

108TH CONGRESS
2D SESSION

H. R. 5146

To amend the Internal Revenue Code of 1986 to provide incentives for
alternative fuels and alternative fuel vehicles.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 23, 2004

Mr. RUPPERSBERGER (for himself and Mr. GILCHREST) introduced the
following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide
incentives for alternative fuels and alternative fuel vehicles.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Common Sense Automobile Efficiency Act of 2004”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. REPEAL OF PHASEOUTS FOR QUALIFIED ELECTRIC**
 4 **VEHICLE CREDIT AND DEDUCTION FOR**
 5 **CLEAN-FUEL VEHICLES.**

6 (a) CREDIT FOR QUALIFIED ELECTRIC VEHICLES.—
 7 Subsection (b) of section 30 (relating to limitations) is
 8 amended by striking paragraph (2) and redesignating
 9 paragraph (3) as paragraph (2).

10 (b) DEDUCTION FOR CLEAN-FUEL VEHICLES AND
 11 CERTAIN REFUELING PROPERTY.—Paragraph (1) of sec-
 12 tion 179A(b) (relating to qualified clean-fuel vehicle prop-
 13 erty) is amended to read as follows:

14 “(1) QUALIFIED CLEAN-FUEL VEHICLE PROP-
 15 erty.—The cost which may be taken into account
 16 under subsection (a)(1)(A) with respect to any
 17 motor vehicle shall not exceed—

18 “(A) in the case of a motor vehicle not de-
 19 scribed in subparagraph (B) or (C), \$2,000,

20 “(B) in the case of any truck or van with
 21 a gross vehicle weight rating greater than
 22 10,000 pounds but not greater than 26,000
 23 pounds, \$5,000, or

24 “(C) \$50,000 in the case of—

1 “(i) a truck or van with a gross vehi-
 2 cle weight rating greater than 26,000
 3 pounds, or

4 “(ii) any bus which has a seating ca-
 5 pacity of at least 20 adults (not including
 6 the driver).”.

7 (c) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to property placed in service after
 9 the date of the enactment of this Act.

10 **SEC. 3. ALTERNATIVE MOTOR VEHICLE CREDIT.**

11 (a) IN GENERAL.—Subpart B of part IV of sub-
 12 chapter A of chapter 1 (relating to foreign tax credit, etc.)
 13 is amended by adding at the end the following:

14 **“SEC. 30B. ALTERNATIVE MOTOR VEHICLE CREDIT.**

15 “(a) ALLOWANCE OF CREDIT.—There shall be al-
 16 lowed as a credit against the tax imposed by this chapter
 17 for the taxable year an amount equal to the sum of—

18 “(1) the new qualified fuel cell motor vehicle
 19 credit determined under subsection (b),

20 “(2) the new advanced lean burn technology
 21 motor vehicle credit determined under subsection (c),

22 “(3) the new qualified hybrid motor vehicle
 23 credit determined under subsection (d), and

24 “(4) the new qualified alternative fuel motor ve-
 25 hicle credit determined under subsection (e).

1 “(b) NEW QUALIFIED FUEL CELL MOTOR VEHICLE
2 CREDIT.—

3 “(1) IN GENERAL.—For purposes of subsection
4 (a), the new qualified fuel cell motor vehicle credit
5 determined under this subsection with respect to a
6 new qualified fuel cell motor vehicle placed in service
7 by the taxpayer during the taxable year shall be de-
8 termined in accordance with the following table:

“In the case of a vehicle which has a gross vehicle weight rat- ing of—	The new qualified fuel cell motor vehicle credit is—
Not more than 8,500 lbs	\$4,000
More than 8,500 lbs but not more than 14,000 lbs	\$10,000
More than 14,000 lbs but not more than 26,000 lbs	\$20,000
More than 26,000 lbs	\$40,000.

9 “(2) INCREASE FOR FUEL EFFICIENCY.—

10 “(A) IN GENERAL.—The amount deter-
11 mined under paragraph (1) with respect to a
12 new qualified fuel cell motor vehicle which is a
13 passenger automobile or light truck shall be in-
14 creased by the additional credit amount.

15 “(B) ADDITIONAL CREDIT AMOUNT.—For
16 purposes of subparagraph (A), the additional
17 credit amount shall be determined in accord-
18 ance with the following table:

“In the case of a vehicle which achieves a fuel economy (ex- pressed as a percentage of the 2002 model year city fuel econ- omy) of—	The additional credit amount is—
At least 150 percent but less than 175 percent	\$1,000
At least 175 percent but less than 200 percent	\$1,500
At least 200 percent but less than 225 percent	\$2,000

“In the case of a vehicle which achieves a fuel economy (expressed as a percentage of the 2002 model year city fuel economy) of—

The additional credit amount is—

At least 225 percent but less than 250 percent	\$2,500
At least 250 percent but less than 275 percent	\$3,000
At least 275 percent but less than 300 percent	\$3,500
At least 300 percent	\$4,000.

1 “(3) NEW QUALIFIED FUEL CELL MOTOR VEHI-
2 CLE.—For purposes of this subsection, the term
3 ‘new qualified fuel cell motor vehicle’ means a motor
4 vehicle—

5 “(A) which is propelled by power derived
6 from one or more cells which convert chemical
7 energy directly into electricity by combining ox-
8 ygen with hydrogen fuel which is stored on
9 board the vehicle in any form and may or may
10 not require reformation prior to use,

11 “(B) which, in the case of a passenger
12 automobile or light truck, has received—

13 “(i) a certificate of conformity under
14 the Clean Air Act and meets or exceeds the
15 equivalent qualifying California low emis-
16 sion vehicle standard under section
17 243(e)(2) of the Clean Air Act for that
18 make and model year, and

19 “(ii) a certificate that such vehicle
20 meets or exceeds the Bin 5 Tier II emis-
21 sion standard established in regulations

1 prescribed by the Administrator of the En-
 2 vironmental Protection Agency under sec-
 3 tion 202(i) of the Clean Air Act for that
 4 make and model year vehicle,

5 “(C) the original use of which commences
 6 with the taxpayer,

7 “(D) which is acquired for use or lease by
 8 the taxpayer and not for resale, and

9 “(E) which is made by a manufacturer.

10 “(c) NEW ADVANCED LEAN BURN TECHNOLOGY
 11 MOTOR VEHICLE CREDIT.—

12 “(1) IN GENERAL.—For purposes of subsection
 13 (a), the new advanced lean burn technology motor
 14 vehicle credit determined under this subsection with
 15 respect to a new advanced lean burn technology
 16 motor vehicle placed in service by the taxpayer dur-
 17 ing the taxable year is the credit amount determined
 18 under paragraph (2).

19 “(2) CREDIT AMOUNT.—

20 “(A) FUEL ECONOMY.—The credit amount
 21 determined under this paragraph shall be deter-
 22 mined in accordance with the following table:

**“In the case of a vehicle which
 achieves a fuel economy (ex-
 pressed as a percentage of the
 2002 model year city fuel econ-
 omy) of—**

	The credit amount is—
At least 125 percent but less than 150 percent	\$400
At least 150 percent but less than 175 percent	\$800

“In the case of a vehicle which achieves a fuel economy (expressed as a percentage of the 2002 model year city fuel economy) of—

	The credit amount is—
At least 175 percent but less than 200 percent	\$1,200
At least 200 percent but less than 225 percent	\$1,600
At least 225 percent but less than 250 percent	\$2,000
At least 250 percent	\$2,400.

1 “(B) CONSERVATION CREDIT.—The
2 amount determined under subparagraph (A)
3 with respect to a new advanced lean burn tech-
4 nology motor vehicle shall be increased by the
5 conservation credit amount determined in ac-
6 cordance with the following table:

“In the case of a vehicle which achieves a lifetime fuel savings (expressed in gallons of gasoline) of—

	The conservation credit amount is—
At least 1,200 but less than 1,800	\$250
At least 1,800 but less than 2,400	\$500
At least 2,400 but less than 3,000	\$750
At least 3,000	\$1,000.

7 “(3) NEW ADVANCED LEAN BURN TECHNOLOGY
8 MOTOR VEHICLE.—For purposes of this subsection,
9 the term ‘new advanced lean burn technology motor
10 vehicle’ means a passenger automobile or a light
11 truck—

12 “(A) with an internal combustion engine
13 which—

14 “(i) is designed to operate primarily
15 using more air than is necessary for com-
16 plete combustion of the fuel,

17 “(ii) incorporates direct injection,

1 “(iii) achieves at least 125 percent of
2 the 2002 model year city fuel economy,
3 and

4 “(iv) for 2004 and later model vehi-
5 cles, has received a certificate that such ve-
6 hicle meets or exceeds—

7 “(I) in the case of a vehicle hav-
8 ing a gross vehicle weight rating of
9 6,000 pounds or less, the Bin 5 Tier
10 II emission standard established in
11 regulations prescribed by the Adminis-
12 trator of the Environmental Protec-
13 tion Agency under section 202(i) of
14 the Clean Air Act for that make and
15 model year vehicle, and

16 “(II) in the case of a vehicle hav-
17 ing a gross vehicle weight rating of
18 more than 6,000 pounds but not more
19 than 8,500 pounds, the Bin 8 Tier II
20 emission standard which is so estab-
21 lished,

22 “(B) the original use of which commences
23 with the taxpayer,

24 “(C) which is acquired for use or lease by
25 the taxpayer and not for resale, and

1 “(D) which is made by a manufacturer.

2 “(4) LIFETIME FUEL SAVINGS.—For purposes
3 of this subsection, the term ‘lifetime fuel savings’
4 means, in the case of any new advanced lean burn
5 technology motor vehicle, an amount equal to the ex-
6 cess (if any) of—

7 “(A) 120,000 divided by the 2002 model
8 year city fuel economy for the vehicle inertia
9 weight class, over

10 “(B) 120,000 divided by the city fuel econ-
11 omy for such vehicle.

12 “(d) NEW QUALIFIED HYBRID MOTOR VEHICLE
13 CREDIT.—

14 “(1) IN GENERAL.—For purposes of subsection
15 (a), the new qualified hybrid motor vehicle credit de-
16 termined under this subsection with respect to a new
17 qualified hybrid motor vehicle placed in service by
18 the taxpayer during the taxable year is the credit
19 amount determined under paragraph (2).

20 “(2) CREDIT AMOUNT.—

21 “(A) CREDIT AMOUNT FOR PASSENGER
22 AUTOMOBILES AND LIGHT TRUCKS.—In the
23 case of a new qualified hybrid motor vehicle
24 which is a passenger automobile or light truck
25 and which has a gross vehicle weight rating of

1 not more than 8,500 pounds, the amount deter-
2 mined under this paragraph is the sum of the
3 amounts determined under clauses (i) and (ii).

4 “(i) FUEL ECONOMY.—The amount
5 determined under this clause is the amount
6 which would be determined under sub-
7 section (c)(2)(A) if such vehicle were a ve-
8 hicle referred to in such subsection.

9 “(ii) CONSERVATION CREDIT.—The
10 amount determined under this clause is the
11 amount which would be determined under
12 subsection (c)(2)(B) if such vehicle were a
13 vehicle referred to in such subsection.

14 “(B) CREDIT AMOUNT FOR OTHER MOTOR
15 VEHICLES.—

16 “(i) IN GENERAL.—In the case of any
17 new qualified hybrid motor vehicle to which
18 subparagraph (A) does not apply, the
19 amount determined under this paragraph
20 is the amount equal to the applicable per-
21 centage of the qualified incremental hybrid
22 cost of the vehicle as certified under clause
23 (v).

1 “(ii) APPLICABLE PERCENTAGE.—For
2 purposes of clause (i), the applicable per-
3 centage is—

4 “(I) 20 percent if the vehicle
5 achieves an increase in city fuel econ-
6 omy relative to a comparable vehicle
7 of at least 30 percent but less than 40
8 percent,

9 “(II) 30 percent if the vehicle
10 achieves such an increase of at least
11 40 percent but less than 50 percent,
12 and

13 “(III) 40 percent if the vehicle
14 achieves such an increase of at least
15 50 percent.

16 “(iii) QUALIFIED INCREMENTAL HY-
17 BRID COST.—For purposes of this subpara-
18 graph, the qualified incremental hybrid
19 cost of any vehicle is equal to the amount
20 of the excess of the manufacturer’s sug-
21 gested retail price for such vehicle over
22 such price for a comparable vehicle, to the
23 extent such amount does not exceed—

1 “(I) \$7,500, if such vehicle has a
2 gross vehicle weight rating of not
3 more than 14,000 pounds,

4 “(II) \$15,000, if such vehicle has
5 a gross vehicle weight rating of more
6 than 14,000 pounds but not more
7 than 26,000 pounds, and

8 “(III) \$30,000, if such vehicle
9 has a gross vehicle weight rating of
10 more than 26,000 pounds.

11 “(iv) COMPARABLE VEHICLE.—For
12 purposes of this subparagraph, the term
13 ‘comparable vehicle’ means, with respect to
14 any new qualified hybrid motor vehicle,
15 any vehicle which is powered solely by a
16 gasoline or diesel internal combustion en-
17 gine and which is comparable in weight,
18 size, and use to such vehicle.

19 “(v) CERTIFICATION.—A certification
20 described in clause (i) shall be made by the
21 manufacturer and shall be determined in
22 accordance with guidance prescribed by the
23 Secretary. Such guidance shall specify pro-
24 cedures and methods for calculating fuel

1 economy savings and incremental hybrid
2 costs.

3 “(3) NEW QUALIFIED HYBRID MOTOR VEHI-
4 CLE.—For purposes of this subsection—

5 “(A) IN GENERAL.—The term ‘new quali-
6 fied hybrid motor vehicle’ means a motor vehi-
7 cle—

8 “(i) which draws propulsion energy
9 from onboard sources of stored energy
10 which are both—

11 “(I) an internal combustion or
12 heat engine using consumable fuel,
13 and

14 “(II) a rechargeable energy stor-
15 age system,

16 “(ii) which, in the case of a vehicle to
17 which paragraph (2)(A) applies, has re-
18 ceived a certificate of conformity under the
19 Clean Air Act and meets or exceeds the
20 equivalent qualifying California low emis-
21 sion vehicle standard under section
22 243(e)(2) of the Clean Air Act for that
23 make and model year, and

24 “(I) in the case of a vehicle hav-
25 ing a gross vehicle weight rating of

1 6,000 pounds or less, the Bin 5 Tier
2 II emission standard established in
3 regulations prescribed by the Adminis-
4 trator of the Environmental Protec-
5 tion Agency under section 202(i) of
6 the Clean Air Act for that make and
7 model year vehicle, and

8 “(II) in the case of a vehicle hav-
9 ing a gross vehicle weight rating of
10 more than 6,000 pounds but not more
11 than 8,500 pounds, the Bin 8 Tier II
12 emission standard which is so estab-
13 lished,

14 “(iii) which has a maximum available
15 power of at least—

16 “(I) 4 percent in the case of a ve-
17 hicle to which paragraph (2)(A) ap-
18 plies,

19 “(II) 10 percent in the case of a
20 vehicle which has a gross vehicle
21 weight rating or more than 8,500
22 pounds and not than 14,000 pounds,
23 and

24 “(III) 15 percent in the case of a
25 vehicle in excess of 14,000 pounds,

1 “(iv) which, in the case of a vehicle to
2 which paragraph (2)(B) applies, has an in-
3 ternal combustion or heat engine which
4 has received a certificate of conformity
5 under the Clean Air Act as meeting the
6 emission standards set in the regulations
7 prescribed by the Administrator of the En-
8 vironmental Protection Agency for 2004
9 through 2007 model year diesel heavy duty
10 engines or ottocycle heavy duty engines, as
11 applicable,

12 “(v) the original use of which com-
13 mences with the taxpayer,

14 “(vi) which is acquired for use or
15 lease by the taxpayer and not for resale,
16 and

17 “(vii) which is made by a manufac-
18 turer.

19 Such term shall not include any vehicle which
20 is not a passenger automobile or light truck if
21 such vehicle has a gross vehicle weight rating of
22 less than 8,500 pounds.

23 “(B) CONSUMABLE FUEL.—For purposes
24 of subparagraph (A)(i)(I), the term ‘consumable
25 fuel’ means any solid, liquid, or gaseous matter

1 which releases energy when consumed by an
2 auxiliary power unit.

3 “(C) MAXIMUM AVAILABLE POWER.—

4 “(i) CERTAIN PASSENGER AUTO-
5 MOBILES AND LIGHT TRUCKS.—In the case
6 of a vehicle to which paragraph (2)(A) ap-
7 plies, the term ‘maximum available power’
8 means the maximum power available from
9 the rechargeable energy storage system,
10 during a standard 10 second pulse power
11 or equivalent test, divided by such max-
12 imum power and the SAE net power of the
13 heat engine.

14 “(ii) OTHER MOTOR VEHICLES.—In
15 the case of a vehicle to which paragraph
16 (2)(B) applies, the term ‘maximum avail-
17 able power’ means the maximum power
18 available from the rechargeable energy
19 storage system, during a standard 10 sec-
20 ond pulse power or equivalent test, divided
21 by the vehicle’s total traction power. For
22 purposes of the preceding sentence, the
23 term ‘total traction power’ means the sum
24 of the peak power from the rechargeable
25 energy storage system and the heat engine

1 peak power of the vehicle, except that if
2 such storage system is the sole means by
3 which the vehicle can be driven, the total
4 traction power is the peak power of such
5 storage system.

6 “(e) NEW QUALIFIED ALTERNATIVE FUEL MOTOR
7 VEHICLE CREDIT.—

8 “(1) ALLOWANCE OF CREDIT.—Except as pro-
9 vided in paragraph (5), the new qualified alternative
10 fuel motor vehicle credit determined under this sub-
11 section is an amount equal to the applicable percent-
12 age of the incremental cost of any new qualified al-
13 ternative fuel motor vehicle placed in service by the
14 taxpayer during the taxable year.

15 “(2) APPLICABLE PERCENTAGE.—For purposes
16 of paragraph (1), the applicable percentage with re-
17 spect to any new qualified alternative fuel motor ve-
18 hicle is—

19 “(A) 40 percent, plus

20 “(B) 30 percent, if such vehicle—

21 “(i) has received a certificate of con-
22 formity under the Clean Air Act and meets
23 or exceeds the most stringent standard
24 available for certification under the Clean
25 Air Act for that make and model year vehi-

1 cle (other than a zero emission standard),
2 or

3 “(ii) has received an order certifying
4 the vehicle as meeting the same require-
5 ments as vehicles which may be sold or
6 leased in California and meets or exceeds
7 the most stringent standard available for
8 certification under the State laws of Cali-
9 fornia (enacted in accordance with a waiv-
10 er granted under section 209(b) of the
11 Clean Air Act) for that make and model
12 year vehicle (other than a zero emission
13 standard).

14 For purposes of the preceding sentence, in the case
15 of any new qualified alternative fuel motor vehicle
16 which has a gross vehicle weight rating of more than
17 14,000 pounds, the most stringent standard avail-
18 able shall be such standard available for certification
19 on the date of the enactment of the Energy Tax Pol-
20 icy Act of 2003.

21 “(3) INCREMENTAL COST.—For purposes of
22 this subsection, the incremental cost of any new
23 qualified alternative fuel motor vehicle is equal to
24 the amount of the excess of the manufacturer’s sug-
25 gested retail price for such vehicle over such price

1 for a gasoline or diesel fuel motor vehicle of the
2 same model, to the extent such amount does not ex-
3 ceed—

4 “(A) \$5,000, if such vehicle has a gross ve-
5 hicle weight rating of not more than 8,500
6 pounds,

7 “(B) \$10,000, if such vehicle has a gross
8 vehicle weight rating of more than 8,500
9 pounds but not more than 14,000 pounds,

10 “(C) \$25,000, if such vehicle has a gross
11 vehicle weight rating of more than 14,000
12 pounds but not more than 26,000 pounds, and

13 “(D) \$40,000, if such vehicle has a gross
14 vehicle weight rating of more than 26,000
15 pounds.

16 “(4) NEW QUALIFIED ALTERNATIVE FUEL
17 MOTOR VEHICLE.—For purposes of this sub-
18 section—

19 “(A) IN GENERAL.—The term ‘new quali-
20 fied alternative fuel motor vehicle’ means any
21 motor vehicle—

22 “(i) which is only capable of operating
23 on an alternative fuel,

24 “(ii) the original use of which com-
25 mences with the taxpayer,

1 “(iii) which is acquired by the tax-
 2 payer for use or lease, but not for resale,
 3 and

4 “(iv) which is made by a manufac-
 5 turer.

6 “(B) ALTERNATIVE FUEL.—The term ‘al-
 7 ternative fuel’ means compressed natural gas,
 8 liquefied natural gas, liquefied petroleum gas,
 9 hydrogen, and any liquid at least 85 percent of
 10 the volume of which consists of methanol.

11 “(5) CREDIT FOR MIXED-FUEL VEHICLES.—

12 “(A) IN GENERAL.—In the case of a
 13 mixed-fuel vehicle placed in service by the tax-
 14 payer during the taxable year, the credit deter-
 15 mined under this subsection is an amount equal
 16 to—

17 “(i) in the case of a 75/25 mixed-fuel
 18 vehicle, 70 percent of the credit which
 19 would have been allowed under this sub-
 20 section if such vehicle was a qualified alter-
 21 native fuel motor vehicle, and

22 “(ii) in the case of a 90/10 mixed-fuel
 23 vehicle, 90 percent of the credit which
 24 would have been allowed under this sub-

1 section if such vehicle was a qualified alter-
2 native fuel motor vehicle.

3 “(B) MIXED-FUEL VEHICLE.—For pur-
4 poses of this subsection, the term ‘mixed-fuel
5 vehicle’ means any motor vehicle described in
6 subparagraph (C) or (D) of paragraph (3),
7 which—

8 “(i) is certified by the manufacturer
9 as being able to perform efficiently in nor-
10 mal operation on a combination of an al-
11 ternative fuel and a petroleum-based fuel,

12 “(ii) either—

13 “(I) has received a certificate of
14 conformity under the Clean Air Act,
15 or

16 “(II) has received an order certi-
17 fying the vehicle as meeting the same
18 requirements as vehicles which may be
19 sold or leased in California and meets
20 or exceeds the low emission vehicle
21 standard under section 88.105–94 of
22 title 40, Code of Federal Regulations,
23 for that make and model year vehicle,

24 “(iii) the original use of which com-
25 mences with the taxpayer,

1 “(iv) which is acquired by the tax-
2 payer for use or lease, but not for resale,
3 and

4 “(v) which is made by a manufac-
5 turer.

6 “(C) 75/25 MIXED-FUEL VEHICLE.—For
7 purposes of this subsection, the term ‘75/25
8 mixed-fuel vehicle’ means a mixed-fuel vehicle
9 which operates using at least 75 percent alter-
10 native fuel and not more than 25 percent petro-
11 leum-based fuel.

12 “(D) 90/10 MIXED-FUEL VEHICLE.—For
13 purposes of this subsection, the term ‘90/10
14 mixed-fuel vehicle’ means a mixed-fuel vehicle
15 which operates using at least 90 percent alter-
16 native fuel and not more than 10 percent petro-
17 leum-based fuel.

18 “(f) LIMITATION ON NUMBER OF NEW QUALIFIED
19 HYBRID AND ADVANCED LEAN-BURN TECHNOLOGY VE-
20 HICLES ELIGIBLE FOR CREDIT.—

21 “(1) IN GENERAL.—In the case of a qualified
22 vehicle sold during the phaseout period, only the ap-
23 plicable percentage of the credit otherwise allowable
24 under subsection (c) or (d) shall be allowed.

1 “(2) PHASEOUT PERIOD.—For purposes of this
2 subsection, the phaseout period is the period begin-
3 ning with the second calendar quarter following the
4 calendar quarter which includes the first date on
5 which the number of qualified vehicles manufactured
6 by the manufacturer of the vehicle referred to in
7 paragraph (1) sold for use in the United States after
8 the date of the enactment of this section is at least
9 80,000.

10 “(3) APPLICABLE PERCENTAGE.—For purposes
11 of paragraph (1), the applicable percentage is—

12 “(A) 50 percent for the first 2 calendar
13 quarters of the phaseout period,

14 “(B) 25 percent for the 3d and 4th cal-
15 endar quarters of the phaseout period, and

16 “(C) 0 percent for each calendar quarter
17 thereafter.

18 “(4) CONTROLLED GROUPS.—

19 “(A) IN GENERAL.—For purposes of this
20 subsection, all persons treated as a single em-
21 ployer under subsection (a) or (b) of section 52
22 or subsection (m) or (o) of section 414 shall be
23 treated as a single manufacturer.

24 “(B) INCLUSION OF FOREIGN CORPORA-
25 TIONS.—For purposes of subparagraph (A), in

1 applying subsections (a) and (b) of section 52
2 to this section, section 1563 shall be applied
3 without regard to subsection (b)(2)(C) thereof.

4 “(5) QUALIFIED VEHICLE.—For purposes of
5 this subsection, the term ‘qualified vehicle’ means
6 any new qualified hybrid motor vehicle and any new
7 advanced lean burn technology motor vehicle.

8 “(g) LIMITATION BASED ON AMOUNT OF TAX.—The
9 credit allowed under subsection (a) for the taxable year
10 shall not exceed the excess of—

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

14 “(2) the sum of the credits allowable under sub-
15 part A and sections 27 and 30 for the taxable year.

16 “(h) OTHER DEFINITIONS AND SPECIAL RULES.—
17 For purposes of this section—

18 “(1) MOTOR VEHICLE.—The term ‘motor vehi-
19 cle’ has the meaning given such term by section
20 30(c)(2).

21 “(2) OTHER TERMS.—The terms ‘automobile’,
22 ‘passenger automobile’, ‘light truck’, and ‘manufac-
23 turer’ have the meanings given such terms in regula-
24 tions prescribed by the Administrator of the Envi-
25 ronmental Protection Agency for purposes of the ad-

1 ministration of title II of the Clean Air Act (42
2 U.S.C. 7521 et seq.).

3 “(3) 2002 MODEL YEAR CITY FUEL ECON-
4 OMY.—

5 “(A) IN GENERAL.—The 2002 model year
6 city fuel economy with respect to a vehicle shall
7 be determined in accordance with the following
8 tables:

9 “(i) In the case of a passenger auto-
10 mobile:

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

11 “(ii) In the case of a light truck:

“If vehicle inertia weight class is:	The 2002 model year city fuel economy is:
1,500 or 1,750 lbs	39.4 mpg
2,000 lbs	35.2 mpg
2,250 lbs	31.8 mpg
2,500 lbs	29.0 mpg
2,750 lbs	26.8 mpg
3,000 lbs	24.9 mpg
3,500 lbs	21.8 mpg
4,000 lbs	19.4 mpg
4,500 lbs	17.6 mpg
5,000 lbs	16.1 mpg
5,500 lbs	14.8 mpg
6,000 lbs	13.7 mpg

“If vehicle inertia weight class is:	The 2002 model year city fuel economy is:
6,500 lbs	12.8 mpg
7,000 to 8,500 lbs	12.1 mpg.

1 “(B) VEHICLE INERTIA WEIGHT CLASS.—

2 For purposes of subparagraph (A), the term
3 ‘vehicle inertia weight class’ has the same
4 meaning as when defined in regulations pre-
5 scribed by the Administrator of the Environ-
6 mental Protection Agency for purposes of the
7 administration of title II of the Clean Air Act
8 (42 U.S.C. 7521 et seq.).

9 “(4) FUEL ECONOMY.—Fuel economy with re-
10 spect to any vehicle shall be measured under rules
11 similar to the rules under section 4064(c).

12 “(5) REDUCTION IN BASIS.—For purposes of
13 this subtitle, if a credit is allowed under this section
14 for any expenditure with respect to any property, the
15 increase in the basis of such property which would
16 (but for this paragraph) result from such expendi-
17 ture shall be reduced by the amount of the credit so
18 allowed.

19 “(6) NO DOUBLE BENEFIT.—The amount of
20 any deduction or credit allowable under this chapter
21 (other than the credits allowable under this section
22 and section 30) shall be reduced by the amount of

1 credit allowed under subsection (a) for such vehicle
2 for the taxable year.

3 “(7) RECAPTURE.—The Secretary shall, by reg-
4 ulations, provide for recapturing the benefit of any
5 credit allowable under subsection (a) with respect to
6 any property which ceases to be property eligible for
7 such credit (including recapture in the case of a
8 lease period of less than the economic life of a vehi-
9 cle).

10 “(8) PROPERTY USED OUTSIDE UNITED
11 STATES, ETC., NOT QUALIFIED.—No credit shall be
12 allowed under subsection (a) with respect to any
13 property referred to in section 50(b) or with respect
14 to the portion of the cost of any property taken into
15 account under section 179.

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

20 “(10) BUSINESS CARRYOVERS ALLOWED.—If
21 the credit allowable under subsection (a) for a tax-
22 able year exceeds the limitation under subsection (g)
23 for such taxable year, such excess (to the extent of
24 the credit allowable with respect to property subject
25 to the allowance for depreciation) shall be allowed as

1 a credit carryback and carryforward under rules
2 similar to the rules of section 39.

3 “(11) INTERACTION WITH MOTOR VEHICLE
4 SAFETY STANDARDS.—Unless otherwise provided in
5 this section, a motor vehicle shall not be considered
6 eligible for a credit under this section unless such
7 vehicle is in compliance with the motor vehicle safety
8 provisions of sections 30101 through 30169 of title
9 49, United States Code.

10 “(i) REGULATIONS.—

11 “(1) IN GENERAL.—The Secretary shall pro-
12 mulgate such regulations as necessary to carry out
13 the provisions of this section.

14 “(2) DETERMINATION OF MOTOR VEHICLE ELI-
15 GIBILITY.—The Secretary, after coordination with
16 the Secretary of Transportation and the Adminis-
17 trator of the Environmental Protection Agency, shall
18 prescribe such regulations as necessary to determine
19 whether a motor vehicle meets the requirements to
20 be eligible for a credit under this section.

21 “(j) TERMINATION.—This section shall not apply to
22 any property placed in service after—

23 “(1) in the case of a new qualified alternative
24 fuel motor vehicle, December 31, 2006,

1 “(2) in the case of a new advanced lean burn
2 technology motor vehicle or a new qualified hybrid
3 motor vehicle, December 31, 2008, and

4 “(3) in the case of a new qualified fuel cell
5 motor vehicle, December 31, 2012.”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Section 30(d) (relating to special rules) is
8 amended by adding at the end the following new
9 paragraphs:

10 “(5) NO DOUBLE BENEFIT.—No credit shall be
11 allowed under this section for any motor vehicle for
12 which a credit is also allowed under section 30B.”.

13 (2) Section 1016(a) is amended by striking
14 “and” at the end of paragraph (27), by striking the
15 period at the end of paragraph (28) and inserting “,
16 and”, and by adding at the end the following:

17 “(29) to the extent provided in section
18 30B(h)(5).”.

19 (3) Section 6501(m) is amended by inserting
20 “30B(h)(9),” after “30(d)(4),”.

21 (4) The table of sections for subpart B of part
22 IV of subchapter A of chapter 1 is amended by in-
23 serting after the item relating to section 30A the fol-
24 lowing:

“Sec. 30B. Alternative motor vehicle credit.”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to property placed in service after
 3 the date of the enactment of this Act, in taxable years
 4 ending after such date.

5 (d) STICKER INFORMATION REQUIRED AT RETAIL
 6 SALE.—

7 (1) IN GENERAL.—The Secretary of the Treas-
 8 ury shall issue regulations under which each quali-
 9 fied vehicle sold at retail shall display a notice—

10 (A) that such vehicle is a qualified vehicle,
 11 and

12 (B) that the buyer may not benefit from
 13 the credit allowed under section 30B of the In-
 14 ternal Revenue Code of 1986 if such buyer has
 15 insufficient tax liability.

16 (2) QUALIFIED VEHICLE.—For purposes of
 17 paragraph (1), the term “qualified vehicle” means a
 18 vehicle with respect to which a credit is allowed
 19 under section 30B of the Internal Revenue Code of
 20 1986.

21 **SEC. 4. SMALL ETHANOL PRODUCER CREDIT.**

22 (a) ALLOCATION OF ALCOHOL FUELS CREDIT TO
 23 PATRONS OF A COOPERATIVE.—Section 40(g) (relating to
 24 definitions and special rules for eligible small ethanol pro-

1 ducer credit) is amended by adding at the end the fol-
 2 lowing new paragraph:

3 “(6) ALLOCATION OF SMALL ETHANOL PRO-
 4 DUCER CREDIT TO PATRONS OF COOPERATIVE.—

5 “(A) ELECTION TO ALLOCATE.—

6 “(i) IN GENERAL.—In the case of a
 7 cooperative organization described in sec-
 8 tion 1381(a), any portion of the credit de-
 9 termined under subsection (a)(3) for the
 10 taxable year may, at the election of the or-
 11 ganization, be apportioned pro rata among
 12 patrons of the organization on the basis of
 13 the quantity or value of business done with
 14 or for such patrons for the taxable year.

15 “(ii) FORM AND EFFECT OF ELEC-
 16 TION.—An election under clause (i) for any
 17 taxable year shall be made on a timely
 18 filed return for such year. Such election,
 19 once made, shall be irrevocable for such
 20 taxable year.

21 “(B) TREATMENT OF ORGANIZATIONS AND
 22 PATRONS.—The amount of the credit appor-
 23 tioned to patrons under subparagraph (A)—

24 “(i) shall not be included in the
 25 amount determined under subsection (a)

1 with respect to the organization for the
2 taxable year, and

3 “(ii) shall be included in the amount
4 determined under subsection (a) for the
5 taxable year of each patron for which the
6 patronage dividends for the taxable year
7 described in subparagraph (A) are included
8 in gross income.

9 “(C) SPECIAL RULE.—If the amount of a
10 credit which has been apportioned to any pa-
11 tron under this paragraph is decreased for any
12 reason—

13 “(i) such amount shall not increase
14 the tax imposed on such patron, and

15 “(ii) the tax imposed by this chapter
16 on such organization shall be increased by
17 such amount.

18 The increase under clause (ii) shall not be
19 treated as tax imposed by this chapter for pur-
20 poses of determining the amount of any credit
21 under this chapter or for purposes of section
22 55.”.

23 (b) DEFINITION OF SMALL ETHANOL PRODUCER.—

24 Section 40(g) (relating to definitions and special rules for
25 eligible small ethanol producer credit) is amended by strik-

1 ing “30,000,000” each place it appears and inserting
 2 “60,000,000”.

3 (c) CONFORMING AMENDMENT.—Section 1388 (re-
 4 lating to definitions and special rules for cooperative orga-
 5 nizations) is amended by adding at the end the following
 6 new subsection:

7 “(k) CROSS REFERENCE.—

**“For provisions relating to the apportionment of
 the alcohol fuels credit between cooperative organi-
 zations and their patrons, see section 40(g)(6).”.**

8 (d) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to taxable years beginning after
 10 December 31, 2003.

11 **SEC. 5. INCENTIVES FOR BIODIESEL.**

12 (a) IN GENERAL.—Subpart D of part IV of sub-
 13 chapter A of chapter 1 (relating to business related cred-
 14 its) is amended by inserting after section 40 the following
 15 new section:

16 **“SEC. 40A. BIODIESEL USED AS FUEL.**

17 “(a) GENERAL RULE.—For purposes of section 38,
 18 the biodiesel fuels credit determined under this section for
 19 the taxable year is an amount equal to the sum of—

20 “(1) the biodiesel mixture credit, plus

21 “(2) the biodiesel credit.

22 “(b) DEFINITION OF BIODIESEL MIXTURE CREDIT
 23 AND BIODIESEL CREDIT.—For purposes of this section—

24 “(1) BIODIESEL MIXTURE CREDIT.—

1 “(A) IN GENERAL.—The biodiesel mixture
2 credit of any taxpayer for any taxable year is
3 50 cents for each gallon of biodiesel used by the
4 taxpayer in the production of a qualified bio-
5 diesel mixture.

6 “(B) QUALIFIED BIODIESEL MIXTURE.—
7 The term ‘qualified biodiesel mixture’ means a
8 mixture of biodiesel and a taxable fuel (within
9 the meaning of section 4083(a)(1)) which—

10 “(i) is sold by the taxpayer producing
11 such mixture to any person for use as a
12 fuel, or

13 “(ii) is used as a fuel by the taxpayer
14 producing such mixture.

15 “(C) SALE OR USE MUST BE IN TRADE OR
16 BUSINESS, ETC.—Biodiesel used in the produc-
17 tion of a qualified biodiesel mixture shall be
18 taken into account—

19 “(i) only if the sale or use described
20 in subparagraph (B) is in a trade or busi-
21 ness of the taxpayer, and

22 “(ii) for the taxable year in which
23 such sale or use occurs.

24 “(D) CASUAL OFF-FARM PRODUCTION NOT
25 ELIGIBLE.—No credit shall be allowed under

1 this section with respect to any casual off-farm
2 production of a qualified biodiesel mixture.

3 “(2) BIODIESEL CREDIT.—

4 “(A) IN GENERAL.—The biodiesel credit of
5 any taxpayer for any taxable year is 50 cents
6 for each gallon of biodiesel which is not in a
7 mixture and which during the taxable year—

8 “(i) is used by the taxpayer as a fuel
9 in a trade or business, or

10 “(ii) is sold by the taxpayer at retail
11 to a person and placed in the fuel tank of
12 such person’s vehicle.

13 “(B) USER CREDIT NOT TO APPLY TO BIO-
14 DIESEL SOLD AT RETAIL.—No credit shall be
15 allowed under subparagraph (A)(i) with respect
16 to any biodiesel which was sold in a retail sale
17 described in subparagraph (A)(ii).

18 “(3) CREDIT FOR AGRI-BIODIESEL.—In the
19 case of any biodiesel which is agri-biodiesel, para-
20 graphs (1)(A) and (2)(A) shall be applied by sub-
21 stituting ‘\$1.00’ for ‘50 cents’.

22 “(4) CERTIFICATION FOR BIODIESEL.—No
23 credit shall be allowed under this section unless the
24 taxpayer obtains a certification (in such form and
25 manner as prescribed by the Secretary) from the

1 producer of the biodiesel which identifies the product
2 produced and the percentage of biodiesel and agri-
3 biodiesel in the product.

4 “(c) COORDINATION WITH CREDIT AGAINST EXCISE
5 TAX.—The amount of the credit determined under this
6 section with respect to any biodiesel shall be properly re-
7 duced to take into account any benefit provided with re-
8 spect to such biodiesel solely by reason of the application
9 of section 6426.

10 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
11 poses of this section—

12 “(1) BIODIESEL.—The term ‘biodiesel’ means
13 the monoalkyl esters of long chain fatty acids de-
14 rived from plant or animal matter which meet—

15 “(A) the registration requirements for
16 fuels and fuel additives established by the Envi-
17 ronmental Protection Agency under section 211
18 of the Clean Air Act (42 U.S.C. 7545), and

19 “(B) the requirements of the American So-
20 ciety of Testing and Materials D6751.

21 “(2) AGRI-BIODIESEL.—The term ‘agri-bio-
22 diesel’ means biodiesel derived solely from virgin oils,
23 including esters derived from virgin vegetable oils
24 from corn, soybeans, sunflower seeds, cottonseeds,

1 canola, crambe, rapeseeds, safflowers, flaxseeds, rice
2 bran, and mustard seeds, and from animal fats.

3 “(3) MIXTURE OR BIODIESEL NOT USED AS A
4 FUEL, ETC.—

5 “(A) MIXTURES.—If—

6 “(i) any credit was determined under
7 this section with respect to biodiesel used
8 in the production of any qualified biodiesel
9 mixture, and

10 “(ii) any person—

11 “(I) separates the biodiesel from
12 the mixture, or

13 “(II) without separation, uses the
14 mixture other than as a fuel,

15 then there is hereby imposed on such person a
16 tax equal to the product of the rate applicable
17 under subsection (b)(1)(A) and the number of
18 gallons of such biodiesel in such mixture.

19 “(B) BIODIESEL.—If—

20 “(i) any credit was determined under
21 this section with respect to the retail sale
22 of any biodiesel, and

23 “(ii) any person mixes such biodiesel
24 or uses such biodiesel other than as a fuel,

1 then there is hereby imposed on such person a
 2 tax equal to the product of the rate applicable
 3 under subsection (b)(2)(A) and the number of
 4 gallons of such biodiesel.

5 “(C) APPLICABLE LAWS.—All provisions of
 6 law, including penalties, shall, insofar as appli-
 7 cable and not inconsistent with this section,
 8 apply in respect of any tax imposed under sub-
 9 paragraph (A) or (B) as if such tax were im-
 10 posed by section 4081 and not by this chapter.

11 “(4) PASS-THRU IN THE CASE OF ESTATES AND
 12 TRUSTS.—Under regulations prescribed by the Sec-
 13 retary, rules similar to the rules of subsection (d) of
 14 section 52 shall apply.

15 “(e) TERMINATION.—This section shall not apply to
 16 any sale or use after December 31, 2005.”.

17 (b) CREDIT TREATED AS PART OF GENERAL BUSI-
 18 NESS CREDIT.—Section 38(b) (relating to current year
 19 business credit) is amended by striking “plus” at the end
 20 of paragraph (16), by striking the period at the end of
 21 paragraph (17) and inserting “, plus”, and by adding at
 22 the end the following new paragraph:

23 “(18) the biodiesel fuels credit determined
 24 under section 40A(a).”.

25 (c) CONFORMING AMENDMENTS.—

1 (1)(A) Section 87 is amended to read as fol-
2 lows:

3 **“SEC. 87. ALCOHOL AND BIODIESEL FUELS CREDITS.**

4 “Gross income includes—

5 “(1) the amount of the alcohol fuels credit de-
6 termined with respect to the taxpayer for the taxable
7 year under section 40(a), and

8 “(2) the biodiesel fuels credit determined with
9 respect to the taxpayer for the taxable year under
10 section 40A(a).”.

11 (B) The item relating to section 87 in the table
12 of sections for part II of subchapter B of chapter 1
13 is amended by striking “fuel credit” and inserting
14 “and biodiesel fuels credits”.

15 (2) Section 196(c) is amended by striking
16 “and” at the end of paragraph (9), by striking the
17 period at the end of paragraph (10) and inserting “,
18 and”, and by adding at the end the following new
19 paragraph:

20 “(11) the biodiesel fuels credit determined
21 under section 40A(a).”.

22 (3) The table of sections for subpart D of part
23 IV of subchapter A of chapter 1 is amended by add-
24 ing after the item relating to section 40 the fol-
25 lowing new item:

 “Sec. 40A. Biodiesel used as fuel.”.

1 (d) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to fuel produced, and sold or used,
 3 after December 31, 2003, in taxable years ending after
 4 such date.

5 **SEC. 6. ALCOHOL FUEL AND BIODIESEL MIXTURES EXCISE**
 6 **TAX CREDIT.**

7 (a) IN GENERAL.—Subchapter B of chapter 65 (re-
 8 lating to rules of special application) is amended by insert-
 9 ing after section 6425 the following new section:

10 **“SEC. 6426. CREDIT FOR ALCOHOL FUEL AND BIODIESEL**
 11 **MIXTURES.**

12 “(a) ALLOWANCE OF CREDITS.—There shall be al-
 13 lowed as a credit against the tax imposed by section 4081
 14 an amount equal to the sum of—

15 “(1) the alcohol fuel mixture credit, plus

16 “(2) the biodiesel mixture credit.

17 “(b) ALCOHOL FUEL MIXTURE CREDIT.—

18 “(1) IN GENERAL.—For purposes of this sec-
 19 tion, the alcohol fuel mixture credit is the product
 20 of the applicable amount and the number of gallons
 21 of alcohol used by the taxpayer in producing any al-
 22 cohol fuel mixture for sale or use in a trade or busi-
 23 ness of the taxpayer.

24 “(2) APPLICABLE AMOUNT.—For purposes of
 25 this subsection—

1 “(A) IN GENERAL.—Except as provided in
2 subparagraph (B), the applicable amount is 52
3 cents (51 cents in the case of any sale or use
4 after 2004).

5 “(B) MIXTURES NOT CONTAINING ETH-
6 ANOL.—In the case of an alcohol fuel mixture
7 in which none of the alcohol consists of ethanol,
8 the applicable amount is 60 cents.

9 “(3) ALCOHOL FUEL MIXTURE.—For purposes
10 of this subsection, the term ‘alcohol fuel mixture’
11 means a mixture of alcohol and a taxable fuel
12 which—

13 “(A) is sold by the taxpayer producing
14 such mixture to any person for use as a fuel,

15 “(B) is used as a fuel by the taxpayer pro-
16 ducing such mixture, or

17 “(C) is removed from the refinery by a
18 person producing such mixture.

19 “(4) OTHER DEFINITIONS.—For purposes of
20 this subsection—

21 “(A) ALCOHOL.—The term ‘alcohol’ in-
22 cludes methanol and ethanol but does not in-
23 clude—

24 “(i) alcohol produced from petroleum,
25 natural gas, or coal (including peat), or

1 “(ii) alcohol with a proof of less than
2 190 (determined without regard to any
3 added denaturants).

4 Such term also includes an alcohol gallon equiv-
5 alent of ethyl tertiary butyl ether or other
6 ethers produced from such alcohol.

7 “(B) TAXABLE FUEL.—The term ‘taxable
8 fuel’ has the meaning given such term by sec-
9 tion 4083(a)(1).

10 “(5) TERMINATION.—This subsection shall not
11 apply to any sale, use, or removal for any period
12 after December 31, 2010.

13 “(c) BIODIESEL MIXTURE CREDIT.—

14 “(1) IN GENERAL.—For purposes of this sec-
15 tion, the biodiesel mixture credit is the product of
16 the applicable amount and the number of gallons of
17 biodiesel used by the taxpayer in producing any bio-
18 diesel mixture for sale or use in a trade or business
19 of the taxpayer.

20 “(2) APPLICABLE AMOUNT.—For purposes of
21 this subsection—

22 “(A) IN GENERAL.—Except as provided in
23 subparagraph (B), the applicable amount is 50
24 cents.

1 “(B) AMOUNT FOR AGRI-BIODIESEL.—In
2 the case of any biodiesel which is agri-biodiesel,
3 the applicable amount is \$1.00.

4 “(3) BIODIESEL MIXTURE.—For purposes of
5 this section, the term ‘biodiesel mixture’ means a
6 mixture of biodiesel and a taxable fuel which—

7 “(A) is sold by the taxpayer producing
8 such mixture to any person for use as a fuel,

9 “(B) is used as a fuel by the taxpayer pro-
10 ducing such mixture, or

11 “(C) is removed from the refinery by a
12 person producing such mixture.

13 “(4) CERTIFICATION FOR BIODIESEL.—No
14 credit shall be allowed under this section unless the
15 taxpayer obtains a certification (in such form and
16 manner as prescribed by the Secretary) from the
17 producer of the biodiesel which identifies the product
18 produced and the percentage of biodiesel and agri-
19 biodiesel in the product.

20 “(5) OTHER DEFINITIONS.—Any term used in
21 this subsection which is also used in section 40A
22 shall have the meaning given such term by section
23 40A.

1 “(6) TERMINATION.—This subsection shall not
2 apply to any sale, use, or removal for any period
3 after December 31, 2005.

4 “(d) MIXTURE NOT USED AS A FUEL, ETC.—

5 “(1) IMPOSITION OF TAX.—If—

6 “(A) any credit was determined under this
7 section with respect to alcohol or biodiesel used
8 in the production of any alcohol fuel mixture or
9 biodiesel mixture, respectively, and

10 “(B) any person—

11 “(i) separates the alcohol or biodiesel
12 from the mixture, or

13 “(ii) without separation, uses the mix-
14 ture other than as a fuel,

15 then there is hereby imposed on such person a
16 tax equal to the product of the applicable
17 amount and the number of gallons of such alco-
18 hol or biodiesel.

19 “(2) APPLICABLE LAWS.—All provisions of law,
20 including penalties, shall, insofar as applicable and
21 not inconsistent with this section, apply in respect of
22 any tax imposed under paragraph (1) as if such tax
23 were imposed by section 4081 and not by this sec-
24 tion.

1 “(e) COORDINATION WITH EXEMPTION FROM EX-
 2 CISE TAX.—Rules similar to the rules under section 40(c)
 3 shall apply for purposes of this section.”.

4 (b) REGISTRATION REQUIREMENT.—Section 4101(a)
 5 (relating to registration) is amended by inserting “and
 6 every person producing biodiesel (as defined in section
 7 40A(d)(1)) or alcohol (as defined in section
 8 6426(b)(4)(A))” after “4091”.

9 (c) ADDITIONAL AMENDMENTS.—

10 (1) Section 40(c) is amended by striking “or
 11 section 4091(c)” and inserting “section 4091(c), or
 12 section 6426”.

13 (2) Section 40(e)(1) is amended—

14 (A) by striking “2007” in subparagraph
 15 (A) and inserting “2010”, and

16 (B) by striking “2008” in subparagraph
 17 (B) and inserting “2011”.

18 (3) Section 40(h) is amended—

19 (A) by striking “2007” in paragraph (1)
 20 and inserting “2010”, and

21 (B) by striking “, 2006, or 2007” in the
 22 table contained in paragraph (2) and inserting
 23 “through 2010”.

1 (4)(A) Subpart C of part III of subchapter A
 2 of chapter 32 is amended by adding at the end the
 3 following new section:

4 **“SEC. 4104. INFORMATION REPORTING FOR PERSONS**
 5 **CLAIMING CERTAIN TAX BENEFITS.**

6 “(a) IN GENERAL.—The Secretary shall require any
 7 person claiming tax benefits under the provisions of sec-
 8 tion 34, 40, 40A, 4041(b)(2), 4041(k), 4081(c), 6426, or
 9 6427(f) to file a quarterly return (in such manner as the
 10 Secretary may prescribe) providing such information relat-
 11 ing to such benefits and the coordination of such benefits
 12 as the Secretary may require to ensure the proper admin-
 13 istration and use of such benefits.

14 “(b) ENFORCEMENT.—With respect to any person
 15 described in subsection (a) and subject to registration re-
 16 quirements under this title, rules similar to rules of section
 17 4222(c) shall apply with respect to any requirement under
 18 this section.”.

19 (B) The table of sections for subpart C of part
 20 III of subchapter A of chapter 32 is amended by
 21 adding at the end the following new item:

“Sec. 4104. Information reporting for persons claiming certain tax bene-
 fits.”.

22 (5) Section 6427(i)(3) is amended—

23 (A) by adding at the end of subparagraph

24 (A) the following new flush sentence:

1 “In the case of an electronic claim, this sub-
2 paragraph shall be applied without regard to
3 clause (i).”, and

4 (B) by striking “20 days of the date of the
5 filing of such claim” in subparagraph (B) and
6 inserting “45 days of the date of the filing of
7 such claim (20 days in the case of an electronic
8 claim)”.

9 (6) Section 9503(b)(1) is amended by adding at
10 the end the following new flush sentence:

11 “For purposes of this paragraph, taxes received
12 under sections 4041 and 4081 shall be determined
13 without reduction for credits under section 6426.”.

14 (d) CLERICAL AMENDMENT.—The table of sections
15 for subchapter B of chapter 65 is amended by inserting
16 after the item relating to section 6425 the following new
17 item:

 “Sec. 6426. Credit for alcohol fuel and biodiesel mixtures.”.

18 (e) EFFECTIVE DATES.—

19 (1) IN GENERAL.—Except as provided in para-
20 graphs (2) and (3), the amendments made by this
21 section shall apply to fuel sold, used, or removed
22 after December 31, 2003.

23 (2) SUBSECTION (c)(4).—The amendments
24 made by subsection (c)(4) shall take effect on Janu-
25 ary 1, 2004.

1 (3) SUBSECTION (c)(5).—The amendments
2 made by subsection (c)(5) shall apply to claims filed
3 after December 31, 2004.

4 (f) FORMAT FOR FILING.—The Secretary of the
5 Treasury shall prescribe the electronic format for filing
6 claims described in section 6427(i)(3)(B) of the Internal
7 Revenue Code of 1986 (as amended by subsection
8 (c)(5)(A)) not later than December 31, 2004.

9 **SEC. 7. NONAPPLICATION OF EXPORT EXEMPTION TO DE-**
10 **LIVERY OF FUEL TO MOTOR VEHICLES RE-**
11 **MOVED FROM UNITED STATES.**

12 (a) IN GENERAL.—Section 4221(d)(2) (defining ex-
13 port) is amended by adding at the end the following new
14 sentence: “Such term does not include the delivery of a
15 taxable fuel (as defined in section 4083(a)(1)) into a fuel
16 tank of a motor vehicle which is shipped or driven out
17 of the United States.”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Section 4041(g) (relating to other exemp-
20 tions) is amended by adding at the end the following
21 new sentence: “Paragraph (3) shall not apply to the
22 sale for delivery of a liquid into a fuel tank of a
23 motor vehicle which is shipped or driven out of the
24 United States.”.

1 (2) Clause (iv) of section 4081(a)(1)(A) (relat-
2 ing to tax on removal, entry, or sale) is amended by
3 inserting “or at a duty-free sales enterprise (as de-
4 fined in section 555(b)(8) of the Tariff Act of
5 1930)” after “section 4101”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to sales or deliveries made after
8 the date of the enactment of this Act.

○