

108TH CONGRESS  
2D SESSION

# H. R. 3967

To amend the Internal Revenue Code of 1986 to credit the Highway Trust Fund with the full amount of fuel taxes, to combat fuel tax evasion, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 2004

Mr. THOMAS introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to credit the Highway Trust Fund with the full amount of fuel taxes, to combat fuel tax evasion, 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. REFERENCE, ETC.**

4 (a) AMENDMENT OF 1986 CODE.—Except as other-  
5 wise expressly provided, whenever in this Act an amend-  
6 ment or repeal is expressed in terms of an amendment  
7 to, or repeal of, a section or other provision, the reference  
8 shall be considered to be made to a section or other provi-  
9 sion of the Internal Revenue Code of 1986.

## 1 (b) TABLE OF CONTENTS.—

TITLE I—RESTRUCTURING OF INCENTIVES FOR ALCOHOL  
FUELS, ETC.

- Sec. 101. Reduced rates of tax on gasohol replaced with excise tax credit; repeal of other alcohol-based fuel incentives; etc.  
 Sec. 102. Alcohol fuel subsidies borne by general fund.

## TITLE II—REDUCTION OF FUEL TAX EVASION

- Sec. 201. Exemption from certain excise taxes for mobile machinery.  
 Sec. 202. Taxation of aviation-grade kerosene.  
 Sec. 203. Dye injection equipment.  
 Sec. 204. Authority to inspect on-site records.  
 Sec. 205. Registration of pipeline or vessel operators required for exemption of bulk transfers to registered terminals or refineries.  
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 Sec. 209. Modifications of tax on use of certain vehicles.  
 Sec. 210. Modification of ultimate vendor refund claims with respect to farming.  
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## TITLE III—OTHER EXCISE TAX PROVISIONS

- Sec. 301. Taxable fuel refunds for certain ultimate vendors.  
 Sec. 302. Two-party exchanges.  
 Sec. 303. Simplification of tax on tires.

TITLE IV—PRIVATE ACTIVITY BONDS FOR MODERN  
TRANSPORTATION

- Sec. 401. Treatment of bonds for certain transportation facilities as exempt facility bonds.

## TITLE V—REVENUE PROVISIONS

## Subtitle A—Leasing

- Sec. 501. Reform of tax treatment of certain leasing arrangements.  
 Sec. 502. Limitation on deductions allocable to property used by governments or other tax-exempt entities.  
 Sec. 503. Effective date.

## Subtitle B—Charitable Giving

- Sec. 511. Donations of motor vehicles, boats, and aircraft.  
 Sec. 512. Increased reporting for noncash charitable contributions.  
 Sec. 513. Treatment of charitable contributions of patents and similar property.

## Subtitle C—Tax Collection Contracts

- Sec. 521. Qualified tax collection contracts.

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Sec. 531. Extension of amortization of intangibles to sports franchises.

Sec. 532. Class lives for utility grading costs.

Sec. 533. Modification of continuing levy on payments to Federal vendors.

**1 TITLE I—RESTRUCTURING OF**  
**2 INCENTIVES FOR ALCOHOL**  
**3 FUELS, ETC.**

**4 SEC. 101. REDUCED RATES OF TAX ON GASOHOL REPLACED**  
**5 WITH EXCISE TAX CREDIT; REPEAL OF**  
**6 OTHER ALCOHOL-BASED FUEL INCENTIVES;**  
**7 ETC.**

**8 (a) EXCISE TAX CREDIT FOR ALCOHOL FUEL MIX-**  
**9 TURES.—**

**10 (1) IN GENERAL.—**Subsection (f) of section  
**11 6427** is amended to read as follows:

**12 “(f) ALCOHOL FUEL MIXTURES.—**

**13 “(1) IN GENERAL.—**The amount of credit  
**14 which would (but for section 40(c)) be determined**  
**15 under section 40(a)(1) for any period—**

**16 “(A) shall, with respect to taxable events**  
**17 occurring during such period, be treated—**

**18 “(i) as a payment of the taxpayer’s li-**  
**19 ability for tax imposed by section 4081,**  
**20 and**

**21 “(ii) as received at the time of the**  
**22 taxable event, and**

1 “(B) to the extent such amount of credit  
 2 exceeds such liability for such period, shall (ex-  
 3 cept as provided in subsection (k)) be paid sub-  
 4 ject to subsection (i)(3) by the Secretary with-  
 5 out interest.

6 “(2) SPECIAL RULES.—

7 “(A) ONLY CERTAIN ALCOHOL TAKEN  
 8 INTO ACCOUNT.—For purposes of paragraph  
 9 (1), section 40 shall be applied—

10 “(i) by not taking into account alcohol  
 11 with a proof of less than 190, and

12 “(ii) by treating as alcohol the alcohol  
 13 gallon equivalent of ethyl tertiary butyl  
 14 ether or other ethers produced from such  
 15 alcohol.

16 “(B) TREATMENT OF REFINERS.—For  
 17 purposes of paragraph (1), in the case of a mix-  
 18 ture—

19 “(i) the alcohol in which is described  
 20 in subparagraph (A)(ii), and

21 “(ii) which is produced by any person  
 22 at a refinery prior to any taxable event,  
 23 section 40 shall be applied by treating such per-  
 24 son as having sold such mixture at the time of

1 its removal from the refinery (and only at such  
2 time) to another person for use as a fuel.

3 “(3) MIXTURES NOT USED AS FUEL.—Rules  
4 similar to the rules of subparagraphs (A) and (D)  
5 of section 40(d)(3) shall apply for purposes of this  
6 subsection.

7 “(4) TERMINATION.—This section shall apply  
8 only to periods to which section 40 applies, deter-  
9 mined by substituting in section 40(e)—

10 “(A) ‘September 30, 2007’ for ‘December  
11 31, 2007’, and

12 “(B) ‘October 1, 2007’ for ‘January 1,  
13 2008’.”.

14 (2) REVISION OF RULES FOR PAYMENT OF  
15 CREDIT.—Paragraph (3) of section 6427(i) is  
16 amended to read as follows:

17 “(3) SPECIAL RULE FOR ALCOHOL MIXTURE  
18 CREDIT.—

19 “(A) IN GENERAL.—A claim may be filed  
20 under subsection (f)(1)(B) by any person for  
21 any period—

22 “(i) for which \$200 or more is pay-  
23 able under such subsection (f)(1)(B), and

24 “(ii) which is not less than 1 week.

1           “(B) PAYMENT OF CLAIM.—Notwith-  
 2           standing subsection (f)(1)(B), if the Secretary  
 3           has not paid pursuant to a claim filed under  
 4           this section within 45 days of the date of the  
 5           filing of such claim (20 days in the case of an  
 6           electronic claim), the claim shall be paid with  
 7           interest from such date determined by using the  
 8           overpayment rate and method under section  
 9           6621.

10           “(C) TIME FOR FILING CLAIM.—No claim  
 11           filed under this paragraph shall be allowed un-  
 12           less filed on or before the last day of the first  
 13           quarter following the earliest quarter included  
 14           in the claim.”.

15           (b) REPEAL OF OTHER INCENTIVES FOR FUEL MIX-  
 16           TURES.—

17           (1) Subsection (b) of section 4041 is amended  
 18           to read as follows:

19           “(b) EXEMPTION FOR OFF-HIGHWAY BUSINESS  
 20           USE.—

21           “(1) IN GENERAL.—No tax shall be imposed by  
 22           subsection (a) or (d)(1) on liquids sold for use or  
 23           used in an off-highway business use.

24           “(2) TAX WHERE OTHER USE.—If a liquid on  
 25           which no tax was imposed by reason of paragraph

1 (1) is used otherwise than in an off-highway busi-  
 2 ness use, a tax shall be imposed by paragraph  
 3 (1)(B), (2)(B), or (3)(A)(ii) of subsection (a)  
 4 (whichever is appropriate) and by the corresponding  
 5 provision of subsection (d)(1) (if any).

6 “(3) OFF-HIGHWAY BUSINESS USE DEFINED.—  
 7 For purposes of this subsection, the term ‘off-high-  
 8 way business use’ has the meaning given to such  
 9 term by section 6421(e)(2); except that such term  
 10 shall not, for purposes of subsection (a)(1), include  
 11 use in a diesel-powered train.”.

12 (2) Section 4041(k) is hereby repealed.

13 (3) Section 4081(c) is hereby repealed.

14 (4) Section 4091(c) is hereby repealed.

15 (c) TRANSFERS TO HIGHWAY TRUST FUND.—Para-  
 16 graph (4) of section 9503(b) is amended by adding “or”  
 17 at the end of subparagraph (B), by striking the comma  
 18 at the end of subparagraph (C) and inserting a period,  
 19 and by striking subparagraphs (D), (E), and (F).

20 (d) CONFORMING AMENDMENTS.—

21 (1) Subsection (c) of section 40 is amended to  
 22 read as follows:

23 “(c) COORDINATION WITH EXCISE TAX BENE-  
 24 FITS.—The amount of the credit determined under this  
 25 section with respect to any alcohol shall, under regulations

1 prescribed by the Secretary, be properly reduced to take  
 2 into account the benefit provided with respect to such alco-  
 3 hol under section 6427(f).”.

4 (2) Subparagraph (B) of section 40(d)(4) is  
 5 amended by striking “under section 4041(k) or  
 6 4081(c)” and inserting “under section 6427(f)”.

7 (e) EFFECTIVE DATES.—

8 (1) IN GENERAL.—Except as provided by para-  
 9 graph (2), the amendments made by this section  
 10 shall apply to fuel sold or used after September 30,  
 11 2004.

12 (2) SUBSECTION (c).—The amendments made  
 13 by subsection (c) shall apply to taxes imposed after  
 14 September 30, 2003.

15 **SEC. 102. ALCOHOL FUEL SUBSIDIES BORNE BY GENERAL**  
 16 **FUND.**

17 (a) TRANSFERS TO FUND.—Section 9503(b)(1) is  
 18 amended by adding at the end the following new flush sen-  
 19 tence:

20 “For purposes of this paragraph, the amount of  
 21 taxes received under section 4081 shall include any  
 22 amount treated as a payment under section  
 23 6427(f)(1)(A) and shall not be reduced by the  
 24 amount paid under section 6427(f)(1)(B).”.



1 (b) TRANSFERS FROM FUND.—Subparagraph (A) of  
 2 section 9503(c)(2) is amended by adding at the end the  
 3 following new sentence: “Clauses (i)(III) and (ii) shall not  
 4 apply to claims under section 6427(f)(1)(B).”

5 (c) EFFECTIVE DATE.—

6 (1) SUBSECTION (a).—The amendment made  
 7 by subsection (a) shall apply to taxes received after  
 8 September 30, 2004.

9 (2) SUBSECTION (b).—The amendment made  
 10 by subsection (b) shall apply to amounts paid after  
 11 September 30, 2004, and (to the extent related to  
 12 section 34 of the Internal Revenue Code of 1986) to  
 13 fuel used after such date.

## 14 **TITLE II—REDUCTION OF FUEL** 15 **TAX EVASION**

### 16 **SEC. 201. EXEMPTION FROM CERTAIN EXCISE TAXES FOR** 17 **MOBILE MACHINERY.**

18 (a) EXEMPTION FROM TAX ON HEAVY TRUCKS AND  
 19 TRAILERS SOLD AT RETAIL.—

20 (1) IN GENERAL.—Section 4053 (relating to ex-  
 21 emptions) is amended by adding at the end the fol-  
 22 lowing new paragraph:

23 “(8) MOBILE MACHINERY.—Any vehicle which  
 24 consists of a chassis—

1           “(A) to which there has been permanently  
2           mounted (by welding, bolting, riveting, or other  
3           means) machinery or equipment to perform a  
4           construction, manufacturing, processing, farm-  
5           ing, mining, drilling, timbering, or similar oper-  
6           ation if the operation of the machinery or  
7           equipment is unrelated to transportation on or  
8           off the public highways,

9           “(B) which has been specially designed to  
10          serve only as a mobile carriage and mount (and  
11          a power source, where applicable) for the par-  
12          ticular machinery or equipment involved, wheth-  
13          er or not such machinery or equipment is in op-  
14          eration, and

15          “(C) which, by reason of such special de-  
16          sign, could not, without substantial structural  
17          modification, be used as a component of a vehi-  
18          cle designed to perform a function of trans-  
19          porting any load other than that particular ma-  
20          chinery or equipment or similar machinery or  
21          equipment requiring such a specially designed  
22          chassis.”.

23          (2) EFFECTIVE DATE.—The amendment made  
24          by this subsection shall take effect on the day after  
25          the date of the enactment of this Act.

1 (b) EXEMPTION FROM TAX ON USE OF CERTAIN VE-  
 2 HICLES.—

3 (1) IN GENERAL.—Section 4483 (relating to ex-  
 4 emptions) is amended by redesignating subsection  
 5 (g) as subsection (h) and by inserting after sub-  
 6 section (f) the following new subsection:

7 “(g) EXEMPTION FOR MOBILE MACHINERY.—No tax  
 8 shall be imposed by section 4481 on the use of any vehicle  
 9 described in section 4053(8).”.

10 (2) EFFECTIVE DATE.—The amendments made  
 11 by this subsection shall take effect on the day after  
 12 the date of the enactment of this Act.

13 (c) REFUND OF FUEL TAXES.—

14 (1) IN GENERAL.—Section 6421(e)(2) (defining  
 15 off-highway business use) is amended by adding at  
 16 the end the following new subparagraph:

17 “(C) USES IN MOBILE MACHINERY.—

18 “(i) IN GENERAL.—The term ‘off-  
 19 highway business use’ shall include any use  
 20 in a vehicle which meets the requirements  
 21 described in clause (ii).

22 “(ii) REQUIREMENTS FOR MOBILE  
 23 MACHINERY.—The requirements described  
 24 in this clause are—

25 “(I) the design-based test, and

1 “(II) the use-based test.

2 “(iii) DESIGN-BASED TEST.—For pur-  
3 poses of clause (ii)(I), the design-based  
4 test is met if the vehicle consists of a chas-  
5 sis—

6 “(I) to which there has been per-  
7 manently mounted (by welding, bolt-  
8 ing, riveting, or other means) machin-  
9 ery or equipment to perform a con-  
10 struction, manufacturing, processing,  
11 farming, mining, drilling, timbering,  
12 or similar operation if the operation of  
13 the machinery or equipment is unre-  
14 lated to transportation on or off the  
15 public highways,

16 “(II) which has been specially de-  
17 signed to serve only as a mobile car-  
18 riage and mount (and a power source,  
19 where applicable) for the particular  
20 machinery or equipment involved,  
21 whether or not such machinery or  
22 equipment is in operation, and

23 “(III) which, by reason of such  
24 special design, could not, without sub-  
25 stantial structural modification, be

1           used as a component of a vehicle de-  
2           signed to perform a function of trans-  
3           porting any load other than that par-  
4           ticular machinery or equipment or  
5           similar machinery or equipment re-  
6           quiring such a specially designed chas-  
7           sis.

8           “(iv) USE-BASED TEST.—For pur-  
9           poses of clause (ii)(II), the use-based test  
10          is met if the use of the vehicle on public  
11          highways was less than 7,500 miles during  
12          the taxpayer’s taxable year.”.

13          (2) NO TAX-FREE SALES.—Subsection (b) of  
14          section 4082, as amended by section 202, is amend-  
15          ed by inserting before the period at the end “and  
16          such term shall not include any use described in sec-  
17          tion 6421(e)(2)(C).”.

18          (3) ANNUAL REFUND OF TAX PAID.—Section  
19          6427(i)(2) (relating to exceptions) is amended by  
20          adding at the end the following new subparagraph:

21               “(C) NONAPPLICATION OF PARAGRAPH.—

22               This paragraph shall not apply to any fuel used  
23               solely in any off-highway business use described  
24               in section 6421(e)(2)(C).”.

1           (4) EFFECTIVE DATE.—The amendments made  
2           by this subsection shall apply to taxable years begin-  
3           ning after the date of the enactment of this Act.

4 **SEC. 202. TAXATION OF AVIATION-GRADE KEROSENE.**

5           (a) RATE OF TAX.—

6           (1) IN GENERAL.—Subparagraph (A) of section  
7           4081(a)(2) is amended by striking “and” at the end  
8           of clause (ii), by striking the period at the end of  
9           clause (iii) and inserting “, and”, and by adding at  
10          the end the following new clause:

11                       “(iv) in the case of aviation-grade ker-  
12                       osene, 21.8 cents per gallon.”.

13          (2) COMMERCIAL AVIATION.—Paragraph (2) of  
14          section 4081(a) is amended by adding at the end the  
15          following new subparagraph:

16                       “(C) TAXES IMPOSED ON FUEL USED IN  
17                       COMMERCIAL AVIATION.—In the case of avia-  
18                       tion-grade kerosene which is removed from any  
19                       refinery or terminal directly into the fuel tank  
20                       of an aircraft for use in commercial aviation,  
21                       the rate of tax under subparagraph (A)(iv) shall  
22                       be 4.3 cents per gallon.”.

23          (3) CERTAIN REFUELER TRUCKS, TANKERS,  
24          AND TANK WAGONS TREATED AS TERMINAL.—Sub-

1 section (a) of section 4081 is amended by adding at  
2 the end the following new paragraph:

3 “(3) CERTAIN REFUELER TRUCKS, TANKERS,  
4 AND TANK WAGONS TREATED AS TERMINAL.—

5 “(A) IN GENERAL.—A refueler truck,  
6 tanker, or tank wagon shall be treated as part  
7 of the terminal referred to in paragraph (2)(C)  
8 if—

9 “(i) such truck, tanker, or wagon  
10 meets the requirements of subparagraph  
11 (B) with respect to an airport, and

12 “(ii) no vehicle registered for highway  
13 use is loaded with aviation-grade kerosene  
14 at such terminal.

15 “(B) REQUIREMENTS.—A refueler truck,  
16 tanker, or tank wagon meets the requirements  
17 of this subparagraph with respect to an airport  
18 if such truck, tanker, or wagon—

19 “(i) is loaded with aviation-grade ker-  
20 osene at such terminal located within such  
21 airport and delivers such kerosene only  
22 into aircraft at such airport for use in  
23 commercial aviation,

1 “(ii) has storage tanks, hose, and cou-  
2 pling equipment designed and used for the  
3 purposes of fueling aircraft,

4 “(iii) is not registered for highway  
5 use, and

6 “(iv) is operated by—

7 “(I) the terminal operator of  
8 such terminal, or

9 “(II) a person that makes a daily  
10 accounting to such terminal operator  
11 of each delivery of fuel from such  
12 truck, tanker, or wagon.

13 “(C) REPORTING.—The Secretary shall re-  
14 quire under section 4101(d) reporting by such  
15 terminal operator of—

16 “(i) any information obtained under  
17 subparagraph (B)(iv)(II), and

18 “(ii) any similar information main-  
19 tained by such terminal operator with re-  
20 spect to deliveries of fuel made by trucks,  
21 tankers, or wagons operated by such ter-  
22 minal operator.”.

23 (4) LIABILITY FOR TAX ON AVIATION-GRADE  
24 KEROSENE USED IN COMMERCIAL AVIATION.—Sub-



1 section (a) of section 4081 is amended by adding at  
2 the end the following new paragraph:

3 “(4) LIABILITY FOR TAX.—For purposes of  
4 paragraph (2)(C), the person who uses the fuel for  
5 commercial aviation shall pay the tax imposed under  
6 such paragraph. For purposes of the preceding sen-  
7 tence, fuel shall be treated as used when such fuel  
8 is removed into the fuel tank.”.

9 (5) NONTAXABLE USES.—

10 (A) IN GENERAL.—Section 4082 is amend-  
11 ed by redesignating subsections (e) and (f) as  
12 subsections (f) and (g), respectively, and by in-  
13 serting after subsection (d) the following new  
14 subsection:

15 “(e) AVIATION-GRADE KEROSENE.—In the case of  
16 aviation-grade kerosene which is exempt from the tax im-  
17 posed by section 4041(c) (other than by reason of a prior  
18 imposition of tax) and which is removed from any refinery  
19 or terminal directly into the fuel tank of an aircraft, the  
20 rate of tax under section 4081(a)(2)(A)(iv) shall be zero.  
21 For purposes of the preceding sentence, rules similar to  
22 the rules of section 4081(a)(3) shall apply.”.

23 (B) CONFORMING AMENDMENTS.—

1 (i) Subsection (b) of section 4082 is  
 2 amended by adding at the end the fol-  
 3 lowing new flush sentence:

4 “The term ‘nontaxable use’ does not include the use of  
 5 aviation-grade kerosene in an aircraft.”.

6 (ii) Section 4082(d) is amended by  
 7 striking paragraph (1) and by redesignig-  
 8 nating paragraphs (2) and (3) as para-  
 9 graphs (1) and (2), respectively.

10 (6) NONAIRCRAFT USE OF AVIATION-GRADE  
 11 KEROSENE.—

12 (A) IN GENERAL.—Subparagraph (B) of  
 13 section 4041(a)(1) is amended by adding at the  
 14 end the following new sentence: “This subpara-  
 15 graph shall not apply to aviation-grade ker-  
 16 osene.”.

17 (B) CONFORMING AMENDMENT.—The  
 18 heading for paragraph (1) of section 4041(a) is  
 19 amended by inserting “AND KEROSENE” after  
 20 “DIESEL FUEL”.

21 (b) COMMERCIAL AVIATION.—Section 4083 is  
 22 amended by redesignating subsections (b) and (c) as sub-  
 23 sections (c) and (d), respectively, and by inserting after  
 24 subsection (a) the following new subsection:

1       “(b) COMMERCIAL AVIATION.—For purposes of this  
 2 subpart, the term ‘commercial aviation’ means any use of  
 3 an aircraft in a business of transporting persons or prop-  
 4 erty for compensation or hire by air, unless properly allo-  
 5 cable to any transportation exempt from the taxes imposed  
 6 by sections 4261 and 4271 by reason of section 4281 or  
 7 4282 or by reason of section 4261(h).”.

8       (c) REFUNDS.—

9           (1) IN GENERAL.—Paragraph (4) of section  
 10 6427(l) is amended to read as follows:

11           “(4) REFUNDS FOR AVIATION-GRADE KER-  
 12 OSENE.—

13           “(A) NO REFUND OF CERTAIN TAXES ON  
 14 FUEL USED IN COMMERCIAL AVIATION.—In the  
 15 case of aviation-grade kerosene used in com-  
 16 mercial aviation (as defined in section 4083(b))  
 17 (other than supplies for vessels or aircraft with-  
 18 in the meaning of section 4221(d)(3)), para-  
 19 graph (1) shall not apply to so much of the tax  
 20 imposed by section 4081 as is attributable to—

21           “(i) the Leaking Underground Stor-  
 22 age Tank Trust Fund financing rate im-  
 23 posed by such section, and

1 “(ii) so much of the rate of tax speci-  
2 fied in section 4081(a)(2)(A)(iv) as does  
3 not exceed 4.3 cents per gallon.

4 “(B) PAYMENT TO ULTIMATE, REG-  
5 ISTERED VENDOR.—With respect to aviation-  
6 grade kerosene, if the ultimate purchaser of  
7 such kerosene waives (at such time and in such  
8 form and manner as the Secretary shall pre-  
9 scribe) the right to payment under paragraph  
10 (1) and assigns such right to the ultimate ven-  
11 dor, then the Secretary shall pay the amount  
12 which would be paid under paragraph (1) to  
13 such ultimate vendor, but only if such ultimate  
14 vendor—

15 “(i) is registered under section 4101,  
16 and

17 “(ii) meets the requirements of sub-  
18 paragraph (A), (B), or (D) of section  
19 6416(a)(1).”.

20 (2) TIME FOR FILING CLAIMS.—Paragraph (4)  
21 of section 6427(i) is amended by striking “sub-  
22 section (l)(5)” and inserting “paragraph (4)(B) or  
23 (5) of subsection (l)”.

1           (3) CONFORMING AMENDMENT.—Subparagraph  
 2           (B) of section 6427(l)(2) is amended to read as fol-  
 3           lows:

4                   “(B) in the case of aviation-grade ker-  
 5           osene—

6                           “(i) any use which is exempt from the  
 7                   tax imposed by section 4041(c) other than  
 8                   by reason of a prior imposition of tax, or

9                           “(ii) any use in commercial aviation  
 10                   (within the meaning of section 4083(b)).”.

11          (d) REPEAL OF PRIOR TAXATION OF AVIATION  
 12          FUEL.—

13           (1) IN GENERAL.—Part III of subchapter A of  
 14          chapter 32 is amended by striking subpart B and by  
 15          redesignating subpart C as subpart B.

16           (2) CONFORMING AMENDMENTS.—

17                   (A) Section 4041(c) is amended to read as  
 18           follows:

19                           “(c) AVIATION-GRADE KEROSENE.—

20                                   “(1) IN GENERAL.—There is hereby imposed a  
 21           tax upon aviation-grade kerosene—

22   “(A) sold by any person to an owner, les-  
 23                   see, or other operator of an aircraft for use in  
 24                   such aircraft, or

1           “(B) used by any person in an aircraft un-  
2           less there was a taxable sale of such fuel under  
3           subparagraph (A).

4           “(2) EXEMPTION FOR PREVIOUSLY TAXED  
5           FUEL.—No tax shall be imposed by this subsection  
6           on the sale or use of any aviation-grade kerosene if  
7           tax was imposed on such liquid under section 4081  
8           and the tax thereon was not credited or refunded.

9           “(3) RATE OF TAX.—The rate of tax imposed  
10          by this subsection shall be the rate of tax specified  
11          in section 4081(a)(2)(A)(iv) which is in effect at the  
12          time of such sale or use.”.

13          (B) Section 4041(d)(2) is amended by  
14          striking “section 4091” and inserting “section  
15          4081”.

16          (C) Section 4041 is amended by striking  
17          subsection (e).

18          (D) Section 4041 is amended by striking  
19          subsection (i).

20          (E) Sections 4101(a), 4103, 4221(a), and  
21          6206 are each amended by striking “, 4081, or  
22          4091” and inserting “or 4081”.

23          (F) Section 6416(b)(2) is amended by  
24          striking “4091 or”.

1 (G) Section 6416(b)(3) is amended by  
2 striking “or 4091” each place it appears.

3 (H) Section 6416(d) is amended by strik-  
4 ing “or to the tax imposed by section 4091 in  
5 the case of refunds described in section  
6 4091(d)”.

7 (I) Section 6427(j)(1) is amended by strik-  
8 ing “, 4081, and 4091” and inserting “and  
9 4081”.

10 (J)(i) Section 6427(l)(1) is amended to  
11 read as follows:

12 “(1) IN GENERAL.—Except as otherwise pro-  
13 vided in this subsection and in subsection (k), if any  
14 diesel fuel or kerosene on which tax has been im-  
15 posed by section 4041 or 4081 is used by any person  
16 in a nontaxable use, the Secretary shall pay (without  
17 interest) to the ultimate purchaser of such fuel an  
18 amount equal to the aggregate amount of tax im-  
19 posed on such fuel under section 4041 or 4081, as  
20 the case may be, reduced by any payment made to  
21 the ultimate vendor under paragraph (4)(B).”.

22 (ii) Paragraph (5)(B) of section 6427(l) is  
23 amended by striking “Paragraph (1)(A) shall  
24 not apply to kerosene” and inserting “Para-

1 graph (1) shall not apply to kerosene (other  
2 than aviation-grade kerosene)”.  
3

4 (K) Subparagraph (B) of section  
5 6724(d)(1) is amended by striking clause (xv)  
6 and by redesignating the succeeding clauses ac-  
7 cordingly.

8 (L) Paragraph (2) of section 6724(d) is  
9 amended by striking subparagraph (W) and by  
10 redesignating the succeeding subparagraphs ac-  
11 cordingly.

12 (M) Paragraph (1) of section 9502(b) is  
13 amended by adding “and” at the end of sub-  
14 paragraph (B) and by striking subparagraphs  
15 (C) and (D) and inserting the following new  
16 subparagraph:

17 “(C) section 4081 with respect to aviation  
18 gasoline and aviation-grade kerosene, and”.

19 (N) The last sentence of section 9502(b) is  
20 amended to read as follows:

21 “There shall not be taken into account under paragraph  
22 (1) so much of the taxes imposed by section 4081 as are  
23 determined at the rate specified in section  
24 4081(a)(2)(B).”.

25 (O) Subsection (b) of section 9508 is  
amended by striking paragraph (3) and by re-



(Q) The table of subparts for part III of subchapter A of chapter 32 is amended to read as follows:

9 (R) The heading for subpart A of part III  
10 of subchapter A of chapter 32 is amended to  
11 read as follows:

(S) The heading for subpart B of part III  
of subchapter A of chapter 32 is amended to  
read as follows:

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to aviation-grade kerosene removed, entered, or sold after September 30, 2004.

(1) IN GENERAL.—There is hereby imposed on aviation-grade kerosene held on October 1, 2004, by any person a tax equal to—

1 (A) the tax which would have been imposed  
2 before such date on such kerosene had the  
3 amendments made by this section been in effect  
4 at all times before such date, reduced by

5 (B) the tax imposed before such date  
6 under section 4091 of the Internal Revenue  
7 Code of 1986, as in effect on the day before the  
8 date of the enactment of this Act.

9 (2) LIABILITY FOR TAX AND METHOD OF PAY-  
10 MENT.—

11 (A) LIABILITY FOR TAX.—The person  
12 holding the kerosene on October 1, 2004, to  
13 which the tax imposed by paragraph (1) applies  
14 shall be liable for such tax.

15 (B) METHOD AND TIME FOR PAYMENT.—  
16 The tax imposed by paragraph (1) shall be paid  
17 at such time and in such manner as the Sec-  
18 retary of the Treasury (or the Secretary's dele-  
19 gate) shall prescribe, including the nonapplica-  
20 tion of such tax on de minimus amounts of ker-  
21 osene.

22 (3) TRANSFER OF FLOOR STOCK TAX REVE-  
23 NUES TO TRUST FUNDS.—For purposes of deter-  
24 mining the amount transferred to any trust fund,  
25 the tax imposed by this subsection shall be treated

1 as imposed by section 4081 of the Internal Revenue  
2 Code of 1986—

3 (A) at the Leaking Underground Storage  
4 Tank Trust Fund financing rate under such  
5 section to the extent of 0.1 cents per gallon,  
6 and

7 (B) at the rate under section  
8 4081(a)(2)(A)(iv) to the extent of the remain-  
9 der.

10 (4) HELD BY A PERSON.—For purposes of this  
11 section, kerosene shall be considered as held by a  
12 person if title thereto has passed to such person  
13 (whether or not delivery to the person has been  
14 made).

15 (5) OTHER LAWS APPLICABLE.—All provisions  
16 of law, including penalties, applicable with respect to  
17 the tax imposed by section 4081 of such Code shall,  
18 insofar as applicable and not inconsistent with the  
19 provisions of this subsection, apply with respect to  
20 the floor stock tax imposed by paragraph (1) to the  
21 same extent as if such tax were imposed by such  
22 section.

1 **SEC. 203. DYE INJECTION EQUIPMENT.**

2 (a) IN GENERAL.—Section 4082(a)(2) (relating to  
3 exemptions for diesel fuel and kerosene) is amended by  
4 inserting “by mechanical injection” after “indelibly dyed”.

5 (b) DYE INJECTOR SECURITY.—Not later than 180  
6 days after the date of the enactment of this Act, the Sec-  
7 retary of the Treasury shall issue regulations regarding  
8 mechanical dye injection systems described in the amend-  
9 ment made by subsection (a), and such regulations shall  
10 include standards for making such systems tamper resist-  
11 ant.

12 (c) PENALTY FOR TAMPERING WITH OR FAILING TO  
13 MAINTAIN SECURITY REQUIREMENTS FOR MECHANICAL  
14 DYE INJECTION SYSTEMS.—

15 (1) IN GENERAL.—Part I of subchapter B of  
16 chapter 68 (relating to assessable penalties) is  
17 amended by adding after section 6715 the following  
18 new section:

19 **“SEC. 6715A. TAMPERING WITH OR FAILING TO MAINTAIN**  
20 **SECURITY REQUIREMENTS FOR MECHAN-**  
21 **ICAL DYE INJECTION SYSTEMS.**

22 “(a) IMPOSITION OF PENALTY—

23 “(1) TAMPERING.—If any person tampers with  
24 a mechanical dye injection system used to indelibly  
25 dye fuel for purposes of section 4082, such person  
26 shall pay a penalty in addition to the tax (if any).

1           “(2) FAILURE TO MAINTAIN SECURITY RE-  
2           QUIREMENTS.—If any operator of a mechanical dye  
3           injection system used to indelibly dye fuel for pur-  
4           poses of section 4082 fails to maintain the security  
5           standards for such system as established by the Sec-  
6           retary, then such operator shall pay a penalty in ad-  
7           dition to the tax (if any).

8           “(b) AMOUNT OF PENALTY.—The amount of the  
9           penalty under subsection (a) shall be—

10           “(1) for each violation described in paragraph  
11           (1), the greater of—

12                   “(A) \$25,000, or

13                   “(B) \$10 for each gallon of fuel involved,  
14           and

15           “(2) for each—

16                   “(A) failure to maintain security standards  
17                   described in paragraph (2), \$1,000, and

18                   “(B) failure to correct a violation described  
19                   in paragraph (2), \$1,000 per day for each day  
20                   after which such violation was discovered or  
21                   such person should have reasonably known of  
22                   such violation.

23           “(c) JOINT AND SEVERAL LIABILITY.—

24           “(1) IN GENERAL.—If a penalty is imposed  
25           under this section on any business entity, each offi-

1 cer, employee, or agent of such entity or other con-  
 2 tracting party who willfully participated in any act  
 3 giving rise to such penalty shall be jointly and sever-  
 4 ally liable with such entity for such penalty.

5 “(2) AFFILIATED GROUPS.—If a business entity  
 6 described in paragraph (1) is part of an affiliated  
 7 group (as defined in section 1504(a)), the parent  
 8 corporation of such entity shall be jointly and sever-  
 9 ally liable with such entity for the penalty imposed  
 10 under this section.”.

11 (2) CLERICAL AMENDMENT.—The table of sec-  
 12 tions for part I of subchapter B of chapter 68 is  
 13 amended by adding after the item related to section  
 14 6715 the following new item:

“Sec. 6715A. Tampering with or failing to maintain security re-  
 quirements for mechanical dye injection systems.”.

15 (d) EFFECTIVE DATE.—The amendments made by  
 16 subsections (a) and (c) shall take effect on the 180th day  
 17 after the date on which the Secretary issues the regula-  
 18 tions described in subsection (b).

19 **SEC. 204. AUTHORITY TO INSPECT ON-SITE RECORDS.**

20 (a) IN GENERAL.—Section 4083(d)(1)(A) (relating  
 21 to administrative authority), as previously amended by  
 22 this Act, is amended by striking “and” at the end of clause  
 23 (i) and by inserting after clause (ii) the following new  
 24 clause:

1 “(iii) inspecting any books and  
 2 records and any shipping papers pertaining  
 3 to such fuel, and”.

4 (b) EFFECTIVE DATE.—The amendments made by  
 5 this section shall take effect on the date of the enactment  
 6 of this Act.

7 **SEC. 205. REGISTRATION OF PIPELINE OR VESSEL OPERA-**  
 8 **TORS REQUIRED FOR EXEMPTION OF BULK**  
 9 **TRANSFERS TO REGISTERED TERMINALS OR**  
 10 **REFINERIES.**

11 (a) IN GENERAL.—Section 4081(a)(1)(B) (relating  
 12 to exemption for bulk transfers to registered terminals or  
 13 refineries) is amended—

14 (1) by inserting “by pipeline or vessel” after  
 15 “transferred in bulk”, and

16 (2) by inserting “, the operator of such pipeline  
 17 or vessel,” after “the taxable fuel”.

18 (b) EFFECTIVE DATE.—The amendments made by  
 19 this section shall take effect on October 1, 2004.

20 (c) PUBLICATION OF REGISTERED PERSONS.—Be-  
 21 ginning on July 1, 2004, the Secretary of the Treasury  
 22 (or the Secretary’s delegate) shall periodically publish a  
 23 current list of persons registered under section 4101 of  
 24 the Internal Revenue Code of 1986 who are required to  
 25 register under such section.

1 **SEC. 206. DISPLAY OF REGISTRATION.**

2 (a) IN GENERAL.—Subsection (a) of section 4101  
3 (relating to registration) is amended—

4 (1) by striking “Every” and inserting the fol-  
5 lowing:

6 “(1) IN GENERAL.—Every”, and

7 (2) by adding at the end the following new  
8 paragraph:

9 “(2) DISPLAY OF REGISTRATION.—Every oper-  
10 ator of a vessel required by the Secretary to register  
11 under this section shall display proof of registration  
12 through an electronic identification device prescribed  
13 by the Secretary on each vessel used by such oper-  
14 ator to transport any taxable fuel.”.

15 (b) CIVIL PENALTY FOR FAILURE TO DISPLAY REG-  
16 ISTRATION.—

17 (1) IN GENERAL.—Part I of subchapter B of  
18 chapter 68 (relating to assessable penalties) is  
19 amended by inserting after section 6716 the fol-  
20 lowing new section:

21 **“SEC. 6717. FAILURE TO DISPLAY TAX REGISTRATION ON**  
22 **VESSELS.**

23 “(a) FAILURE TO DISPLAY REGISTRATION.—Every  
24 operator of a vessel who fails to display proof of registra-  
25 tion pursuant to section 4101(a)(2) shall pay a penalty  
26 of \$500 for each such failure. With respect to any vessel,



1 only one penalty shall be imposed by this section during  
 2 any calendar month.

3 “(b) MULTIPLE VIOLATIONS.—In determining the  
 4 penalty under subsection (a) on any person, subsection (a)  
 5 shall be applied by increasing the amount in subsection  
 6 (a) by the product of such amount and the aggregate num-  
 7 ber of penalties (if any) imposed with respect to prior  
 8 months by this section on such person (or a related person  
 9 or any predecessor of such person or related person).

10 “(c) REASONABLE CAUSE EXCEPTION.—No penalty  
 11 shall be imposed under this section with respect to any  
 12 failure if it is shown that such failure is due to reasonable  
 13 cause.”.

14 (2) CLERICAL AMENDMENT.—The table of sec-  
 15 tions for part I of subchapter B of chapter 68 is  
 16 amended by inserting after the item relating to sec-  
 17 tion 6716 the following new item:

“Sec. 6717. Failure to display tax registration on vessels.”.

18 (c) EFFECTIVE DATES.—

19 (1) SUBSECTION (a).—The amendments made  
 20 by subsection (a) shall take effect on October 1,  
 21 2004.

22 (2) SUBSECTION (b).—The amendments made  
 23 by subsection (b) shall apply to penalties imposed  
 24 after September 30, 2004.

1 **SEC. 207. PENALTIES FOR FAILURE TO REGISTER AND**  
 2 **FAILURE TO REPORT.**

3 (a) INCREASED PENALTY.—Subsection (a) of section  
 4 7272 (relating to penalty for failure to register) is amend-  
 5 ed by inserting “(\$10,000 in the case of a failure to reg-  
 6 ister under section 4101)” after “\$50”.

7 (b) INCREASED CRIMINAL PENALTY.—Section 7232  
 8 (relating to failure to register under section 4101, false  
 9 representations of registration status, etc.) is amended by  
 10 striking “\$5,000” and inserting “\$10,000”.

11 (c) ASSESSABLE PENALTY FOR FAILURE TO REG-  
 12 ISTER.—

13 (1) IN GENERAL.—Part I of subchapter B of  
 14 chapter 68 (relating to assessable penalties) is  
 15 amended by inserting after section 6717 the fol-  
 16 lowing new section:

17 **“SEC. 6718. FAILURE TO REGISTER.**

18 “(a) FAILURE TO REGISTER.—Every person who is  
 19 required to register under section 4101 and fails to do  
 20 so shall pay a penalty in addition to the tax (if any).

21 “(b) AMOUNT OF PENALTY.—The amount of the  
 22 penalty under subsection (a) shall be—

23 “(1) \$10,000 for each initial failure to register,  
 24 and

25 “(2) \$1,000 for each day thereafter such person  
 26 fails to register.

1       “(c) REASONABLE CAUSE EXCEPTION.—No penalty  
2 shall be imposed under this section with respect to any  
3 failure if it is shown that such failure is due to reasonable  
4 cause.”.

5           (2) CLERICAL AMENDMENT.—The table of sec-  
6 tions for part I of subchapter B of chapter 68 is  
7 amended by inserting after the item relating to sec-  
8 tion 6717 the following new item:

“Sec. 6718. Failure to register.”.

9       (d) ASSESSABLE PENALTY FOR FAILURE TO RE-  
10 PORT.—

11           (1) IN GENERAL.—Part II of subchapter B of  
12 chapter 68 (relating to assessable penalties) is  
13 amended by adding at the end the following new sec-  
14 tion:

15 **“SEC. 6725. FAILURE TO REPORT INFORMATION UNDER**  
16 **SECTION 4101.**

17       “(a) IN GENERAL.—In the case of each failure de-  
18 scribed in subsection (b) by any person with respect to  
19 a vessel or facility, such person shall pay a penalty of  
20 \$10,000 in addition to the tax (if any).

21       “(b) FAILURES SUBJECT TO PENALTY.—For pur-  
22 poses of subsection (a), the failures described in this sub-  
23 section are—

1           “(1) any failure to make a report under section  
2           4101(d) on or before the date prescribed therefor,  
3           and

4           “(2) any failure to include all of the informa-  
5           tion required to be shown on such report or the in-  
6           clusion of incorrect information.

7           “(c) REASONABLE CAUSE EXCEPTION.—No penalty  
8           shall be imposed under this section with respect to any  
9           failure if it is shown that such failure is due to reasonable  
10          cause.”.

11           (2) CLERICAL AMENDMENT.—The table of sec-  
12          tions for part II of subchapter B of chapter 68 is  
13          amended by adding at the end the following new  
14          item:

                  “Sec. 6725. Failure to report information under section 4101.”.

15           (e) EFFECTIVE DATE.—The amendments made by  
16          this section shall apply to penalties imposed after Sep-  
17          tember 30, 2004.

18          **SEC. 208. COLLECTION FROM CUSTOMS BOND WHERE IM-**  
19                                   **PORTER NOT REGISTERED.**

20           (a) TAX AT POINT OF ENTRY WHERE IMPORTER  
21          NOT REGISTERED.—Subpart C of part III of subchapter  
22          A of chapter 31 is amended by adding after section 4103  
23          the following new section:

1   **“SEC. 4104. COLLECTION FROM CUSTOMS BOND WHERE IM-**  
2                   **PORTER NOT REGISTERED.**

3           “(a) IN GENERAL.—The importer of record shall be  
4 jointly and severally liable for the tax imposed by section  
5 4081(a)(1)(A)(iii) if, under regulations prescribed by the  
6 Secretary, any other person that is not a person who is  
7 registered under section 4101 is liable for such tax.

8           “(b) COLLECTION FROM CUSTOMS BOND.—If any  
9 tax for which any importer of record is liable under sub-  
10 section (a), or for which any importer of record that is  
11 not a person registered under section 4101 is otherwise  
12 liable, is not paid on or before the last date prescribed  
13 for payment, the Secretary may collect such tax from the  
14 Customs bond posted with respect to the importation of  
15 the taxable fuel to which the tax relates. For purposes of  
16 determining the jurisdiction of any court of the United  
17 States or any agency of the United States, any action by  
18 the Secretary described in the preceding sentence shall be  
19 treated as an action to collect the tax from a bond de-  
20 scribed in section 4101(b)(1) and not as an action to col-  
21 lect from a bond relating to the importation of merchan-  
22 dise.”.

23           (b) CONFORMING AMENDMENT.—The table of sec-  
24 tions for subpart C of part III of subchapter A of chapter  
25 31 is amended by adding after the item related to section  
26 4103 the following new item:

“Sec. 4104. Collection from Customs bond where importer not registered.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply with respect to fuel entered after  
3 September 30, 2004.

4 **SEC. 209. MODIFICATIONS OF TAX ON USE OF CERTAIN VE-**  
5 **HICLES.**

6 (a) PRORATION OF TAX WHERE VEHICLE SOLD.—

7 (1) IN GENERAL.—Paragraph (2) of section  
8 4481(c) (relating to where vehicle destroyed or sto-  
9 len) is amended by striking “destroyed or stolen”  
10 both places it appears and inserting “sold, de-  
11 stroyed, or stolen”.

12 (2) CONFORMING AMENDMENT.—The heading  
13 for section 4481(c)(2) is amended by striking “DE-  
14 STROYED OR STOLEN” and inserting “SOLD, DE-  
15 STROYED, OR STOLEN”.

16 (b) REPEAL OF INSTALLMENT PAYMENT.—

17 (1) Section 6156 (relating to installment pay-  
18 ment of tax on use of highway motor vehicles) is re-  
19 pealed.

20 (2) The table of sections for subchapter A of  
21 chapter 62 is amended by striking the item relating  
22 to section 6156.

1 (c) ELECTRONIC FILING.—Section 4481 is amended  
 2 by redesignating subsection (e) as subsection (f) and by  
 3 inserting after subsection (d) the following new subsection:

4 “(e) ELECTRONIC FILING.—Any taxpayer who files  
 5 a return under this section with respect to 25 or more  
 6 vehicles for any taxable period shall file such return elec-  
 7 tronically.”.

8 (d) REPEAL OF REDUCTION IN TAX FOR CERTAIN  
 9 TRUCKS.—Section 4483 is amended by striking subsection  
 10 (f).

11 (e) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to taxable periods beginning after  
 13 the date of the enactment of this Act.

14 **SEC. 210. MODIFICATION OF ULTIMATE VENDOR REFUND**  
 15 **CLAIMS WITH RESPECT TO FARMING.**

16 (a) IN GENERAL.—

17 (1) REFUNDS.—Section 6427(l) is amended by  
 18 adding at the end the following new paragraph:

19 “(6) REGISTERED VENDORS PERMITTED TO AD-  
 20 MINISTER CERTAIN CLAIMS FOR REFUND OF DIESEL  
 21 FUEL AND KEROSENE SOLD TO FARMERS.—

22 “(A) IN GENERAL.—In the case of diesel  
 23 fuel or kerosene used on a farm for farming  
 24 purposes (within the meaning of section  
 25 6420(c)), paragraph (1) shall not apply to the

1 aggregate amount of such diesel fuel or ker-  
 2 osene if such amount does not exceed 250 gal-  
 3 lons (as determined under subsection  
 4 (i)(5)(A)(iii)).

5 “(B) PAYMENT TO ULTIMATE VENDOR.—

6 The amount which would (but for subparagraph  
 7 (A)) have been paid under paragraph (1) with  
 8 respect to any fuel shall be paid to the ultimate  
 9 vendor of such fuel, if such vendor—

10 “(i) is registered under section 4101,

11 and

12 “(ii) meets the requirements of sub-  
 13 paragraph (A), (B), or (D) of section  
 14 6416(a)(1).”.

15 (2) FILING OF CLAIMS.—Section 6427(i) is

16 amended by inserting at the end the following new  
 17 paragraph:

18 “(5) SPECIAL RULE FOR VENDOR REFUNDS

19 WITH RESPECT TO FARMERS.—

20 “(A) IN GENERAL.—A claim may be filed

21 under subsection (l)(6) by any person with re-  
 22 spect to fuel sold by such person for any pe-  
 23 riod—



1 “(i) for which \$200 or more (\$100 or  
2 more in the case of kerosene) is payable  
3 under subsection (l)(6),

4 “(ii) which is not less than 1 week,  
5 and

6 “(iii) which is for not more than 250  
7 gallons for each farmer for which there is  
8 a claim.

9 Notwithstanding subsection (l)(1), paragraph  
10 (3)(B) shall apply to claims filed under the pre-  
11 ceding sentence.

12 “(B) TIME FOR FILING CLAIM.—No claim  
13 filed under this paragraph shall be allowed un-  
14 less filed on or before the last day of the first  
15 quarter following the earliest quarter included  
16 in the claim.”.

17 (3) CONFORMING AMENDMENTS.—

18 (A) Section 6427(l)(5)(A) is amended to  
19 read as follows:

20 “(A) IN GENERAL.—Paragraph (1) shall  
21 not apply to diesel fuel or kerosene used by a  
22 State or local government.”.

23 (B) The heading for section 6427(l)(5) is  
24 amended by striking “FARMERS AND”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to fuels sold for nontaxable use  
3 after the date of the enactment of this Act.

4 **SEC. 211. DEDICATION OF REVENUES FROM CERTAIN PEN-**  
5 **ALTIES TO THE HIGHWAY TRUST FUND.**

6 (a) IN GENERAL.—Subsection (b) of section 9503  
7 (relating to transfer to Highway Trust Fund of amounts  
8 equivalent to certain taxes) is amended by redesignating  
9 paragraph (5) as paragraph (6) and inserting after para-  
10 graph (4) the following new paragraph:

11 “(5) CERTAIN PENALTIES.—There are hereby  
12 appropriated to the Highway Trust Fund amounts  
13 equivalent to the penalties paid under sections 6715,  
14 6715A, 6717, 6718, 6725, 7232, and 7272 (but only  
15 with regard to penalties under such section related  
16 to failure to register under section 4101).”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) The heading of subsection (b) of section  
19 9503 is amended by inserting “AND PENALTIES”  
20 after “TAXES”.

21 (2) The heading of paragraph (1) of section  
22 9503(b) is amended by striking “IN GENERAL” and  
23 inserting “CERTAIN TAXES”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to penalties assessed after October  
 3 1, 2004.

4 **TITLE III—OTHER EXCISE TAX**  
 5 **PROVISIONS**

6 **SEC. 301. TAXABLE FUEL REFUNDS FOR CERTAIN ULTI-**  
 7 **MATE VENDORS.**

8 (a) IN GENERAL.—Paragraph (4) of section 6416(a)  
 9 (relating to abatements, credits, and refunds) is amended  
 10 to read as follows:

11 “(4) REGISTERED ULTIMATE VENDOR TO AD-  
 12 MINISTER CREDITS AND REFUNDS OF GASOLINE  
 13 TAX.—

14 “(A) IN GENERAL.—For purposes of this  
 15 subsection, if an ultimate vendor purchases any  
 16 gasoline on which tax imposed by section 4081  
 17 has been paid and sells such gasoline to an ulti-  
 18 mate purchaser described in subparagraph (C)  
 19 or (D) of subsection (b)(2) (and such gasoline  
 20 is for a use described in such subparagraph),  
 21 such ultimate vendor shall be treated as the  
 22 person (and the only person) who paid such tax,  
 23 but only if such ultimate vendor is registered  
 24 under section 4101. For purposes of this sub-  
 25 paragraph, if the sale of gasoline is made by

1 means of a credit card, the person extending  
2 the credit to the ultimate purchaser shall be  
3 deemed to be the ultimate vendor.

4 “(B) TIMING OF CLAIMS.—The procedure  
5 and timing of any claim under subparagraph  
6 (A) shall be the same as for claims under sec-  
7 tion 6427(i)(4), except that the rules of section  
8 6427(i)(3)(B) regarding electronic claims shall  
9 not apply unless the ultimate vendor has cer-  
10 tified to the Secretary for the most recent quar-  
11 ter of the taxable year that all ultimate pur-  
12 chasers of the vendor covered by such claim are  
13 certified and entitled to a refund under sub-  
14 paragraph (C) or (D) of subsection (b)(2).”.

15 (b) CREDIT CARD PURCHASES OF DIESEL FUEL OR  
16 KEROSENE BY STATE AND LOCAL GOVERNMENTS.—Sec-  
17 tion 6427(l)(5)(C) (relating to nontaxable uses of diesel  
18 fuel, kerosene, and aviation fuel) is amended by adding  
19 at the end the following new sentence: “For purposes of  
20 this subparagraph, if the sale of diesel fuel or kerosene  
21 is made by means of a credit card, the person extending  
22 the credit to the ultimate purchaser shall be deemed to  
23 be the ultimate vendor.”.

24 (c) EFFECTIVE DATE.—The amendments made by  
25 this section shall take effect on October 1, 2004.

1 **SEC. 302. TWO-PARTY EXCHANGES.**

2 (a) IN GENERAL.—Subpart C of part III of sub-  
3 chapter A of chapter 32 is amended by adding after sec-  
4 tion 4104 the following new section:

5 **“SEC. 4105. TWO-PARTY EXCHANGES.**

6 “(a) IN GENERAL.—In a two-party exchange, the de-  
7 livering person shall not be liable for the tax imposed  
8 under section 4081(a)(1)(A)(ii).

9 “(b) TWO-PARTY EXCHANGE.—The term ‘two-party  
10 exchange’ means a transaction, other than a sale, in which  
11 taxable fuel is transferred from a delivering person reg-  
12 istered under section 4101 as a taxable fuel registrant fuel  
13 to a receiving person who is so registered where all of the  
14 following occur:

15 “(1) The transaction includes a transfer from  
16 the delivering person, who holds the inventory posi-  
17 tion for taxable fuel in the terminal as reflected in  
18 the records of the terminal operator.

19 “(2) The exchange transaction occurs before or  
20 contemporaneous with completion of removal across  
21 the rack from the terminal by the receiving person.

22 “(3) The terminal operator in its books and  
23 records treats the receiving person as the person  
24 that removes the taxable fuel across the terminal  
25 rack for purposes of reporting the transaction to the  
26 Secretary.

1           “(4) The transaction is the subject of a written  
2       contract.”.

3       (b) CONFORMING AMENDMENT.—The table of sec-  
4       tions for subpart C of part III of subchapter A of chapter  
5       32 is amended by adding after the item relating to section  
6       4104 the following new item:

                  “Sec. 4105. Two-party exchanges.”.

7       (c) EFFECTIVE DATE.—The amendment made by  
8       this section shall take effect on the date of the enactment  
9       of this Act.

10   **SEC. 303. SIMPLIFICATION OF TAX ON TIRES.**

11       (a) IN GENERAL.—Subsection (a) of section 4071 is  
12       amended to read as follows:

13       “(a) IMPOSITION AND RATE OF TAX.—There is here-  
14       by imposed on taxable tires sold by the manufacturer, pro-  
15       ducer, or importer thereof a tax at the rate of 9.4 cents  
16       (4.7 cents in the case of a biasply tire) for each 10 pounds  
17       so much of the maximum rated load capacity thereof as  
18       exceeds 3,500 pounds.”

19       (b) TAXABLE TIRE.—Section 4072 is amended by re-  
20       designating subsections (a) and (b) as subsections (b) and  
21       (c), respectively, and by inserting before subsection (b) (as  
22       so redesignated) the following new subsection:

23       “(a) TAXABLE TIRE.—For purposes of this chapter,  
24       the term ‘taxable tire’ means any tire of the type used  
25       on highway vehicles if wholly or in part made of rubber

1 and if marked pursuant to Federal regulations for high-  
2 way use.”.

3 (c) EXEMPTION FOR TIRES SOLD TO DEPARTMENT  
4 OF DEFENSE.—Section 4073 is amended to read as fol-  
5 lows:

6 **“SEC. 4073. EXEMPTIONS.**

7 “The tax imposed by section 4071 shall not apply to  
8 tires sold for the exclusive use of the Department of De-  
9 fense or the Coast Guard.”.

10 (d) CONFORMING AMENDMENTS.—

11 (1) Section 4071 is amended by striking sub-  
12 section (c) and by moving subsection (e) after sub-  
13 section (b) and redesignating subsection (e) as sub-  
14 section (c).

15 (2) The item relating to section 4073 in the  
16 table of sections for part II of subchapter A of chap-  
17 ter 32 is amended to read as follows:

“Sec. 4073. Exemptions.”.

18 (e) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to sales in calendar years begin-  
20 ning more than 30 days after the date of the enactment  
21 of this Act.

1 **TITLE IV—PRIVATE ACTIVITY**  
 2 **BONDS FOR MODERN TRANS-**  
 3 **PORTATION**

4 **SEC. 401. TREATMENT OF BONDS FOR CERTAIN TRANSPOR-**  
 5 **TATION FACILITIES AS EXEMPT FACILITY**  
 6 **BONDS.**

7 (a) TREATMENT AS EXEMPT FACILITY BONDS.—

8 Subsection (a) of section 142 (relating to exempt facility  
 9 bond) is amended by striking “or” at the end of paragraph  
 10 (12), by striking the period at the end of paragraph (13)  
 11 and inserting “, or”, and by adding at the end the fol-  
 12 lowing new paragraph:

13 “(14) qualified transportation facilities.”.

14 (b) QUALIFIED TRANSPORTATION FACILITIES.—Sec-  
 15 tion 142 is amended by adding at the end the following  
 16 new subsection:

17 “(1) QUALIFIED TRANSPORTATION FACILITIES.—

18 “(1) IN GENERAL.—For purposes of subsection  
 19 (a)(14), the term ‘qualified transportation facilities’  
 20 means—

21 “(A) any surface transportation project  
 22 which is eligible to receive Federal assistance  
 23 under title 23, United States Code (as in effect  
 24 on the date of the enactment of this sub-  
 25 section),



1           “(B) any project for an international  
2 bridge or tunnel—

3           “(i) for which an international entity  
4 authorized under Federal or State law is  
5 responsible, and

6           “(ii) which is eligible to receive Fed-  
7 eral assistance under title 23, United  
8 States Code (as in effect on the date of the  
9 enactment of this subsection),

10          “(C) any facility for the transfer of freight  
11 from truck to rail or rail to truck (including  
12 any temporary storage facility directly related  
13 to such transfer) which is eligible to receive  
14 Federal assistance under—

15          “(i) title 23, United States Code (as  
16 in effect on the date of the enactment of  
17 this subsection), or

18          “(ii) title 49, United States Code (as  
19 in effect on the date of the enactment of  
20 this subsection), and

21          “(D) any facility described in subsection  
22 (a)(3) (as modified and limited by subsections  
23 (b) and (c)).

24          “(2) LIMITATION ON AGGREGATE FACE  
25 AMOUNT OF TAX-EXEMPT FINANCING.—

1           “(A) IN GENERAL.—An issue shall not be  
2           treated as an issue described in subsection  
3           (a)(14) unless—

4                   “(i) the Secretary has allocated an  
5                   amount to such issue under this para-  
6                   graph, and

7                   “(ii) the aggregate face amount of  
8                   bonds issued pursuant to such issue does  
9                   not exceed such amount.

10           “(B) ALLOCATION.—The Secretary of  
11           Transportation, after consultation with the Sec-  
12           retary, may allocate amounts to issues under  
13           this paragraph in such manner as the Secretary  
14           of Transportation (after so consulting) deter-  
15           mines appropriate, except that the aggregate  
16           amount so allocated shall not exceed  
17           \$15,000,000,000.

18           “(C) REFUNDING BONDS.—Subparagraph  
19           (A) shall not apply with respect to any bond the  
20           proceeds of which are used exclusively to refund  
21           a bond issued pursuant to subsection (a)(14)  
22           (or a bond which is a part of a series of  
23           refundings of a bond so issued) if the amount  
24           of the refunding bond does not exceed the out-  
25           standing amount of the refunded bond.”.

1 (c) EXEMPTION FROM GENERAL STATE VOLUME  
 2 CAPS.—Paragraph (3) of section 146(g) (relating to ex-  
 3 ception for certain bonds) is amended—

4 (1) by striking “or (13)” and inserting “(13),  
 5 or (14)”, and

6 (2) by striking “and qualified public educational  
 7 facilities” and inserting “qualified public educational  
 8 facilities, and qualified transportation facilities”.

9 (d) EFFECTIVE DATE.—The amendments made by  
 10 this section shall apply to bonds issued after the date of  
 11 the enactment of this Act.

## 12 **TITLE V—REVENUE PROVISIONS**

### 13 **Subtitle A—Leasing**

#### 14 **SEC. 501. REFORM OF TAX TREATMENT OF CERTAIN LEAS-** 15 **ING ARRANGEMENTS.**

16 (a) CLARIFICATION OF RECOVERY PERIOD FOR TAX-  
 17 EXEMPT USE PROPERTY SUBJECT TO LEASE.—Subpara-  
 18 graph (A) of section 168(g)(3) (relating to special rules  
 19 for determining class life) is amended by inserting “(not-  
 20 withstanding any other subparagraph of this paragraph)”  
 21 after “shall”.

22 (b) LIMITATION ON DEPRECIATION PERIOD FOR  
 23 SOFTWARE LEASED TO TAX-EXEMPT ENTITY.—Para-  
 24 graph (1) of section 167(f) is amended by adding at the  
 25 end the following new subparagraph:

1                   “(C) TAX-EXEMPT USE PROPERTY SUB-  
 2                   JECT TO LEASE.—In the case of computer soft-  
 3                   ware which would be tax-exempt use property  
 4                   as defined in subsection (h) of section 168 if  
 5                   such section applied to computer software, the  
 6                   useful life under subparagraph (A) shall not be  
 7                   less than 125 percent of the lease term (within  
 8                   the meaning of section 168(i)(3)).”.

9           (c) LEASE TERM TO INCLUDE RELATED SERVICE  
 10   CONTRACTS.—Subparagraph (A) of section 168(i)(3) (re-  
 11   lating to lease term) is amended by striking “and” at the  
 12   end of clause (i), by redesignating clause (ii) as clause  
 13   (iii), and by inserting after clause (i) the following new  
 14   clause:

15                   “(ii) the term of a lease shall include  
 16                   the term of any service contract or similar  
 17                   arrangement (whether or not treated as a  
 18                   lease under section 7701(e))—

19                   “(I) which is part of the same  
 20                   transaction (or series of related trans-  
 21                   actions) which includes the lease, and

22                   “(II) which is with respect to the  
 23                   property subject to the lease or sub-  
 24                   stantially similar property, and”.

1 **SEC. 502. LIMITATION ON DEDUCTIONS ALLOCABLE TO**  
 2 **PROPERTY USED BY GOVERNMENTS OR**  
 3 **OTHER TAX-EXEMPT ENTITIES.**

4 (a) IN GENERAL.—Subpart C of part II of sub-  
 5 chapter E of chapter 1 (relating to taxable year for which  
 6 deductions taken) is amended by adding at the end the  
 7 following new section:

8 **“SEC. 470. LIMITATION ON DEDUCTIONS ALLOCABLE TO**  
 9 **PROPERTY USED BY GOVERNMENTS OR**  
 10 **OTHER TAX-EXEMPT ENTITIES.**

11 “(a) LIMITATION ON LOSSES.—Except as otherwise  
 12 provided in this section, a tax-exempt use loss for any tax-  
 13 able year shall not be allowed.

14 “(b) DISALLOWED LOSS CARRIED TO NEXT YEAR.—  
 15 Any tax-exempt use loss with respect to any tax-exempt  
 16 use property which is disallowed under subsection (a) for  
 17 any taxable year shall be treated as a deduction with re-  
 18 spect to such property in the next taxable year.

19 “(c) DEFINITIONS.—For purposes of this section—

20 “(1) TAX-EXEMPT USE LOSS.—The term ‘tax-  
 21 exempt use loss’ means, with respect to any taxable  
 22 year, the amount (if any) by which—

23 “(A) the sum of—

24 “(i) the aggregate deductions (other  
 25 than interest) directly allocable to a tax-ex-  
 26 empt use property, plus

1                   “(ii) the aggregate deductions for in-  
2                   terest properly allocable to such property,  
3                   exceed

4                   “(B) the aggregate income from such  
5                   property.

6                   “(2) TAX-EXEMPT USE PROPERTY.—The term  
7                   ‘tax-exempt use property’ has the meaning given to  
8                   such term by section 168(h) (without regard to  
9                   paragraphs (1)(C) and (3) thereof and determined  
10                  as if property described in section 167(f)(1)(B) were  
11                  tangible property).

12                  “(d) EXCEPTION FOR CERTAIN LEASES.—This sec-  
13                  tion shall not apply to any lease of property which meets  
14                  the requirements of all of the following paragraphs:

15                  “(1) PROPERTY NOT FINANCED WITH TAX-EX-  
16                  EMPT BONDS.—A lease of property meets the re-  
17                  quirements of this paragraph if no part of the prop-  
18                  erty was (at any time) financed (directly or indi-  
19                  rectly) from the proceeds of an obligation the inter-  
20                  est on which is exempt from tax under section  
21                  103(a) and which (or any refunding bond of which)  
22                  is outstanding when the lease is entered into. The  
23                  Secretary shall by regulations provide a de minimis  
24                  exception from the preceding sentence.

25                  “(2) AVAILABILITY OF FUNDS.—

1           “(A) IN GENERAL.—A lease of property  
2           meets the requirements of this paragraph if (at  
3           all times during the lease term) not more than  
4           an allowable amount of funds are—

5                   “(i) subject to any arrangement re-  
6                   ferred to in subparagraph (B), or

7                   “(ii) set aside or expected to be set  
8                   aside,

9           to or for the benefit of the lessor or any lender,  
10          or to or for the benefit of the lessee to satisfy  
11          the lessee’s obligations or options under the  
12          lease. For purposes of clause (ii), funds shall be  
13          treated as set aside or expected to be set aside  
14          if a reasonable person would conclude, based on  
15          the facts and circumstances, that such funds  
16          are set aside or expected to be set aside.

17          “(B) ARRANGEMENTS.—The arrangements  
18          referred to in this subparagraph include a de-  
19          feasance arrangement, a loan by the lessee to  
20          the lessor or any lender, a deposit arrangement,  
21          a letter of credit collateralized with cash or cash  
22          equivalents, a payment undertaking agreement,  
23          a lease prepayment, a sinking fund arrange-  
24          ment, and any similar arrangement (whether or  
25          not such arrangement provides credit support).

1 “(C) ALLOWABLE AMOUNT.—

2 “(i) IN GENERAL.—Except as other-  
3 wise provided in this subparagraph, the  
4 term ‘allowable amount’ means an amount  
5 equal to 20 percent of the lessor’s adjusted  
6 basis in the property at the time the lease  
7 is entered into.

8 “(ii) HIGHER AMOUNT PERMITTED IN  
9 CERTAIN CASES.—To the extent provided  
10 in regulations, a higher percentage shall be  
11 permitted under clause (i) where necessary  
12 because of the credit-worthiness of the les-  
13 see. In no event may such regulations per-  
14 mit a percentage of more than 50 percent.

15 “(iii) OPTION TO PURCHASE.—If  
16 under the lease the lessee has the option to  
17 purchase the property for a fixed price or  
18 for other than the fair market value of the  
19 property (determined at the time of exer-  
20 cise), the allowable amount at the time  
21 such option may be exercised may not ex-  
22 ceed 50 percent of the price at which such  
23 option may be exercised.

24 “(iv) NO ALLOWABLE AMOUNT FOR  
25 CERTAIN ARRANGEMENTS.—The allowable



1 amount shall be zero with respect to any  
2 arrangement which involves—

3 “(I) a loan from the lessee to the  
4 lessor or a lender,

5 “(II) any deposit, letter of credit,  
6 or payment undertaking agreement  
7 involving a lender, or

8 “(III) in the case of an arrange-  
9 ment which involves a lender, any  
10 credit support made available to the  
11 lessor in which any such lender does  
12 not have a claim that is senior to the  
13 lessor.

14 For purposes of subclause (I), the term  
15 ‘loan’ shall not include any amount treated  
16 as a loan under section 467 with respect to  
17 a section 467 rental agreement.

18 “(3) LESSOR MUST MAKE SUBSTANTIAL EQUITY  
19 INVESTMENT.—A lease of property meets the re-  
20 quirements of this paragraph if—

21 “(A) the lessor—

22 “(i) has at the time the lease is en-  
23 tered into an unconditional at-risk equity  
24 investment (as determined by the Sec-  
25 retary) in the property of at least 20 per-

1 cent of the lessor's adjusted basis in the  
 2 property as of that time, and

3 “(ii) maintains such investment  
 4 throughout the term of the lease, and

5 “(B) the fair market value of the property  
 6 at the end of the lease term is reasonably ex-  
 7 pected to be equal to at least 20 percent of such  
 8 basis.

9 Subparagraphs (A)(ii) and (B) shall not apply to a  
 10 short-term lease (as defined in paragraphs (1)(C)  
 11 and (3) of section 168(h)). For purposes of subpara-  
 12 graph (B), the lessor's at-risk position reflected in  
 13 the fair market value of the property at the end of  
 14 the lease term shall be considered to be reduced to  
 15 the extent of any potential payment from an ar-  
 16 rangement described in paragraph (4).

17 “(4) LESSEE MAY NOT BEAR MORE THAN MINI-  
 18 MAL RISK OF LOSS.—

19 “(A) IN GENERAL.—A lease of property  
 20 meets the requirements of this paragraph if  
 21 there is no arrangement under which more than  
 22 a minimal risk of loss (as determined under  
 23 regulations) in the value of the property is  
 24 borne by the lessee.

“(B) CERTAIN ARRANGEMENTS FAIL REQUIREMENT.—Except as provided in regulations, the property does not meet the requirements of this paragraph if there is any arrangement under which the lessee bears—

“(i) any portion of the loss that would occur if the fair market value of the leased property at the time the lease is terminated were 25 percent less than its reasonably expected fair market value at the end of the lease term, or

“(ii) more than 50 percent of the loss that would occur if the fair market value of the leased property at the time the lease is terminated were zero.

“(e) SPECIAL RULES.—

“(1) TREATMENT OF FORMER TAX-EXEMPT USE PROPERTY.—

“(A) IN GENERAL.—In the case of any former tax-exempt use property—

“(i) any deduction allowable under subsection (b) with respect to such property for any taxable year shall be allowed only to the extent of any net income (with-

1 out regard to such deduction) from such  
 2 property for such taxable year, and

3 “(ii) any portion of such unused de-  
 4 duction remaining after application of  
 5 clause (i) shall be treated as a deduction  
 6 allowable under subsection (b) with respect  
 7 to such property in the next taxable year.

8 “(B) FORMER TAX-EXEMPT USE PROP-  
 9 ERTY.—For purposes of this subsection, the  
 10 term ‘former tax-exempt use property’ means  
 11 any property which—

12 “(i) is not tax-exempt use property for  
 13 the taxable year, but

14 “(ii) was tax-exempt use property for  
 15 any prior taxable year.

16 “(2) DISPOSITION OF ENTIRE INTEREST IN  
 17 PROPERTY.—If during the taxable year a taxpayer  
 18 disposes of the taxpayer’s entire interest in tax-ex-  
 19 empt use property (or former tax-exempt use prop-  
 20 erty), rules similar to the rules of section 469(g)  
 21 shall apply for purposes of this section.

22 “(3) COORDINATION WITH SECTION 469.—This  
 23 section shall be applied before the application of sec-  
 24 tion 469.

1       “(f) OTHER DEFINITIONS.—For purposes of this sec-  
2   tion—

3               “(1) RELATED PARTIES.—The terms ‘lessor’,  
4       ‘lessee’, and ‘lender’ each include any related party  
5       (within the meaning of section 197(f)(9)(C)(i)).

6               “(2) LEASE TERM.—The term ‘lease term’ has  
7       the meaning given to such term by section 168(i)(3).

8               “(3) LENDER.—The term ‘lender’ means, with  
9       respect to any lease, a person that makes a loan to  
10      the lessor which is secured (or economically similar  
11      to being secured) by the lease or the leased property.

12              “(4) LOAN.—The term ‘loan’ includes any simi-  
13      lar arrangement.

14              “(g) REGULATIONS.—The Secretary shall prescribe  
15      such regulations as may be necessary or appropriate to  
16      carry out the provisions of this section, including regula-  
17      tion which—

18              “(1) allow in appropriate cases the aggregation  
19      of property subject to the same lease, and

20              “(2) provide for the determination of the alloca-  
21      tion of interest expense for purposes of this sec-  
22      tion.”.

23              (b) CONFORMING AMENDMENT.—The table of sec-  
24      tions for subpart C of part II of subchapter E of chapter  
25      1 is amended by adding at the end the following new item:

“Sec. 470. Limitation on deductions allocable to property used by governments or other tax-exempt entities.”.

1 **SEC. 503. EFFECTIVE DATE.**

2 (a) IN GENERAL.—Except as provided by subsection  
3 (b), the amendments made by this subtitle shall apply to  
4 leases entered into after February 11, 2004.

5 (b) EXCEPTION.—

6 (1) IN GENERAL.—The amendments made by  
7 this subtitle shall not apply to qualified transpor-  
8 tation property.

9 (2) QUALIFIED TRANSPORTATION PROPERTY.—  
10 For purposes of paragraph (1), the term “qualified  
11 transportation property” means domestic property  
12 subject to a lease with respect to which a formal ap-  
13 plication—

14 (A) was submitted for approval to the Fed-  
15 eral Transit Administration (an agency of the  
16 Department of Transportation) after June 30,  
17 2003, and before February 12, 2004,

18 (B) is approved by the Federal Transit Ad-  
19 ministration before January 1, 2005, and

20 (C) includes a description of such property  
21 and the value of such property.

## **Subtitle B—Charitable Giving**

### **SEC. 511. DONATIONS OF MOTOR VEHICLES, BOATS, AND AIRCRAFT.**

(a) IN GENERAL.—Subsection (f) of section 170 (relating to disallowance of deduction in certain cases and special rules) is amended by adding at the end the following new paragraph:

“(11) CONTRIBUTIONS OF MOTOR VEHICLES,  
BOATS, AND AIRCRAFT.—

“(A) IN GENERAL.—Except as provided in regulations or other guidance, in the case of a contribution of a specified vehicle to which paragraph (8) applies, no deduction shall be allowed under subsection (a) for such contribution unless the taxpayer obtains a qualified appraisal of the specified vehicle on or before the date of such contribution.

“(B) EXCEPTION FOR INVENTORY PROPERTY.—Subparagraph (A) shall not apply to property which is described in section 1221(a)(1).

“(C) SPECIFIED VEHICLE.—For purposes of this paragraph, the term ‘specified vehicle’ means any—

1 “(i) motor vehicle manufactured pri-  
 2 marily for use on public streets, roads, and  
 3 highways,

4 “(ii) boat, or

5 “(iii) aircraft.

6 “(D) QUALIFIED APPRAISAL.—For pur-  
 7 poses of this paragraph, the term ‘qualified ap-  
 8 praisal’ means any appraisal which is treated  
 9 for purposes of this paragraph as a qualified  
 10 appraisal under regulations or other guidance  
 11 prescribed by the Secretary.

12 “(E) REGULATIONS OR OTHER GUID-  
 13 ANCE.—The Secretary shall prescribe such reg-  
 14 ulations or other guidance as may be necessary  
 15 to carry out the purposes of this paragraph.”.

16 (b) EFFECTIVE DATE.—The amendment made by  
 17 subsection (a) shall apply to contributions made after  
 18 March 12, 2004.

19 **SEC. 512. INCREASED REPORTING FOR NONCASH CHARI-**  
 20 **TABLE CONTRIBUTIONS.**

21 (a) IN GENERAL.—Subsection (f) of section 170 (re-  
 22 lating to disallowance of deduction in certain cases and  
 23 special rules), as amended by section 511, is further  
 24 amended by adding at the end the following new para-  
 25 graph:



1           “(12) QUALIFIED APPRAISAL AND OTHER DOC-  
2           UMENTATION FOR CERTAIN CONTRIBUTIONS.—

3           “(A) IN GENERAL.—

4           “(i) DENIAL OF DEDUCTION.—In the  
5           case of an individual, partnership, or cor-  
6           poration, no deduction shall be allowed  
7           under subsection (a) for any contribution  
8           of property for which a deduction of more  
9           than \$500 is claimed unless such person  
10          meets the requirements of subparagraphs  
11          (B), (C), and (D), as the case may be,  
12          with respect to such contribution.

13          “(ii) EXCEPTIONS.—

14          “(I) READILY VALUED PROP-  
15          ERTY.—Subparagraphs (C) and (D)  
16          shall not apply to cash, property de-  
17          scribed in section 1221(a)(1), and  
18          publicly traded securities (as defined  
19          in section 6050L(a)(2)(B)).

20          “(II) REASONABLE CAUSE.—

21          Clause (i) shall not apply if it is  
22          shown that the failure to meet such  
23          requirements is due to reasonable  
24          cause and not to willful neglect.

1           “(B) PROPERTY DESCRIPTION FOR CON-  
2           TRIBUTIONS OF MORE THAN \$500.—In the case  
3           of contributions of property for which a deduc-  
4           tion of more than \$500 is claimed, the require-  
5           ments of this subparagraph are met if the indi-  
6           vidual, partnership or corporation includes with  
7           the return for the taxable year in which the  
8           contribution is made a description of such prop-  
9           erty and such other information as the Sec-  
10          retary may require. The requirements of this  
11          subparagraph shall not apply to a C corporation  
12          which is not a personal service corporation or a  
13          closely held C corporation.

14          “(C) QUALIFIED APPRAISAL FOR CON-  
15          TRIBUTIONS OF MORE THAN \$5,000.—In the  
16          case of contributions of property for which a  
17          deduction of more than \$5,000 is claimed, the  
18          requirements of this subparagraph are met if  
19          the individual, partnership, or corporation ob-  
20          tains a qualified appraisal of such property and  
21          attaches to the return for the taxable year in  
22          which such contribution is made such informa-  
23          tion regarding such property and such appraisal  
24          as the Secretary may require.

1           “(D) SUBSTANTIATION FOR CONTRIBU-  
2           TIONS OF MORE THAN \$500,000.—In the case of  
3           contributions of property for which a deduction  
4           of more than \$500,000 is claimed, the require-  
5           ments of this subparagraph are met if the indi-  
6           vidual, partnership, or corporation attaches to  
7           the return for the taxable year a qualified ap-  
8           praisal of such property.

9           “(E) QUALIFIED APPRAISAL.—For pur-  
10          poses of this paragraph, the term ‘qualified ap-  
11          praisal’ means, with respect to any property, an  
12          appraisal of such property which is treated for  
13          purposes of this paragraph as a qualified ap-  
14          praisal under regulations or other guidance pre-  
15          scribed by the Secretary.

16          “(F) AGGREGATION OF SIMILAR ITEMS OF  
17          PROPERTY.—For purposes of determining  
18          thresholds under this paragraph, property and  
19          all similar items of property donated to 1 or  
20          more donees shall be treated as 1 property.

21          “(G) SPECIAL RULE FOR PASS-THRU ENTI-  
22          TIES.—In the case of a partnership or S cor-  
23          poration, this paragraph shall be applied at the  
24          entity level, except that the deduction shall be  
25          denied at the partner or shareholder level.

1           “(H) REGULATIONS.—The Secretary may  
 2           prescribe such regulations as may be necessary  
 3           or appropriate to carry out the purposes of this  
 4           paragraph, including regulations that may pro-  
 5           vide that some or all of the requirements of this  
 6           paragraph do not apply in appropriate cases.”.

7           (b) EFFECTIVE DATE.—The amendment made by  
 8           this section shall apply to contributions made after March  
 9           12, 2004.

10   **SEC. 513. TREATMENT OF CHARITABLE CONTRIBUTIONS OF**  
 11           **PATENTS AND SIMILAR PROPERTY.**

12           (a) IN GENERAL.—Subparagraph (B) of section  
 13           170(e)(1) is amended by striking “or” at the end of clause  
 14           (i), by adding “or” at the end of clause (ii), and by insert-  
 15           ing after clause (ii) the following new clause:

16                   “(iii) of any patent, copyright (other  
 17                   than a copyright described in section  
 18                   1221(a)(3) or 1231(b)(1)(C)), trademark,  
 19                   trade name, trade secret, know-how, soft-  
 20                   ware (other than software described in sec-  
 21                   tion 197(e)(3)(A)(i)), or similar property,  
 22                   or applications or registrations of such  
 23                   property,”.

24           (b) CERTAIN DONEE INCOME FROM INTELLECTUAL  
 25           PROPERTY TREATED AS AN ADDITIONAL CHARITABLE

1 CONTRIBUTION.—Section 170 is amended by redesigning subsection (m) as subsection (n) and by inserting  
 2 after subsection (l) the following new subsection:  
 3

4 “(m) CERTAIN DONEE INCOME FROM INTELLEC-  
 5 TUAL PROPERTY TREATED AS AN ADDITIONAL CHARITABLE CONTRIBUTION.—

7 “(1) TREATMENT AS ADDITIONAL CONTRIBUTION.—In the case of a taxpayer who makes a qualified  
 8 intellectual property contribution, the deduction  
 9 allowed under subsection (a) for each taxable year of  
 10 the taxpayer ending on or after the date of such contribution shall be increased (subject to the limitations  
 11 under subsection (b)) by the applicable percentage of qualified donee income with respect to  
 12 such contribution which is properly allocable to such  
 13 year under this subsection.  
 14

17 “(2) QUALIFIED DONEE INCOME.—For purposes of this subsection, the term ‘qualified donee  
 18 income’ means any net income received by or accrued to the donee which is properly allocable to the  
 19 qualified intellectual property.  
 20

22 “(3) ALLOCATION OF QUALIFIED DONEE INCOME TO TAXABLE YEARS OF DONOR.—For purposes of this subsection, qualified donee income shall  
 23 be treated as properly allocable to a taxable year of  
 24  
 25

1 the donor if such income is received by or accrued  
 2 to the donee for the taxable year of the donee which  
 3 ends within or with such taxable year of the donor.

4 “(4) 10-YEAR LIMITATION.—Income shall not  
 5 be treated as properly allocable to qualified intellec-  
 6 tual property for purposes of this subsection if such  
 7 income is received by or accrued to the donee after  
 8 the 10-year period beginning on the date of the con-  
 9 tribution of such property.

10 “(5) BENEFIT LIMITED TO LIFE OF INTELLEC-  
 11 TUAL PROPERTY.—Income shall not be treated as  
 12 properly allocable to qualified intellectual property  
 13 for purposes of this subsection if such income is re-  
 14 ceived by or accrued to the donee after the expira-  
 15 tion of the legal life of such property.

16 “(6) APPLICABLE PERCENTAGE.—For purposes  
 17 of this subsection, the term ‘applicable percentage’  
 18 means the percentage determined under the fol-  
 19 lowing table which corresponds to a taxable year of  
 20 the donor ending on or after the date of the quali-  
 21 fied intellectual property contribution:

<b>“Taxable Year of Donor Ending on or After Date of Contribution:</b>	<b>Applicable Percentage:</b>
1st .....	100
2nd .....	100
3rd .....	90
4th .....	80
5th .....	70
6th .....	60

<b>“Taxable Year of Donor Ending on or After Date of Contribution:</b>	<b>Applicable Percentage:</b>
7th .....	50
8th .....	40
9th .....	30
10th .....	20
11th .....	10
12th .....	10.

1           “(7) QUALIFIED INTELLECTUAL PROPERTY  
2           CONTRIBUTION.—For purposes of this subsection,  
3           the term ‘qualified intellectual property contribution’  
4           means any charitable contribution of qualified intel-  
5           lectual property—

6                   “(A) the amount of which taken into ac-  
7                   count under this section is reduced by reason of  
8                   subsection (e)(1), and

9                   “(B) with respect to which the donor in-  
10                  forms the donee at the time of such contribu-  
11                  tion that the donor intends to treat such con-  
12                  tribution as a qualified intellectual property  
13                  contribution for purposes of this subsection and  
14                  section 6050L.

15           “(8) QUALIFIED INTELLECTUAL PROPERTY.—  
16           For purposes of this subsection, the term ‘qualified  
17           intellectual property’ means property described in  
18           subsection (e)(1)(B)(iii) (other than property con-  
19           tributed to or for the use of an organization de-  
20           scribed in subsection (e)(1)(B)(ii)).

21           “(9) OTHER SPECIAL RULES.—

1           “(A) APPLICATION OF LIMITATIONS ON  
2 CHARITABLE CONTRIBUTIONS.—Any increase  
3 under this subsection of the deduction provided  
4 under subsection (a) shall be treated for pur-  
5 poses of subsection (b) as a deduction which is  
6 attributable to a charitable contribution to the  
7 donee to which such increase relates.

8           “(B) NET INCOME DETERMINED BY  
9 DONEE.—The net income taken into account  
10 under paragraph (2) shall not exceed the  
11 amount of such income reported under section  
12 6050L(b)(1).

13           “(C) DEDUCTION LIMITED TO 12 TAXABLE  
14 YEARS.—Except as may be provided under sub-  
15 paragraph (D)(i), this subsection shall not  
16 apply with respect to any qualified intellectual  
17 property contribution for any taxable year of  
18 the donor after the 12th taxable year of the  
19 donor which ends on or after the date of such  
20 contribution.

21           “(D) REGULATIONS.—The Secretary may  
22 issue regulations or other guidance to carry out  
23 the purposes of this subsection, including regu-  
24 lations or guidance—



1 “(i) modifying the application of this  
 2 subsection in the case of a donor or donee  
 3 with a short taxable year, and

4 “(ii) providing for the determination  
 5 of an amount to be treated as net income  
 6 of the donee which is properly allocable to  
 7 qualified intellectual property in the case  
 8 of a donee who uses such property to fur-  
 9 ther a purpose or function constituting the  
 10 basis of the donee’s exemption under sec-  
 11 tion 501 (or, in the case of a governmental  
 12 unit, any purpose described in section  
 13 170(c)) and does not possess a right to re-  
 14 ceive any payment from a third party with  
 15 respect to such property.”.

16 (c) REPORTING REQUIREMENTS.—

17 (1) IN GENERAL.—Section 6050L (relating to  
 18 returns relating to certain dispositions of donated  
 19 property) is amended to read as follows:

20 **“SEC. 6050L. RETURNS RELATING TO CERTAIN DONATED**  
 21 **PROPERTY.**

22 “(a) DISPOSITIONS OF DONATED PROPERTY.—

23 “(1) IN GENERAL.—If the donee of any chari-  
 24 table deduction property sells, exchanges, or other-  
 25 wise disposes of such property within 2 years after

1 its receipt, the donee shall make a return (in accord-  
2 ance with forms and regulations prescribed by the  
3 Secretary) showing—

4 “(A) the name, address, and TIN of the  
5 donor,

6 “(B) a description of the property,

7 “(C) the date of the contribution,

8 “(D) the amount received on the disposi-  
9 tion, and

10 “(E) the date of such disposition.

11 “(2) DEFINITIONS.—For purposes of this sub-  
12 section—

13 “(A) CHARITABLE DEDUCTION PROP-  
14 ERTY.—The term ‘charitable deduction prop-  
15 erty’ means any property (other than publicly  
16 traded securities) contributed in a contribution  
17 for which a deduction was claimed under sec-  
18 tion 170 if the claimed value of such property  
19 (plus the claimed value of all similar items of  
20 property donated by the donor to 1 or more  
21 donees) exceeds \$5,000.

22 “(B) PUBLICLY TRADED SECURITIES.—  
23 The term ‘publicly traded securities’ means se-  
24 curities for which (as of the date of the con-

1           tribution) market quotations are readily avail-  
2           able on an established securities market.

3           “(b) QUALIFIED INTELLECTUAL PROPERTY CON-  
4    TRIBUTIONS.—

5           “(1) IN GENERAL.—Each donee with respect to  
6           a qualified intellectual property contribution shall  
7           make a return (at such time and in such form and  
8           manner as the Secretary may by regulations pre-  
9           scribe) with respect to each specified taxable year of  
10          the donee showing—

11                  “(A) the name, address, and TIN of the  
12          donor,

13                  “(B) a description of the qualified intellec-  
14          tual property contributed,

15                  “(C) the date of the contribution, and

16                  “(D) the amount of net income of the  
17          donee for the taxable year which is properly al-  
18          locable to the qualified intellectual property (de-  
19          termined without regard to paragraph (9)(B) of  
20          section 170(m) and with the modifications de-  
21          scribed in paragraphs (4) and (5) of such sec-  
22          tion).

23           “(2) DEFINITIONS.—For purposes of this sub-  
24    section—

1           “(A) IN GENERAL.—Terms used in this  
2           subsection which are also used in section  
3           170(m) have the respective meanings given  
4           such terms in such section.

5           “(B) SPECIFIED TAXABLE YEAR.—The  
6           term ‘specified taxable year’ means, with re-  
7           spect to any qualified intellectual property con-  
8           tribution, any taxable year of the donee any  
9           portion of which is part of the 10-year period  
10          beginning on the date of such contribution.

11          “(c) STATEMENT TO BE FURNISHED TO DONORS.—  
12          Every person making a return under subsection (a) or (b)  
13          shall furnish a copy of such return to the donor at such  
14          time and in such manner as the Secretary may by regula-  
15          tions prescribe.”.

16          (d) COORDINATION WITH APPRAISAL REQUIRE-  
17          MENTS.—Subclause (I) of section 170(f)(12)(A)(ii), as  
18          added by 512, is amended by inserting “subsection  
19          (e)(1)(B)(iii) or” before “section 1221(a)(1)”.

20          (e) ANTI-ABUSE RULES.—The Secretary of the  
21          Treasury may prescribe such regulations or other guid-  
22          ance as may be necessary or appropriate to prevent the  
23          avoidance of the purposes of section 170(e)(1)(B)(iii) of  
24          the Internal Revenue Code of 1986 (as added by sub-  
25          section (a)), including preventing—

1           (1) the circumvention of the reduction of the  
 2           charitable deduction by embedding or bundling the  
 3           patent or similar property as part of a charitable  
 4           contribution of property that includes the patent or  
 5           similar property,

6           (2) the manipulation of the basis of the prop-  
 7           erty to increase the amount of the charitable deduc-  
 8           tion through the use of related persons, pass-thru  
 9           entities, or other intermediaries, or through the use  
 10          of any provision of law or regulation (including the  
 11          consolidated return regulations), and

12          (3) a donor from changing the form of the pat-  
 13          ent or similar property to property of a form for  
 14          which different deduction rules would apply.

15          (f) EFFECTIVE DATE.—The amendments made by  
 16          this section shall apply to contributions made after March  
 17          12, 2004.

## 18                   **Subtitle C—Tax Collection**

### 19                           **Contracts**

#### 20   **SEC. 521. QUALIFIED TAX COLLECTION CONTRACTS.**

21          (a) CONTRACT REQUIREMENTS.—

22               (1) IN GENERAL.—Subchapter A of chapter 64  
 23               (relating to collection) is amended by adding at the  
 24               end the following new section:

1 **“SEC. 6306. QUALIFIED TAX COLLECTION CONTRACTS.**

2 “(a) IN GENERAL.—Nothing in any provision of law  
3 shall be construed to prevent the Secretary from entering  
4 into a qualified tax collection contract.

5 “(b) QUALIFIED TAX COLLECTION CONTRACT.—For  
6 purposes of this section, the term ‘qualified tax collection  
7 contract’ means any contract which—

8 “(1) is for the services of any person (other  
9 than an officer or employee of the Treasury Depart-  
10 ment)—

11 “(A) to locate and contact any taxpayer  
12 specified by the Secretary,

13 “(B) to request full payment from such  
14 taxpayer of an amount of Federal tax specified  
15 by the Secretary and, if such request cannot be  
16 met by the taxpayer, to offer the taxpayer an  
17 installment agreement providing for full pay-  
18 ment of such amount during a period not to ex-  
19 ceed 5 years, and

20 “(C) to obtain financial information speci-  
21 fied by the Secretary with respect to such tax-  
22 payer,

23 “(2) prohibits each person providing such serv-  
24 ices under such contract from committing any act or  
25 omission which employees of the Internal Revenue

1       Service are prohibited from committing in the per-  
2       formance of similar services,

3               “(3) prohibits subcontractors from—

4                       “(A) having contacts with taxpayers,

5                       “(B) providing quality assurance services,

6                       and

7                       “(C) composing debt collection notices, and

8               “(4) permits subcontractors to perform other  
9       services only with the approval of the Secretary.

10       “(c) FEES.—The Secretary may retain and use an  
11       amount not in excess of 25 percent of the amount collected  
12       under any qualified tax collection contract for the costs  
13       of services performed under such contract. The Secretary  
14       shall keep adequate records regarding amounts so retained  
15       and used. The amount credited as paid by any taxpayer  
16       shall be determined without regard to this subsection.

17       “(d) NO FEDERAL LIABILITY.—The United States  
18       shall not be liable for any act or omission of any person  
19       performing services under a qualified tax collection con-  
20       tract.

21       “(e) APPLICATION OF FAIR DEBT COLLECTION  
22       PRACTICES ACT.—The provisions of the Fair Debt Collec-  
23       tion Practices Act (15 U.S.C. 1692 et seq.) shall apply  
24       to any qualified tax collection contract, except to the ex-

1 tent superseded by section 6304, section 7602(c), or by  
 2 any other provision of this title.

3 “(f) CROSS REFERENCES.—

4 “(1) For damages for certain unauthorized col-  
 5 lection actions by persons performing services under  
 6 a qualified tax collection contract, see section  
 7 7433A.

8 “(2) For application of Taxpayer Assistance  
 9 Orders to persons performing services under a quali-  
 10 fied tax collection contract, see section 7811(a)(4).”.

11 (2) CONFORMING AMENDMENTS.—

12 (A) Section 7809(a) is amended by insert-  
 13 ing “6306,” before “7651”.

14 (B) The table of sections for subchapter A  
 15 of chapter 64 is amended by adding at the end  
 16 the following new item:

“Sec. 6306. Qualified Tax Collection Contracts.”.

17 (b) CIVIL DAMAGES FOR CERTAIN UNAUTHORIZED  
 18 COLLECTION ACTIONS BY PERSONS PERFORMING SERV-  
 19 ICES UNDER QUALIFIED TAX COLLECTION CON-  
 20 TRACTS.—

21 (1) In general.—Subchapter B of chapter 76  
 22 (relating to proceedings by taxpayers and third par-  
 23 ties) is amended by inserting after section 7433 the  
 24 following new section:



1 **“SEC. 7433A. CIVIL DAMAGES FOR CERTAIN UNAUTHOR-**  
2 **IZED COLLECTION ACTIONS BY PERSONS**  
3 **PERFORMING SERVICES UNDER QUALIFIED**  
4 **TAX COLLECTION CONTRACTS.**

5 “(a) IN GENERAL.—Subject to the modifications pro-  
6 vided by subsection (b), section 7433 shall apply to the  
7 acts and omissions of any person performing services  
8 under a qualified tax collection contract (as defined in sec-  
9 tion 6306(b)) to the same extent and in the same manner  
10 as if such person were an employee of the Internal Rev-  
11 enue Service.

12 “(b) MODIFICATIONS.—For purposes of subsection  
13 (a)—

14 “(1) Any civil action brought under section  
15 7433 by reason of this section shall be brought  
16 against the person who entered into the qualified tax  
17 collection contract with the Secretary and shall not  
18 be brought against the United States.

19 “(2) Such person and not the United States  
20 shall be liable for any damages and costs determined  
21 in such civil action.

22 “(3) Such civil action shall not be an exclusive  
23 remedy with respect to such person.

24 “(4) Subsections (c), (d)(1), and (e) of section  
25 7433 shall not apply.”.

1           (2) CLERICAL AMENDMENT.—The table of sec-  
2           tions for subchapter B of chapter 76 is amended by  
3           inserting after the item relating to section 7433 the  
4           following new item:

          “Sec. 7433A. Civil damages for certain unauthorized collection ac-  
          tions by persons performing services under a quali-  
          fied tax collection contract.”.

5           (c) APPLICATION OF TAXPAYER ASSISTANCE OR-  
6           DERS TO PERSONS PERFORMING SERVICES UNDER A  
7           QUALIFIED TAX COLLECTION CONTRACT.—Section 7811  
8           (relating to taxpayer assistance orders) is amended by  
9           adding at the end the following new subsection:

10          “(g) APPLICATION TO PERSONS PERFORMING SERV-  
11          ICES UNDER A QUALIFIED TAX COLLECTION CON-  
12          TRACT.—Any order issued or action taken by the National  
13          Taxpayer Advocate pursuant to this section shall apply to  
14          persons performing services under a qualified tax collec-  
15          tion contract (as defined in section 6306(b)) to the same  
16          extent and in the same manner as such order or action  
17          applies to the Secretary.”.

18          (d) INELIGIBILITY OF INDIVIDUALS WHO COMMIT  
19          MISCONDUCT TO PERFORM UNDER CONTRACT.—Section  
20          1203 of the Internal Revenue Service Restructuring Act  
21          of 1998 (relating to termination of employment for mis-  
22          conduct) is amended by adding at the end the following  
23          new subsection:

1       “(e) INDIVIDUALS PERFORMING SERVICES UNDER A  
 2 QUALIFIED TAX COLLECTION CONTRACT.—An individual  
 3 shall cease to be permitted to perform any services under  
 4 any qualified tax collection contract (as defined in section  
 5 6306(b) of the Internal Revenue Code of 1986) if there  
 6 is a final determination by the Secretary of the Treasury  
 7 under such contract that such individual committed any  
 8 act or omission described under subsection (b) in connec-  
 9 tion with the performance of such services.”.

10       (e) EFFECTIVE DATE.—The amendments made to  
 11 this section shall take effect on the date of the enactment  
 12 of this Act.

## 13       **Subtitle D—Other Provisions**

### 14       **SEC. 531. EXTENSION OF AMORTIZATION OF INTANGIBLES** 15               **TO SPORTS FRANCHISES.**

16       (a) IN GENERAL.—Section 197(e) (relating to excep-  
 17 tions to definition of section 197 intangible) is amended  
 18 by striking paragraph (6) and by redesignating para-  
 19 graphs (7) and (8) as paragraphs (6) and (7), respectively.

20       (b) CONFORMING AMENDMENTS.—

21               (1)(A) Section 1056 (relating to basis limitation  
 22 for player contracts transferred in connection with  
 23 the sale of a franchise) is repealed.

1 (B) The table of sections for part IV of sub-  
 2 chapter O of chapter 1 is amended by striking the  
 3 item relating to section 1056.

4 (2) Section 1245(a) (relating to gain from dis-  
 5 position of certain depreciable property) is amended  
 6 by striking paragraph (4).

7 (3) Section 1253 (relating to transfers of fran-  
 8 chises, trademarks, and trade names) is amended by  
 9 striking subsection (e).

10 (c) EFFECTIVE DATES.—

11 (1) IN GENERAL.—Except as provided in para-  
 12 graph (2), the amendments made by this section  
 13 shall apply to property acquired after the date of the  
 14 enactment of this Act.

15 (2) SECTION 1245.—The amendment made by  
 16 subsection (b)(2) shall apply to franchises acquired  
 17 after the date of the enactment of this Act.

18 **SEC. 532. CLASS LIVES FOR UTILITY GRADING COSTS.**

19 (a) GAS UTILITY PROPERTY.—Section 168(e)(3)(E)  
 20 (defining 15-year property) is amended by striking “and”  
 21 at the end of clause (ii), by striking the period at the end  
 22 of clause (iii) and inserting “, and”, and by adding at the  
 23 end the following new clause:

1                   “(iv) initial clearing and grading land  
2                   improvements with respect to gas utility  
3                   property.”.

4           (b)   ELECTRIC   UTILITY   PROPERTY.—Section  
5   168(e)(3) is amended by adding at the end the following  
6   new subparagraph:

7                   “(F) 20-YEAR PROPERTY.—The term ‘20-  
8                   year property’ means initial clearing and grad-  
9                   ing land improvements with respect to any elec-  
10                  tric utility transmission and distribution  
11                  plant.”.

12          (c) CONFORMING AMENDMENTS.—The table con-  
13   tained in section 168(g)(3)(B) is amended by adding at  
14   the end the following new items:

“(E)(iv) .....	20
“(F) .....	25”.

15          (d) EFFECTIVE DATE.—The amendments made by  
16   this section shall apply to property placed in service after  
17   the date of the enactment of this Act.

18   **SEC. 533. MODIFICATION OF CONTINUING LEVY ON PAY-**  
19                   **MENTS TO FEDERAL VENDERS.**

20          (a) IN GENERAL.—Section 6331(h) (relating to con-  
21   tinuing levy on certain payments) is amended by adding  
22   at the end the following new paragraph:

23                   “(3) INCREASE IN LEVY FOR CERTAIN PAY-  
24                  MENTS.—Paragraph (1) shall be applied by sub-

1       stituting ‘100 percent’ for ‘15 percent’ in the case  
2       of any specified payment due to a vendor of goods  
3       or services sold or leased to the Federal Govern-  
4       ment.”.

5       (b) EFFECTIVE DATE.—The amendment made by  
6       this section shall take effect on the date of the enactment  
7       of this Act.

○