
22 clean diesel motor vehicle credit under section 30B of the  
23 Internal Revenue Code of 1986 shall be determined in ac-  
24 cordance with the following table:

Category	Fuel economy based on percentage of 2002 model year city fuel economy		Credit amount
	At least	but less than	
1 .....	125%	150%	\$1,500
2 .....	150%	175%	\$2,000
3 .....	175%	200%	\$2,500
4 .....	200%	225%	\$3,000

1        (c) ALTERNATIVE CREDIT AMOUNT FOR LIFETIME  
 2 FUEL SAVINGS CREDIT.—In the case that the Secretary  
 3 of Energy does not meet the 120-day period specified in  
 4 subsection (a), the credit amounts for the lifetime fuel sav-  
 5 ings credit under section 30C of the Internal Revenue  
 6 Code of 1986 shall be determined in accordance with the  
 7 following table:

<b>Lifetime Fuel Savings (gallons):</b>	<b>Credit Amount:</b>
1,200 .....	\$1,500
1,800 .....	\$2,000
2,400 .....	\$2,500
3,000 .....	\$3,000.

8        (d) OPTION TO USE LIKE VEHICLE.—At the option  
 9 of the vehicle manufacturer, the increase for fuel economy  
 10 and lifetime fuel savings may be calculated by comparing  
 11 the new clean diesel motor vehicle to a like vehicle.

12        (e) DEFINITIONS.—For purposes of this section:

13            (1) CLEAN DIESEL MOTOR VEHICLE.—The term  
 14            “clean diesel motor vehicle” means a motor vehicle  
 15            with an internal combustion engine that—

(A) is designed to operate primarily using more air than is necessary for complete combustion of the fuel;

4 (B) incorporates direct injection;

5 (C) achieves at least 125 percent of the  
6 2002 model year city fuel economy; and

7 (D) for 2004 and later model vehicles, has  
8 received a certificate that such vehicle meets or  
9 exceeds the Bin 5, Tier 2 emission levels (for  
10 passenger vehicles) or Bin 8, Tier 2 emission  
11 levels (for light trucks) established in regula-  
12 tions prescribed by the Administrator under  
13 section 202(i) of the Clean Air Act for that  
14 make and model year vehicle.

The 2002 model year city fuel economy with respect to a vehicle shall be determined in accordance with the following tables:

12 (A) In the case of a passenger automobile:

If vehicle inertia weight class is:	The 2002 model year city fuel economy is:
1,500 or 1,750 lbs	45.2 mpg
2,000 lbs	39.6 mpg
2,250 lbs	35.2 mpg
2,500 lbs	31.7 mpg
2,750 lbs	28.8 mpg
3,000 lbs	26.4 mpg
3,500 lbs	22.6 mpg
4,000 lbs	19.8 mpg
4,500 lbs	17.6 mpg
5,000 lbs	15.9 mpg
5,500 lbs	14.4 mpg
6,000 lbs	13.2 mpg
6,500 lbs	12.2 mpg
7,000 or 8,500 lbs	11.3 mpg

13 (B) In the case of a light truck:

If vehicle inertia weight class is:	The 2002 model year city fuel economy is:
1,500 or 1,750 lbs .....	39.4 mpg
2,000 lbs .....	35.2 mpg
2,250 lbs .....	31.8 mpg
2,500 lbs .....	29.0 mpg
2,750 lbs .....	26.8 mpg
3,000 lbs .....	24.9 mpg
3,500 lbs .....	21.8 mpg

<b>If vehicle inertia weight class is:</b>	<b>The 2002 model year city fuel economy is:</b>
4,000 lbs .....	19.4 mpg
4,500 lbs .....	17.6 mpg
5,000 lbs .....	16.1 mpg
5,500 lbs .....	14.8 mpg
6,000 lbs .....	13.7 mpg
6,500 lbs .....	12.8 mpg
7,000 or 8,500 lbs .....	12.1 mpg.

## 18 SEC. 202. CLEAN DIESEL MOTOR VEHICLE CREDIT.

19 (a) IN GENERAL.—Subpart B of part IV of sub-  
20 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to foreign tax credit, etc.) is amended by  
2 adding at the end the following:

3 **“SEC. 30B. CLEAN DIESEL MOTOR VEHICLE CREDIT.**

4       “(a) ALLOWANCE OF CREDIT.—There shall be al-  
5 lowed as a credit against the tax imposed by this chapter  
6 for the taxable year an amount equal to the clean diesel  
7 motor vehicle credit determined under subsection (b).

8       “(b) CLEAN DIESEL MOTOR VEHICLE CREDIT.—For  
9 purposes of subsection (a), the clean diesel motor vehicle  
10 credit is the credit amount determined under section  
11 201(b) of the Clean Diesel Act of 2003 with respect to  
12 a new qualified clean diesel motor vehicle placed in service  
13 by the taxpayer during the taxable year.

14       “(c) CLEAN DIESEL MOTOR VEHICLE.—The term  
15 ‘clean diesel motor vehicle’ has the meaning given to such  
16 term by section 201(e)(1) of the Clean Diesel Act of 2003.

17       “(d) LIMITATION BASED ON AMOUNT OF TAX.—The  
18 credit allowed under subsection (a) for the taxable year  
19 shall not exceed the excess of—

20           “(1) the sum of the regular tax liability (as de-  
21 fined in section 26(b)) plus the tax imposed by sec-  
22 tion 55, over

23           “(2) the sum of the credits allowable under sub-  
24 part A and sections 27, 29, and 30A for the taxable  
25 year.

1       “(e) SPECIAL RULES.—For purposes of this sec-  
2 tion—

3           “(1) REDUCTION IN BASIS.—For purposes of  
4 this subtitle, the basis of any property for which a  
5 credit is allowable under subsection (a) shall be re-  
6 duced by the amount of such credit so allowed.

7           “(2) PROPERTY USED BY TAX-EXEMPT ENTI-  
8 TIES.—In the case of a credit amount which is al-  
9 lowable with respect to a motor vehicle which is ac-  
10 quired by an entity exempt from tax under this  
11 chapter, the person which sells or leases such vehicle  
12 to the entity shall be treated as the taxpayer with  
13 respect to the vehicle for purposes of this section  
14 and the credit shall be allowed to such person, but  
15 only if the person clearly discloses to the entity in  
16 any sale or lease document the specific amount of  
17 any credit otherwise allowable to the entity under  
18 this section.

19           “(3) RECAPTURE.—The Secretary shall, by reg-  
20 ulations, provide for recapturing the benefit of any  
21 credit allowable under subsection (a) with respect to  
22 any property which ceases to be property eligible for  
23 such credit (including recapture in the case of a  
24 lease period of less than the economic life of a vehi-  
25 cle).

1           “(4) PROPERTY USED OUTSIDE UNITED  
2           STATES, ETC., NOT QUALIFIED.—No credit shall be  
3           allowed under subsection (a) with respect to any  
4           property referred to in section 50(b) or with respect  
5           to the portion of the cost of any property taken into  
6           account under section 179.

7           “(5) ELECTION TO NOT TAKE CREDIT.—No  
8           credit shall be allowed under subsection (a) for any  
9           vehicle if the taxpayer elects to not have this section  
10           apply to such vehicle.

11           “(6) CARRYOVERS ALLOWED.—

12           “(A) IN GENERAL.—If the credit amount  
13           allowable under subsection (a) for a taxable  
14           year exceeds the amount of the limitation under  
15           subsection (d) for such taxable year (referred to  
16           as the ‘unused credit year’ in this paragraph),  
17           such excess shall be allowed as a credit  
18           carryforward for each of the 20 taxable years  
19           following the unused credit year and a  
20           carryback for each of the 3 preceding years.

21           “(B) RULES.—Rules similar to the rules of  
22           section 39 shall apply with respect to the credit  
23           carryforward under subparagraph (A).

24           “(f) TERMINATION.—This section shall not apply to  
25           any property placed in service after December 31, 2010.”.

1 (b) CONFORMING AMENDMENTS.—

7                   “(31) to the extent provided in section  
8                   30B(e)(1).”.

“Sec. 30B. Clean diesel motor vehicle credit.”.

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to property placed in service after  
17 December 31, 2004, in taxable years beginning after such  
18 date.

## 19 SEC. 203. LIFETIME FUEL SAVINGS CREDIT.

20 (a) IN GENERAL.—Subpart B of part IV of sub-  
21 chapter A of chapter 1 of the Internal Revenue Code of  
22 1986 (relating to foreign tax credit, etc.) is amended by  
23 adding at the end the following:

1   **“SEC. 30C. LIFETIME FUEL SAVINGS CREDIT.**

2       “(a) ALLOWANCE OF CREDIT.—There shall be al-  
3 lowed as a credit against the tax imposed by this chapter  
4 for the taxable year an amount equal to the lifetime fuel  
5 savings credit determined under subsection (b).

6       “(b) LIFETIME FUEL SAVINGS CREDIT.—For pur-  
7 poses of subsection (a), the lifetime fuel savings credit is  
8 the credit amount determined under section 201(c) of the  
9 Clean Diesel Act of 2003 with respect to a new qualified  
10 clean diesel motor vehicle placed in service by the taxpayer  
11 during the taxable year.

12       “(c) CLEAN DIESEL MOTOR VEHICLE.—The term  
13 ‘clean diesel motor vehicle’ has the meaning given to such  
14 term by section 201(e)(1) of the Clean Diesel Act of 2003.

15       “(d) LIMITATION BASED ON AMOUNT OF TAX.—The  
16 credit allowed under subsection (a) for the taxable year  
17 shall not exceed the excess of—

18           “(1) the sum of the regular tax liability (as de-  
19 fined in section 26(b)) plus the tax imposed by sec-  
20 tion 55, over

21           “(2) the sum of the credits allowable under sub-  
22 part A and sections 27, 29, 30A, and 30B for the  
23 taxable year.

24       “(e) SPECIAL RULES.—For purposes of this sec-  
25 tion—

1           “(1) REDUCTION IN BASIS.—For purposes of  
2        this subtitle, the basis of any property for which a  
3        credit is allowable under subsection (a) shall be re-  
4        duced by the amount of such credit so allowed.

5           “(2) PROPERTY USED BY TAX-EXEMPT ENTI-  
6        TIES.—In the case of a credit amount which is al-  
7        lowable with respect to a motor vehicle which is ac-  
8        quired by an entity exempt from tax under this  
9        chapter, the person which sells or leases such vehicle  
10      to the entity shall be treated as the taxpayer with  
11      respect to the vehicle for purposes of this section  
12      and the credit shall be allowed to such person, but  
13      only if the person clearly discloses to the entity in  
14      any sale or lease document the specific amount of  
15      any credit otherwise allowable to the entity under  
16      this section.

17           “(3) RECAPTURE.—The Secretary shall, by reg-  
18        ulations, provide for recapturing the benefit of any  
19        credit allowable under subsection (a) with respect to  
20        any property which ceases to be property eligible for  
21        such credit (including recapture in the case of a  
22        lease period of less than the economic life of a vehi-  
23        cle).

24           “(4) PROPERTY USED OUTSIDE UNITED  
25        STATES, ETC., NOT QUALIFIED.—No credit shall be

1       allowed under subsection (a) with respect to any  
2       property referred to in section 50(b) or with respect  
3       to the portion of the cost of any property taken into  
4       account under section 179.

5           “(5) ELECTION TO NOT TAKE CREDIT.—No  
6       credit shall be allowed under subsection (a) for any  
7       vehicle if the taxpayer elects to not have this section  
8       apply to such vehicle.

9           “(6) CARRYOVERS ALLOWED.—

10           “(A) IN GENERAL.—If the credit amount  
11       allowable under subsection (a) for a taxable  
12       year exceeds the amount of the limitation under  
13       subsection (d) for such taxable year (referred to  
14       as the ‘unused credit year’ in this paragraph),  
15       such excess shall be allowed as a credit  
16       carryforward for each of the 20 taxable years  
17       following the unused credit year and a  
18       carryback for each of the 3 preceding years.

19           “(B) RULES.—Rules similar to the rules of  
20       section 39 shall apply with respect to the credit  
21       carryforward under subparagraph (A).

22           “(f) TERMINATION.—This section shall not apply to  
23       any property placed in service after December 31, 2010.”.

24           (b) CONFORMING AMENDMENTS.—

6                   “(32) to the extent provided in section  
7                   30C(e)(1).”.

10 (3) The table of sections for subpart B of part  
11 IV of subchapter A of chapter 1 of such Code is  
12 amended by inserting after the item relating to sec-  
13 tion 30B the following:

“Sec. 30C. Lifetime fuel savings credit.”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to property placed in service after  
16 December 31, 2004, in taxable years beginning after such  
17 date.

18 SEC. 204. EXPENSING OF CAPITAL COSTS INCURRED IN  
19 COMPLYING WITH ENVIRONMENTAL PROTEC-  
20 TION AGENCY SULFUR REGULATIONS.

21 (a) IN GENERAL.—Section 179(b) of the Internal  
22 Revenue Code of 1986 (relating to election to expense cer-  
23 tain depreciable business assets) is amended by adding at  
24 the end the following new paragraph:

25                   “(5) LIMITATION FOR REFINERS.—

1                     “(A) IN GENERAL.—In the case of a tax-  
2                     payer electing to expense qualified costs, in lieu  
3                     of the dollar limitations in paragraph (1), the  
4                     limitation on the aggregate costs which may be  
5                     taken into account under subsection (a) for any  
6                     taxable year shall not exceed 75 percent of the  
7                     qualified costs.

8                     “(B) QUALIFIED COSTS.—For purposes of  
9                     this paragraph, the term ‘qualified costs’  
10                   means, with respect to any facility, those costs  
11                   paid or incurred for purposes of—

12                   “(i) complying with the Highway Die-  
13                   sel Fuel Sulfur Control Requirements of  
14                   the Environmental Protection Agency, as  
15                   determined by the Administrator of the  
16                   Environmental Protection Agency in con-  
17                   sultation with the Secretary; or

18                   “(ii) meeting the standards for sulfur  
19                   content specified in section 102(c)(1) of  
20                   the Clean Diesel Act of 2003, as deter-  
21                   mined by the Administrator of the Envi-  
22                   ronmental Protection Agency in consulta-  
23                   tion with the Secretary.

24                   Such costs shall include expenditures for the  
25                   construction of new process operation units or

1 the dismantling and reconstruction of existing  
2 process units to be used in the production of  
3 clean diesel fuel (as defined in section 101(2) of  
4 the Clean Diesel Fuel Act of 2003, associated  
5 adjacent or offsite equipment (including tank-  
6 age, catalyst, and power supply), engineering,  
7 construction period interest, and sitework.”.

8 (b) DETERMINATION BY ADMINISTRATOR OF ENVI-  
9 RONMENTAL PROTECTION AGENCY.—For purposes of  
10 paragraph (5) of section 179(b) of the Internal Revenue  
11 Code of 1986, as added by subsection (a), the Adminis-  
12 trator of Environmental Protection Agency shall, by regu-  
13 lation, identify those costs which are eligible for expensing  
14 under such section for purposes of complying with the  
15 Highway Diesel Fuel Sulfur Control Requirements of the  
16 Environmental Protection Agency and meeting the stand-  
17 ards for sulfur content specified in section 102(c)(1) of  
18 this Act.

19 (c) EFFECTIVE DATE.—The amendment made by  
20 this section shall apply to expenses paid or incurred after  
21 the date of the enactment of this Act.

22 SEC. 205. CREDIT FOR PRODUCING LOW SULFUR CONTENT  
23 DIESEL FUEL.

24 (a) IN GENERAL.—Subpart B of part IV of sub-  
25 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to other credits) is amended by inserting  
2 after section 30C the following new section:

3 **“SEC. 30D. CREDIT FOR PRODUCING CLEAN DIESEL FUEL.**

4       “(a) ALLOWANCE OF CREDIT.—There shall be al-  
5 lowed as a credit against the tax imposed by this chapter  
6 for the taxable year an amount equal to—

7           “(1) \$2.52, multiplied by

8           “(2) the barrel-of-oil equivalent of clean diesel  
9 fuel—

10           “(A) sold by the taxpayer to an unrelated  
11 person during the taxable year; and

12           “(B) the production of which is attrib-  
13 utable to the taxpayer.

14       “(b) LIMITATIONS AND ADJUSTMENTS.—

15           “(1) CREDIT REDUCED FOR GRANTS, TAX-EX-  
16 EMPT BONDS, AND SUBSIDIZED ENERGY FINANC-  
17 ING.—

18           “(A) IN GENERAL.—The amount of the  
19 credit allowable under subsection (a) with re-  
20 spect to any project for any taxable year shall  
21 be reduced by the amount which is the product  
22 of the amount so determined for such year and  
23 a fraction—

1                     “(i) the numerator of which is the  
2                     sum, for the taxable year and all prior tax-  
3                     able years, of—

4                     “(I) grants provided by the  
5                     United States, a State, or a political  
6                     subdivision of a State for use in con-  
7                     nection with the project;

8                     “(II) proceeds of any issue of  
9                     State or local government obligations  
10                    used to provide financing for the  
11                    project the interest on which is ex-  
12                    empt from tax under section 103; and

13                    “(III) the aggregate amount of  
14                    subsidized energy financing (within  
15                    the meaning of section 48(a)(4)(C))  
16                    provided in connection with the  
17                    project; and

18                    “(ii) the denominator of which is the  
19                    aggregate amount of additions to the cap-  
20                    ital account for the project for the taxable  
21                    year and all prior taxable years.

22                    “(B) AMOUNTS DETERMINED AT CLOSE OF  
23                    YEAR.—The amounts under subparagraph (A)  
24                    for any taxable year shall be determined as of  
25                    the close of the taxable year.

1           “(2) CREDIT REDUCED FOR ENHANCED OIL RE-  
2        COVERY CREDIT.—The amount allowable as a credit  
3        under subsection (a) with respect to any project for  
4        any taxable year (determined after application of  
5        paragraphs (1) and (2)) shall be reduced by the ex-  
6        cess (if any) of—

7           “(A) the aggregate amount allowed under  
8        section 38 for the taxable year and any prior  
9        taxable year by reason of any enhanced oil re-  
10       covery credit determined under section 43 with  
11        respect to such project, over

12           “(B) the aggregate amount recaptured  
13        with respect to the amount described in sub-  
14        paragraph (A) under this paragraph for any  
15        prior taxable year.

16           “(3) APPLICATION WITH OTHER CREDITS.—  
17        The credit allowed by subsection (a) for any taxable  
18        year shall not exceed the excess (if any) of—

19           “(A) the regular tax for the taxable year  
20        reduced by the sum of the credits allowable  
21        under subpart A and this subpart (other than  
22        this section), over

23           “(B) the tentative minimum tax for the  
24        taxable year.

1       “(c) DEFINITIONS AND SPECIAL RULES.—For pur-  
2 poses of this section—

3           “(1) CLEAN DIESEL FUEL.—The term ‘clean  
4 diesel fuel’ has the meaning given such term by sec-  
5 tion 101(2) of the Clean Diesel Act of 2003.

6           “(2) ONLY PRODUCTION WITHIN THE UNITED  
7 STATES TAKEN INTO ACCOUNT.—Sales shall be  
8 taken into account under this section only with re-  
9 spect to diesel fuel the production of which is with-  
10 in—

11           “(A) the United States (within the mean-  
12 ing of section 638(1)); or

13           “(B) a possession of the United States  
14 (within the meaning of section 638(2)).

15           “(3) PRODUCTION ATTRIBUTABLE TO THE TAX-  
16 PAYER.—In the case of a property or facility in  
17 which more than 1 person has an interest, except to  
18 the extent provided in regulations prescribed by the  
19 Secretary, production from the property or facility  
20 (as the case may be) shall be allocated among such  
21 persons in proportion to their respective interests in  
22 the gross sales from such property or facility.

23           “(4) BARREL-OF-OIL EQUIVALENT.—The term  
24 ‘barrel-of-oil equivalent’ with respect to any fuel

1 means that amount of such fuel which has a Btu  
2 content of 5.8 million.

3 “(5) BARREL DEFINED.—The term ‘barrel’  
4 means 42 United States gallons.

5 “(6) RELATED PERSONS.—Persons shall be  
6 treated as related to each other if such persons  
7 would be treated as a single employer under the reg-  
8 ulations prescribed under section 52(b). In the case  
9 of a corporation which is a member of an affiliated  
10 group of corporations filing a consolidated return,  
11 such corporation shall be treated as selling clean die-  
12 sel fuel to an unrelated person if such fuel is sold  
13 to such a person by another member of such group.

14 “(7) PASS-THRU IN THE CASE OF ESTATES AND  
15 TRUSTS.—Under regulations prescribed by the Sec-  
16 rary, rules similar to the rules of subsection (d) of  
17 section 52 shall apply.

18 “(e) APPLICATION OF SECTION.—This section shall  
19 apply with respect to clean diesel fuel which is sold at re-  
20 tail before January 1, 2007.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) Section 53(d)(1)(B)(iii) of such Code is  
23 amended by striking “or” and inserting before the  
24 period at the end the following: “, or under section

1       30D solely by reason of the application of section  
2       30D(b)(4)".

3               (2) Section 55(c)(2) of such Code is amended  
4       by inserting “, 30D(b)(4),” after “30(b)(3)”.

5               (3) Section 772 of such Code is amended—

6                       (A) in subsection (a) by striking “and” at  
7       the end of paragraph (10), by redesignating  
8       paragraph (11) as paragraph (12), and by in-  
9       serting after paragraph (10) the following new  
10      paragraph:

11               “(11) the credit allowable under section 30D,  
12      and”; and

13                       (B) in subsection (d)(5), by striking  
14       “and”, and by inserting before the period the  
15       following: “, and the credit allowable under sec-  
16       tion 30D”.

17               (4) The table of sections for subpart B of part  
18       IV of subchapter A of chapter 1 of such Code is  
19       amended by inserting after the item relating to sec-  
20       tion 30C the following:

“Sec. 30D. Credit for producing clean diesel fuel.”.

21               (c) EFFECTIVE DATE.—The amendments made by  
22       this section shall apply to sales after December 31, 2002,  
23       in taxable years beginning after such date.

1 **TITLE III—GRANTS TO IN-**  
2 **CREASE PRODUCTION OF**  
3 **CLEAN DIESEL MOTOR VEHIC-**  
4 **LES**

5 **SEC. 301. GRANTS TO INCREASE PRODUCTION OF CLEAN**  
6 **DIESEL MOTOR VEHICLES.**

7 (a) GRANTS.—The Secretary of Commerce (in this  
8 section referred to as the “Secretary”) may award grants  
9 to States and cities for the purpose of converting old  
10 plants to produce clean diesel motor vehicles.

11 (b) USE OF FUNDS.—The Secretary may not award  
12 a grant to a State or city under this section unless the  
13 State or city agrees to use the grant—

14 (1) to convert an old plant to produce clean die-  
15 sel motor vehicles; or

16 (2) to improve infrastructure related to any  
17 such plant.

18 (c) APPLICATION.—To seek a grant under this sec-  
19 tion, a State or city shall submit an application to the  
20 Secretary at such time, in such manner, and containing  
21 such information as the Secretary may reasonably require.

22 (d) CLEAN DIESEL MOTOR VEHICLE.—For purposes  
23 of this section, the term “clean diesel motor vehicle” has  
24 the meaning given to that term in section 201(e)(1).

1       (e) AUTHORIZATION OF APPROPRIATIONS.—There is  
2 authorized to be appropriated such sums as may be nec-  
3 essary to carry out this section.

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