

108TH CONGRESS  
1ST SESSION

# S. 1962

To amend the Internal Revenue Code of 1986 to provide for excise tax reform and simplification, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 25, 2003

Mr. GRASSLEY (for himself, Mr. BAUCUS, Mr. BUNNING, and Mr. BREAUX) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for excise tax reform and simplification, and for other purposes.

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

### 3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Excise Tax Reform and Simplification Act”.

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 (c) TABLE OF CONTENTS.—The table of contents for  
 4 this Act is as follows:

Sec. 1. Short title; etc.

#### TITLE I—HIGHWAY EXCISE TAXES

Sec. 101. Dedication of gas guzzler tax to Highway Trust Fund.

Sec. 102. Nonapplication of export exemption to delivery of fuel to motor vehicles removed from United States.

Sec. 103. Repeal of 4.3-cent motor fuel excise taxes on railroads and inland waterway transportation which remain in general fund.

#### TITLE II—AQUATIC EXCISE TAXES

Sec. 201. Aquatic Resources Trust Fund excise taxes.

Sec. 202. LED devices exempted from sonar devices suitable for finding fish.

Sec. 203. Repeal of harbor maintenance tax on exports.

Sec. 204. Cap on excise tax on certain fishing equipment.

#### TITLE III—AERIAL EXCISE TAXES

Sec. 301. Clarification of excise tax exemptions for agricultural aerial applicators.

Sec. 302. Modification of rural airport definition.

Sec. 303. Exemption from ticket taxes for transportation provided by seaplanes.

Sec. 304. Certain sightseeing flights exempt from taxes on air transportation.

#### TITLE IV—ALCOHOLIC BEVERAGE EXCISE TAXES

Sec. 401. Repeal of occupational taxes relating to distilled spirits, wine, and beer.

Sec. 402. Repeal of limitation on cover over of tax to Puerto Rico and Virgin Islands on distilled spirits.

#### TITLE V—SPORT EXCISE TAXES

Sec. 501. Custom gunsmiths.

Sec. 502. Modified taxation of imported archery products.

Sec. 503. Treatment of tribal governments for purposes of Federal wagering excise and occupational taxes.

#### TITLE VI—OTHER PROVISIONS

Sec. 601. Income tax credit for distilled spirits wholesalers and for distilled spirits in control state bailment warehouses for costs of carrying Federal excise taxes on bottled distilled spirits.

Sec. 602. Credit for taxpayers owning commercial power takeoff vehicles.

# **TITLE I—HIGHWAY EXCISE TAXES**

## **SEC. 101. DEDICATION OF GAS GUZZLER TAX TO HIGHWAY TRUST FUND.**

(a) IN GENERAL.—Section 9503(b) (relating to transfer to Highway Trust Fund of amounts equivalent to certain taxes) is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B) the following new subparagraph:

“(C) section 4064 (relating to gas guzzler tax),”.

(b) UNIFORM APPLICATION OF TAX.—Subparagraph (A) of section 4064(b)(1) (defining automobile) is amended—

(1) by striking “6,000 pounds” and inserting “8,500 pounds”, and

(2) by striking the second sentence.

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

1 **SEC. 102. NONAPPLICATION OF EXPORT EXEMPTION TO DE-**  
 2 **LIVERY OF FUEL TO MOTOR VEHICLES RE-**  
 3 **MOVED FROM UNITED STATES.**

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

10 (b) CONFORMING AMENDMENTS.—

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

17 (2) Clause (iv) of section 4081(a)(1)(A) (relat-  
 18 ing to tax on removal, entry, or sale) is amended by  
 19 inserting “or at a duty-free sales enterprise (as de-  
 20 fined in section 555(b)(8) of the Tariff Act of  
 21 1930)” after “section 4101”.

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

1 **SEC. 103. REPEAL OF 4.3-CENT MOTOR FUEL EXCISE TAXES**  
 2 **ON RAILROADS AND INLAND WATERWAY**  
 3 **TRANSPORTATION WHICH REMAIN IN GEN-**  
 4 **ERAL FUND.**

5 (a) TAXES ON TRAINS.—

6 (1) IN GENERAL.—Subparagraph (A) of section  
 7 4041(a)(1) is amended by striking “or a diesel-pow-  
 8 ered train” each place it appears and by striking “or  
 9 train”.

10 (2) CONFORMING AMENDMENTS.—

11 (A) Subparagraph (C) of section  
 12 4041(a)(1) is amended by striking clause (ii)  
 13 and by redesignating clause (iii) as clause (ii).

14 (B) Subparagraph (C) of section  
 15 4041(b)(1) is amended by striking all that fol-  
 16 lows “section 6421(e)(2)” and inserting a pe-  
 17 riod.

18 (C) Subsection (d) of section 4041 is  
 19 amended by redesignating paragraph (3) as  
 20 paragraph (4) and by inserting after paragraph  
 21 (2) the following new paragraph:

22 “(3) DIESEL FUEL USED IN TRAINS.—There is  
 23 hereby imposed a tax of 0.1 cent per gallon on any  
 24 liquid other than gasoline (as defined in section  
 25 4083)—

1           “(A) sold by any person to an owner, les-  
2           see, or other operator of a diesel-powered train  
3           for use as a fuel in such train, or

4           “(B) used by any person as a fuel in a die-  
5           sel-powered train unless there was a taxable  
6           sale of such fuel under subparagraph (A).

7           No tax shall be imposed by this paragraph on the  
8           sale or use of any liquid if tax was imposed on such  
9           liquid under section 4081.”.

10           (D) Subsection (f) of section 4082 is  
11           amended by striking “section 4041(a)(1)” and  
12           inserting “subsections (d)(3) and (a)(1) of sec-  
13           tion 4041, respectively”.

14           (E) Paragraph (3) of section 4083(a) is  
15           amended by striking “or a diesel-powered  
16           train”.

17           (F) Paragraph (3) of section 6421(f) is  
18           amended to read as follows:

19           “(3) GASOLINE USED IN TRAINS.—In the case  
20           of gasoline used as a fuel in a train, this section  
21           shall not apply with respect to the Leaking Under-  
22           ground Storage Tank Trust Fund financing rate  
23           under section 4081.”.

24           (G) Paragraph (3) of section 6427(l) is  
25           amended to read as follows:

1           “(3) REFUND OF CERTAIN TAXES ON FUEL  
 2           USED IN DIESEL-POWERED TRAINS.—For purposes  
 3           of this subsection, the term ‘nontaxable use’ includes  
 4           fuel used in a diesel-powered train. The preceding  
 5           sentence shall not apply to the tax imposed by sec-  
 6           tion 4041(d) and the Leaking Underground Storage  
 7           Tank Trust Fund financing rate under section 4081  
 8           except with respect to fuel sold for exclusive use by  
 9           a State or any political subdivision thereof.”.

10          (b) FUEL USED ON INLAND WATERWAYS.—

11               (1) IN GENERAL.—Paragraph (1) of section  
 12               4042(b) is amended by adding “and” at the end of  
 13               subparagraph (A), by striking “, and” at the end of  
 14               subparagraph (B) and inserting a period, and by  
 15               striking subparagraph (C).

16               (2) CONFORMING AMENDMENT.—Paragraph (2)  
 17               of section 4042(b) is amended by striking subpara-  
 18               graph (C).

19               (c) EFFECTIVE DATE.—The amendments made by  
 20               this section shall take effect on January 1, 2004.

1           **TITLE II—AQUATIC EXCISE**  
 2                           **TAXES**

3   **SEC. 201. AQUATIC RESOURCES TRUST FUND EXCISE**  
 4                           **TAXES.**

5           (a) SIMPLIFICATION OF FUNDING FOR BOAT SAFETY  
 6   ACCOUNT.—

7                   (1) IN GENERAL.—Section 9503(c)(4) (relating  
 8           to transfers from Trust Fund for motorboat fuel  
 9           taxes) is amended—

10                           (A) by striking “Fund—” and all that fol-  
 11                           lows through “transferred” in subparagraph  
 12                           (B) and inserting “Fund which is attributable  
 13                           to motorboat fuel taxes shall be transferred”,  
 14                           and

15                           (B) by striking subparagraph (A), and

16                           (C) by redesignating subparagraphs (B)  
 17                           through (E) as subparagraphs (A) through (D),  
 18                           respectively.

19           (2) CONFORMING AMENDMENTS.—

20                           (A) Section 9503(b)(4), as amended by  
 21           this title, is amended—

22                                   (i) by adding “or” at the end of sub-  
 23                           paragraph (B),



1 (ii) by striking the comma at the end  
 2 of subparagraph (C) and inserting a pe-  
 3 riod, and

4 (iii) by striking subparagraph (D).

5 (B) Subparagraph (B) of section  
 6 9503(c)(4), as redesignated by subsection  
 7 (a)(3), is amended—

8 (i) by striking “ACCOUNT” in the  
 9 heading and inserting “TRUST FUND”,

10 (ii) by striking “or (B)” in clause (ii),  
 11 and

12 (iii) by striking “Account in the  
 13 Aquatic Resources”.

14 (C) Subparagraph (C) of section  
 15 9503(c)(4), as redesignated by subsection  
 16 (a)(3), is amended by striking “, but only to the  
 17 extent such taxes are deposited into the High-  
 18 way Trust Fund”.

19 (D) Paragraph (5) of section 9503(c) is  
 20 amended—

21 (i) by striking “Account in the Aquat-  
 22 ic Resources” in subparagraph (A), and

23 (ii) by striking “, but only to the ex-  
 24 tent such taxes are deposited into the

1 Highway Trust Fund” in subparagraph  
2 (B).

3 (b) MERGING OF ACCOUNTS.—

4 (1) IN GENERAL.—Subsection (a) of section  
5 9504 is amended to read as follows:

6 “(a) CREATION OF TRUST FUND.—There is hereby  
7 established in the Treasury of the United States a trust  
8 fund to be known as the ‘Sport Fish Restoration Trust  
9 Fund’. Such Trust Fund shall consist of such amounts  
10 as may be appropriated, credited, or paid to it as provided  
11 in this section, section 9503(c)(4), section 9503(c)(5), or  
12 section 9602(b).”.

13 (2) CONFORMING AMENDMENTS.—

14 (A) Subsection (b) of section 9504 is  
15 amended—

16 (i) by striking “ACCOUNT” in the  
17 heading and inserting “TRUST FUND”,

18 (ii) by striking “Account” both places  
19 it appears in paragraphs (1) and (2) and  
20 inserting “Trust Fund”, and

21 (iii) by striking “ACCOUNT” both  
22 places it appears in the headings for para-  
23 graphs (1) and (2) and inserting “TRUST  
24 FUND”.

1 (B) Subsection (d) of section 9504 is  
2 amended—

3 (i) by striking “AQUATIC RE-  
4 SOURCES” in the heading,

5 (ii) by striking “any Account in the  
6 Aquatic Resources” in paragraph (1) and  
7 inserting “the Sports Fish Restoration”,  
8 and

9 (iii) by striking “any such Account”  
10 in paragraph (1) and inserting “such  
11 Trust Fund”.

12 (C) Subsection (e) of section 9504 is  
13 amended by striking “Boat Safety Account and  
14 Sport Fish Restoration Account” and inserting  
15 “Sport Fish Restoration Trust Fund”.

16 (D) Section 9504 is amended—

17 (i) by striking subsection (c),

18 (ii) by redesignating subsections (d)  
19 and (e) as subsections (c) and (d), respec-  
20 tively, and

21 (iii) by striking “**AQUATIC RE-**  
22 **SOURCES**” in the heading and inserting  
23 “**SPORT FISH RESTORATION**”.

24 (E) The item relating to section 9504 in  
25 the table of sections for subchapter A of chap-

1           ter 98 is amended by striking “aquatic re-  
2           sources” and inserting “sport fish restoration”.

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

5 **SEC. 202. LED DEVICES EXEMPTED FROM SONAR DEVICES**  
6 **SUITABLE FOR FINDING FISH.**

7           (a) IN GENERAL.—Section 4162(b) (defining sonar  
8 device suitable for finding fish) is amended by striking  
9 “or” at the end of paragraph (3), by striking the period  
10 at the end of paragraph (4) and inserting “, or”, and by  
11 adding at the end the following new paragraph:

12                   “(5) an LED display.”.

13           (b) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to articles sold by the manufac-  
15 turer, producer, or importer after the date of the enact-  
16 ment of this Act.

17 **SEC. 203. REPEAL OF HARBOR MAINTENANCE TAX ON EX-**  
18 **PORTS.**

19           (a) IN GENERAL.—Subsection (d) of section 4462  
20 (relating to definitions and special rules) is amended to  
21 read as follows:

22                   “(d) NONAPPLICABILITY OF TAX TO EXPORTS.—The  
23 tax imposed by section 4461(a) shall not apply to any port  
24 use with respect to any commercial cargo to be exported  
25 from the United States.”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) Section 4461(c)(1) is amended by adding  
3 “or” at the end of subparagraph (A), by striking  
4 subparagraph (B), and by redesignating subpara-  
5 graph (C) as subparagraph (B).

6 (2) Section 4461(c)(2) is amended by striking  
7 “imposed—” and all that follows through “in any  
8 other case,” and inserting “imposed”.

9 (c) EFFECTIVE DATE.—The amendments made by  
10 this section shall take effect before, on, and after the date  
11 of the enactment of this Act.

12 **SEC. 204. CAP ON EXCISE TAX ON CERTAIN FISHING EQUIP-**  
13 **MENT.**

14 (a) IN GENERAL.—Paragraph (1) of section 4161(a)  
15 (relating to sport fishing equipment) is amended to read  
16 as follows:

17 “(1) IMPOSITION OF TAX.—

18 “(A) IN GENERAL.—There is hereby im-  
19 posed on the sale of any article of sport fishing  
20 equipment by the manufacturer, producer, or  
21 importer a tax equal to 10 percent of the price  
22 for which so sold.

23 “(B) LIMITATION ON TAX IMPOSED ON  
24 FISHING RODS AND POLES.—The tax imposed

1 by subparagraph (A) on any fishing rod or pole  
2 shall not exceed \$10.”.

3 (b) CONFORMING AMENDMENTS.—Section  
4 4161(a)(2) is amended by striking “paragraph (1)” both  
5 places it appears and inserting “paragraph (1)(A)”.

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

## 9 **TITLE III—AERIAL EXCISE** 10 **TAXES**

### 11 **SEC. 301. CLARIFICATION OF EXCISE TAX EXEMPTIONS FOR** 12 **AGRICULTURAL AERIAL APPLICATORS.**

13 (a) NO WAIVER BY FARM OWNER, TENANT, OR OP-  
14 ERATOR NECESSARY.—Subparagraph (B) of section  
15 6420(c)(4) (relating to certain farming use other than by  
16 owner, etc.) is amended to read as follows:

17 “(B) if the person so using the gasoline is  
18 an aerial or other applicator of fertilizers or  
19 other substances and is the ultimate purchaser  
20 of the gasoline, then subparagraph (A) of this  
21 paragraph shall not apply and the aerial or  
22 other applicator shall be treated as having used  
23 such gasoline on a farm for farming purposes.”.

24 (b) EXEMPTION INCLUDES FUEL USED BETWEEN  
25 AIRFIELD AND FARM.—Section 6420(c)(4), as amended

1 by subsection (a), is amended by adding at the end the  
 2 following new flush sentence:

3 “For purposes of this paragraph, in the case of an  
 4 aerial applicator, gasoline shall be treated as used on  
 5 a farm for farming purposes if the gasoline is used  
 6 for the direct flight between the airfield and 1 or  
 7 more farms.”.

8 (c) EXEMPTION FROM TAX ON AIR TRANSPOR-  
 9 TATION OF PERSONS FOR FORESTRY PURPOSES EX-  
 10 TENDED TO FIXED-WING AIRCRAFT.—Subsection (f) of  
 11 section 4261 (relating to tax on air transportation of per-  
 12 sons) is amended to read as follows:

13 “(f) EXEMPTION FOR CERTAIN USES.—No tax shall  
 14 be imposed under subsection (a) or (b) on air transpor-  
 15 tation—

16 “(1) by helicopter for the purpose of trans-  
 17 porting individuals, equipment, or supplies in the ex-  
 18 ploration for, or the development or removal of, hard  
 19 minerals, oil, or gas, or

20 “(2) by helicopter or by fixed-wing aircraft for  
 21 the purpose of the planting, cultivation, cutting, or  
 22 transportation of, or caring for, trees (including log-  
 23 ging operations),

24 but only if the helicopter or fixed-wing aircraft does not  
 25 take off from, or land at, a facility eligible for assistance

1 under the Airport and Airway Development Act of 1970,  
 2 or otherwise use services provided pursuant to section  
 3 44509 or 44913(b) or subchapter I of chapter 471 of title  
 4 49, United States Code, during such use. In the case of  
 5 helicopter transportation described in paragraph (1), this  
 6 subsection shall be applied by treating each flight segment  
 7 as a distinct flight.”.

8 (d) EFFECTIVE DATE.—The amendments made by  
 9 this section shall apply to fuel use or air transportation  
 10 after the date of the enactment of this Act.

11 **SEC. 302. MODIFICATION OF RURAL AIRPORT DEFINITION.**

12 (a) IN GENERAL.—Section 4261(e)(1)(B) (defining  
 13 rural airport) is amended—

14 (1) by inserting “(in the case of any airport de-  
 15 scribed in clause (ii)(III), on flight segments of at  
 16 least 100 miles)” after “by air” in clause (i), and

17 (2) by striking the period at the end of sub-  
 18 clause (II) of clause (ii) and inserting “, or”, and by  
 19 adding at the end of clause (ii) the following new  
 20 subclause:

21 “(III) is not connected by paved  
 22 roads to another airport.”.

23 (b) EFFECTIVE DATE.—The amendments made by  
 24 this section shall apply to calendar years beginning after  
 25 2003.



1 **SEC. 303. EXEMPTION FROM TICKET TAXES FOR TRANS-**  
 2 **PORTATION PROVIDED BY SEAPLANES.**

3 (a) IN GENERAL.—Section 4261 (relating to imposi-  
 4 tion of tax) is amended by redesignating subsection (i) as  
 5 subsection (j) and by inserting after subsection (h) the fol-  
 6 lowing new subsection:

7 “(i) EXEMPTION FOR SEAPLANES.—No tax shall be  
 8 imposed by this section or section 4271 on any air trans-  
 9 portation by a seaplane with respect to any segment con-  
 10 sisting of a takeoff from, and a landing on, water, but  
 11 only if the places at which such takeoff and landing occur  
 12 have not received and are not receiving financial assist-  
 13 ance from the Airport and Airways Trust Fund.”.

14 (b) EFFECTIVE DATE.—The amendments made by  
 15 this section shall apply to calendar years beginning after  
 16 2003.

17 **SEC. 304. CERTAIN SIGHTSEEING FLIGHTS EXEMPT FROM**  
 18 **TAXES ON AIR TRANSPORTATION.**

19 (a) IN GENERAL.—Section 4281 (relating to small  
 20 aircraft on nonestablished lines) is amended by adding at  
 21 the end the following new sentence: “For purposes of this  
 22 section, an aircraft shall not be considered as operated on  
 23 an established line if such aircraft is operated on a flight  
 24 the sole purpose of which is sightseeing.”.

25 (b) EFFECTIVE DATE.—The amendment made by  
 26 this section shall apply with respect to transportation be-

1   ginning on or after the date of the enactment of this Act,  
 2   but shall not apply to any amount paid before such date.

3                   **TITLE IV—ALCOHOLIC**  
 4                   **BEVERAGE EXCISE TAXES**

5   **SEC. 401. REPEAL OF OCCUPATIONAL TAXES RELATING TO**  
 6                   **DISTILLED SPIRITS, WINE, AND BEER.**

7           (a) REPEAL OF OCCUPATIONAL TAXES.—

8                   (1) IN GENERAL.—The following provisions of  
 9           part II of subchapter A of chapter 51 (relating to  
 10          occupational taxes) are hereby repealed:

11                   (A) Subpart A (relating to proprietors of  
 12                  distilled spirits plants, bonded wine cellars,  
 13                  etc.).

14                   (B) Subpart B (relating to brewer).

15                   (C) Subpart D (relating to wholesale deal-  
 16                  ers) (other than sections 5114 and 5116).

17                   (D) Subpart E (relating to retail dealers)  
 18                  (other than section 5124).

19                   (E) Subpart G (relating to general provi-  
 20                  sions) (other than sections 5142, 5143, 5145,  
 21                  and 5146).

22                   (2) NONBEVERAGE DOMESTIC DRAWBACK.—  
 23          Section 5131 is amended by striking “, on payment  
 24          of a special tax per annum,”.

1 (3) INDUSTRIAL USE OF DISTILLED SPIRITS.—

2 Section 5276 is hereby repealed.

3 (b) CONFORMING AMENDMENTS.—

4 (1)(A) The heading for part II of subchapter A  
5 of chapter 51 and the table of subparts for such  
6 part are amended to read as follows:

7 **“PART II—MISCELLANEOUS PROVISIONS**

“Subpart A. Manufacturers of stills.

“Subpart B. Nonbeverage domestic drawback claimants.

“Subpart C. Recordkeeping by dealers.

“Subpart D. Other provisions.”.

8 (B) The table of parts for such subchapter A  
9 is amended by striking the item relating to part II  
10 and inserting the following new item:

“Part II. Miscellaneous provisions.”.

11 (2) Subpart C of part II of such subchapter  
12 (relating to manufacturers of stills) is redesignated  
13 as subpart A.

14 (3)(A) Subpart F of such part II (relating to  
15 nonbeverage domestic drawback claimants) is rededesignated as subpart B and sections 5131 through  
16 5134 are redesignated as sections 5111 through  
17 5114, respectively.

18 (B) The table of sections for such subpart B,  
19 as so redesignated, is amended—  
20

1 (i) by redesignating the items relating to  
 2 sections 5131 through 5134 as relating to sec-  
 3 tions 5111 through 5114, respectively, and

4 (ii) by striking “and rate of tax” in the  
 5 item relating to section 5111, as so redesign-  
 6 nated.

7 (C) Section 5111, as redesignated by subpara-  
 8 graph (A), is amended—

9 (i) by striking “**AND RATE OF TAX**” in  
 10 the section heading,

11 (ii) by striking the subsection heading for  
 12 subsection (a), and

13 (iii) by striking subsection (b).

14 (4) Part II of subchapter A of chapter 51 is  
 15 amended by adding after subpart B, as redesignated  
 16 by paragraph (3), the following new subpart:

17 **“Subpart C—Recordkeeping by Dealers**

“Sec. 5121. Recordkeeping by wholesale dealers.

“Sec. 5122. Recordkeeping by retail dealers.

“Sec. 5123. Preservation and inspection of records, and entry of  
 premises for inspection.”.

18 (5)(A) Section 5114 (relating to records) is  
 19 moved to subpart C of such part II and inserted  
 20 after the table of sections for such subpart.

21 (B) Section 5114 is amended—

22 (i) by striking the section heading and in-  
 23 serting the following new heading:

1 **“SEC. 5121. RECORDKEEPING BY WHOLESALE DEALERS.”,**

2 and

3 (ii) by redesignating subsection (c) as sub-  
 4 section (d) and by inserting after subsection (b)  
 5 the following new subsection:

6 “(c) WHOLESALE DEALERS.—For purposes of this  
 7 part—

8 “(1) WHOLESALE DEALER IN LIQUORS.—The  
 9 term ‘wholesale dealer in liquors’ means any dealer  
 10 (other than a wholesale dealer in beer) who sells, or  
 11 offers for sale, distilled spirits, wines, or beer, to an-  
 12 other dealer.

13 “(2) WHOLESALE DEALER IN BEER.—The term  
 14 ‘wholesale dealer in beer’ means any dealer who  
 15 sells, or offers for sale, beer, but not distilled spirits  
 16 or wines, to another dealer.

17 “(3) DEALER.—The term ‘dealer’ means any  
 18 person who sells, or offers for sale, any distilled spir-  
 19 its, wines, or beer.

20 “(4) PRESUMPTION IN CASE OF SALE OF 20  
 21 WINE GALLONS OR MORE.—The sale, or offer for  
 22 sale, of distilled spirits, wines, or beer, in quantities  
 23 of 20 wine gallons or more to the same person at  
 24 the same time, shall be presumptive evidence that  
 25 the person making such sale, or offer for sale, is en-  
 26 gaged in or carrying on the business of a wholesale

1 dealer in liquors or a wholesale dealer in beer, as the  
 2 case may be. Such presumption may be overcome by  
 3 evidence satisfactorily showing that such sale, or  
 4 offer for sale, was made to a person other than a  
 5 dealer.”.

6 (C) Paragraph (3) of section 5121(d), as so re-  
 7 designated, is amended by striking “section 5146”  
 8 and inserting “section 5123”.

9 (6)(A) Section 5124 (relating to records) is  
 10 moved to subpart C of part II of subchapter A of  
 11 chapter 51 and inserted after section 5121.

12 (B) Section 5124 is amended—

13 (i) by striking the section heading and in-  
 14 serting the following new heading:

15 **“SEC. 5122. RECORDKEEPING BY RETAIL DEALERS.”,**

16 (ii) by striking “section 5146” in sub-  
 17 section (c) and inserting “section 5123”, and

18 (iii) by redesignating subsection (c) as sub-  
 19 section (d) and inserting after subsection (b)  
 20 the following new subsection:

21 “(c) RETAIL DEALERS.—For purposes of this sec-  
 22 tion—

23 “(1) RETAIL DEALER IN LIQUORS.—The term  
 24 ‘retail dealer in liquors’ means any dealer (other  
 25 than a retail dealer in beer) who sells, or offers for

1 sale, distilled spirits, wines, or beer, to any person  
2 other than a dealer.

3 “(2) RETAIL DEALER IN BEER.—The term ‘re-  
4 tail dealer in beer’ means any dealer who sells, or of-  
5 fers for sale, beer, but not distilled spirits or wines,  
6 to any person other than a dealer.

7 “(3) DEALER.—The term ‘dealer’ has the  
8 meaning given such term by section 5121(c)(3).”.

9 (7) Section 5146 is moved to subpart C of part  
10 II of subchapter A of chapter 51, inserted after sec-  
11 tion 5122, and redesignated as section 5123.

12 (8) Part II of subchapter A of chapter 51 is  
13 amended by inserting after subpart C the following  
14 new subpart:

15 **“Subpart D—Other Provisions**

“Sec. 5131. Packaging distilled spirits for industrial uses.

“Sec. 5132. Prohibited purchases by dealers.”.

16 (9) Section 5116 is moved to subpart D of part  
17 II of subchapter A of chapter 51, inserted after the  
18 table of sections, redesignated as section 5131, and  
19 amended by inserting “(as defined in section  
20 5121(c))” after “dealer” in subsection (a).

21 (10) Subpart D of part II of subchapter A of  
22 chapter 51 is amended by adding at the end thereof  
23 the following new section:

1 **“SEC. 5132. PROHIBITED PURCHASES BY DEALERS.**

2 “(a) IN GENERAL.—Except as provided in regula-  
3 tions prescribed by the Secretary, it shall be unlawful for  
4 a dealer to purchase distilled spirits for resale from any  
5 person other than a wholesale dealer in liquors who is re-  
6 quired to keep the records prescribed by section 5121.

7 “(b) PENALTY AND FORFEITURE.—

**“For penalty and forfeiture provisions applicable  
to violations of subsection (a), see sections 5687 and  
7302.”.**

8 (11) Subsection (b) of section 5002 is amend-  
9 ed—

10 (A) by striking “section 5112(a)” and in-  
11 serting “section 5121(c)(3)”,

12 (B) by striking “section 5112” and insert-  
13 ing “section 5121(c)”,

14 (C) by striking “section 5122” and insert-  
15 ing “section 5122(c)”.

16 (12) Subparagraph (A) of section 5010(c)(2) is  
17 amended by striking “section 5134” and inserting  
18 “section 5114”.

19 (13) Subsection (d) of section 5052 is amended  
20 to read as follows:

21 “(d) BREWER.—For purposes of this chapter, the  
22 term ‘brewer’ means any person who brews beer or pro-  
23 duces beer for sale. Such term shall not include any person



1 who produces only beer exempt from tax under section  
2 5053(e).”.

3 (14) The text of section 5182 is amended to  
4 read as follows:

5 “For provisions requiring recordkeeping by  
6 wholesale liquor dealers, see section 5121, and by re-  
7 tail liquor dealers, see section 5122.”.

8 (15) Subsection (b) of section 5402 is amended  
9 by striking “section 5092” and inserting “section  
10 5052(d)”.

11 (16) Section 5671 is amended by striking “or  
12 5091”.

13 (17)(A) Part V of subchapter J of chapter 51  
14 is hereby repealed.

15 (B) The table of parts for such subchapter J is  
16 amended by striking the item relating to part V.

17 (18)(A) Sections 5142, 5143, and 5145 are  
18 moved to subchapter D of chapter 52, inserted after  
19 section 5731, redesignated as sections 5732, 5733,  
20 and 5734, respectively, and amended by striking  
21 “this part” each place it appears and inserting “this  
22 subchapter”.

23 (B) Section 5732, as redesignated by subpara-  
24 graph (A), is amended by striking “(except the tax  
25 imposed by section 5131)” each place it appears.

1 (C) Paragraph (2) of section 5733(c), as redес-  
 2 igned by subparagraph (A), is amended by striking  
 3 “liquors” both places it appears and inserting “to-  
 4 bacco products and cigarette papers and tubes”.

5 (D) The table of sections for subchapter D of  
 6 chapter 52 is amended by adding at the end thereof  
 7 the following:

“Sec. 5732. Payment of tax.

“Sec. 5733. Provisions relating to liability for occupational taxes.

“Sec. 5734. Application of State laws.”.

8 (E) Section 5731 is amended by striking sub-  
 9 section (c) and by redesignating subsection (d) as  
 10 subsection (c).

11 (19) Subsection (c) of section 6071 is amended  
 12 by striking “section 5142” and inserting “section  
 13 5732”.

14 (20) Paragraph (1) of section 7652(g) is  
 15 amended—

16 (A) by striking “subpart F” and inserting  
 17 “subpart B”, and

18 (B) by striking “section 5131(a)” and in-  
 19 serting “section 5111”.

20 (c) EFFECTIVE DATE.—The amendments made by  
 21 this section shall take effect on July 1, 2004, but shall  
 22 not apply to taxes imposed for periods before such date.

1 **SEC. 402. REPEAL OF LIMITATION ON COVER OVER OF TAX**  
 2 **TO PUERTO RICO AND VIRGIN ISLANDS ON**  
 3 **DISTILLED SPIRITS.**

4 (a) IN GENERAL.—Subsection (f) of section 7652 (re-  
 5 lating to limitation on cover over of tax on distilled spirits)  
 6 is repealed.

7 (b) EFFECTIVE DATE.—

8 (1) IN GENERAL.—The repeal made by sub-  
 9 section (a) shall apply to articles containing distilled  
 10 spirits brought into the United States after Decem-  
 11 ber 31, 2003.

12 (2) SPECIAL RULE.—

13 (A) IN GENERAL.—After December 31,  
 14 2003, the treasury of Puerto Rico shall make a  
 15 Conservation Trust Fund transfer within 30  
 16 days from the date of each cover over payment  
 17 made during such period to such treasury under  
 18 section 7652(e) of the Internal Revenue Code of  
 19 1986.

20 (B) CONSERVATION TRUST FUND TRANS-  
 21 FER.—

22 (i) IN GENERAL.—For purposes of  
 23 this paragraph, the term “Conservation  
 24 Trust Fund transfer” means a transfer to  
 25 the Puerto Rico Conservation Trust Fund  
 26 of an amount equal to 50 cents per proof

1           gallon of the taxes imposed under section  
 2           5001 or section 7652 of such Code on dis-  
 3           tilled spirits that are covered over to the  
 4           treasury of Puerto Rico under section  
 5           7652(e) of such Code.

6           (ii) TREATMENT OF TRANSFER.—  
 7           Each Conservation Trust Fund transfer  
 8           shall be treated as principal for an endow-  
 9           ment, the income from which to be avail-  
 10          able for use by the Puerto Rico Conserva-  
 11          tion Trust Fund for the purposes for  
 12          which the Trust Fund was established.

13          (iii) RESULT OF NONTRANSFER.—

14           (I) IN GENERAL.—Upon notifica-  
 15          tion by the Secretary of the Interior  
 16          that a Conservation Trust Fund  
 17          transfer has not been made by the  
 18          treasury of Puerto Rico during the pe-  
 19          riod described in subparagraph (A),  
 20          the Secretary of the Treasury shall,  
 21          except as provided in subclause (II),  
 22          deduct and withhold from the next  
 23          cover over payment to be made to the  
 24          treasury of Puerto Rico under section  
 25          7652(e) of such Code an amount

1 equal to the appropriate Conservation  
2 Trust Fund transfer and interest  
3 thereon at the underpayment rate es-  
4 tablished under section 6621 of such  
5 Code as of the due date of such trans-  
6 fer. The Secretary of the Treasury  
7 shall transfer such amount deducted  
8 and withheld, and the interest there-  
9 on, directly to the Puerto Rico Con-  
10 servation Trust Fund.

11 (II) GOOD CAUSE EXCEPTION.—  
12 If the Secretary of the Interior finds,  
13 after consultation with the Governor  
14 of Puerto Rico, that the failure by the  
15 treasury of Puerto Rico to make a re-  
16 quired transfer was for good cause,  
17 and notifies the Secretary of the  
18 Treasury of the finding of such good  
19 cause before the due date of the next  
20 cover over payment following the noti-  
21 fication of nontransfer, then the Sec-  
22 retary of the Treasury shall not de-  
23 duct the amount of such nontransfer  
24 from any cover over payment.

1 (C) PUERTO RICO CONSERVATION TRUST  
 2 FUND.—For purposes of this paragraph, the  
 3 term “Puerto Rico Conservation Trust Fund”  
 4 means the fund established pursuant to a  
 5 Memorandum of Understanding between the  
 6 United States Department of the Interior and  
 7 the Commonwealth of Puerto Rico, dated De-  
 8 cember 24, 1968.

## 9 **TITLE V—SPORT EXCISE TAXES**

### 10 **SEC. 501. CUSTOM GUNSMITHS.**

11 (a) SMALL MANUFACTURERS EXEMPT FROM FIRE-  
 12 ARMS EXCISE TAX.—Section 4182 (relating to exemp-  
 13 tions) is amended by redesignating subsection (c) as sub-  
 14 section (d) and by inserting after subsection (b) the fol-  
 15 lowing new subsection:

16 “(c) SMALL MANUFACTURERS, ETC.—

17 “(1) IN GENERAL.—The tax imposed by section  
 18 4181 shall not apply to any article described in such  
 19 section if manufactured, produced, or imported by a  
 20 person who manufactures, produces, and imports  
 21 less than 50 of such articles during the calendar  
 22 year.

23 “(2) CONTROLLED GROUPS.—All persons treat-  
 24 ed as a single employer for purposes of subsection

1 (a) or (b) of section 52 shall be treated as one per-  
 2 son for purposes of paragraph (1).”.

3 (b) EFFECTIVE DATE.—

4 (1) IN GENERAL.—The amendments made by  
 5 this section shall apply to articles sold by the manu-  
 6 facturer, producer, or importer on or after the date  
 7 which is the first day of the month beginning at  
 8 least 2 weeks after the date of the enactment of this  
 9 Act.

10 (2) NO INFERENCE.—Nothing in the amend-  
 11 ments made by this section shall be construed to  
 12 create any inference with respect to the proper tax  
 13 treatment of any sales before the effective date of  
 14 such amendments.

15 **SEC. 502. MODIFIED TAXATION OF IMPORTED ARCHERY**  
 16 **PRODUCTS.**

17 (a) BOWS.—Paragraph (1) of section 4161(b) (relat-  
 18 ing to bows) is amended to read as follows:

19 “(1) BOWS.—

20 “(A) IN GENERAL.—There is hereby im-  
 21 posed on the sale by the manufacturer, pro-  
 22 ducer, or importer of any bow which has a peak  
 23 draw weight of 30 pounds or more, a tax equal  
 24 to 11 percent of the price for which so sold.

1           “(B) ARCHERY EQUIPMENT.—There is  
2 hereby imposed on the sale by the manufac-  
3 turer, producer, or importer—

4           “(i) of any part or accessory suitable  
5 for inclusion in or attachment to a bow de-  
6 scribed in subparagraph (A), and

7           “(ii) of any quiver or broadhead suit-  
8 able for use with an arrow described in  
9 paragraph (2),  
10 a tax equal to 11 percent of the price for which  
11 so sold.”.

12       (b) ARROWS.—Subsection (b) of section 4161 (relat-  
13 ing to bows and arrows, etc.) is amended by redesignating  
14 paragraph (3) as paragraph (4) and inserting after para-  
15 graph (2) the following:

16       “(3) ARROWS.—

17       “(A) IN GENERAL.—There is hereby im-  
18 posed on the sale by the manufacturer, pro-  
19 ducer, or importer of any arrow, a tax equal to  
20 12 percent of the price for which so sold.

21       “(B) EXCEPTION.—In the case of any  
22 arrow of which the shaft or any other compo-  
23 nent has been previously taxed under paragraph  
24 (1) or (2)—



1 “(i) section 6416(b)(3) shall not  
2 apply, and

3 “(ii) the tax imposed by subparagraph  
4 (A) shall be an amount equal to the excess  
5 (if any) of—

6 “(I) the amount of tax imposed  
7 by this paragraph (determined with-  
8 out regard to this subparagraph), over

9 “(II) the amount of tax paid with  
10 respect to the tax imposed under  
11 paragraph (1) or (2) on such shaft or  
12 component.

13 “(C) ARROW.—For purposes of this para-  
14 graph, the term ‘arrow’ means any shaft de-  
15 scribed in paragraph (2) to which additional  
16 components are attached.”.

17 (c) CONFORMING AMENDMENTS.—Section  
18 4161(b)(2) is amended—

19 (1) by inserting “(other than broadheads)”  
20 after “point”, and

21 (2) by striking “ARROWS.—” in the heading  
22 and inserting “ARROW COMPONENTS.—”.

23 (d) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to articles sold by the manufac-

1 turer, producer, or importer after the date of the enact-  
 2 ment of this Act.

3 **SEC. 503. TREATMENT OF TRIBAL GOVERNMENTS FOR PUR-**  
 4 **POSES OF FEDERAL WAGERING EXCISE AND**  
 5 **OCCUPATIONAL TAXES.**

6 (a) IN GENERAL.—Subsection (a) of section 7871  
 7 (relating to Indian tribal governments treated as States  
 8 for certain purposes) is amended by striking “and” at the  
 9 end of paragraph (6), by striking the period at the end  
 10 of paragraph (7) and inserting “; and”, and by adding  
 11 at the end the following new paragraph:

12 “(8) for purposes of chapter 35 (relating to  
 13 taxes on wagering).”.

14 (b) EFFECTIVE DATE.—The amendments made by  
 15 this section shall take effect on July 1, 2004, but shall  
 16 not apply to taxes imposed for periods before such date.

17 **TITLE VI—OTHER PROVISIONS**

18 **SEC. 601. INCOME TAX CREDIT FOR DISTILLED SPIRITS**  
 19 **WHOLESALE AND FOR DISTILLED SPIRITS**  
 20 **IN CONTROL STATE BAILMENT WAREHOUSES**  
 21 **FOR COSTS OF CARRYING FEDERAL EXCISE**  
 22 **TAXES ON BOTTLED DISTILLED SPIRITS.**

23 (a) IN GENERAL.—Subpart A of part I of subchapter  
 24 A of chapter 51 (relating to gallonage and occupational

1 taxes) is amended by adding at the end the following new  
 2 section:

3 **“SEC. 5011. INCOME TAX CREDIT FOR AVERAGE COST OF**  
 4 **CARRYING EXCISE TAX.**

5 “(a) IN GENERAL.—For purposes of section 38, the  
 6 amount of the distilled spirits credit for any taxable year  
 7 is the amount equal to the product of—

8 “(1) in the case of—

9 “(A) any eligible wholesaler—

10 “(i) the number of cases of bottled  
 11 distilled spirits—

12 “(I) which were bottled in the  
 13 United States, and

14 “(II) which are purchased by  
 15 such wholesaler during the taxable  
 16 year directly from the bottler of such  
 17 spirits, or

18 “(B) any person which is subject to section  
 19 5005 and which is not an eligible wholesaler,  
 20 the number of cases of bottled distilled spirits  
 21 which are stored in a warehouse operated by, or  
 22 on behalf of, a State, or agency or political sub-  
 23 division thereof, on which title has not passed  
 24 on an unconditional sale basis, and

1           “(2) the average tax-financing cost per case for  
2           the most recent calendar year ending before the be-  
3           ginning of such taxable year.

4           “(b) ELIGIBLE WHOLESALER.—For purposes of this  
5           section, the term ‘eligible wholesaler’ means any person  
6           which holds a permit under the Federal Alcohol Adminis-  
7           tration Act as a wholesaler of distilled spirits which is not  
8           a State, or agency or political subdivision thereof.

9           “(c) AVERAGE TAX-FINANCING COST.—

10           “(1) IN GENERAL.—For purposes of this sec-  
11           tion, the average tax-financing cost per case for any  
12           calendar year is the amount of interest which would  
13           accrue at the deemed financing rate during a 60-day  
14           period on an amount equal to the deemed Federal  
15           excise tax per case.

16           “(2) DEEMED FINANCING RATE.—For purposes  
17           of paragraph (1), the deemed financing rate for any  
18           calendar year is the average of the corporate over-  
19           payment rates under paragraph (1) of section  
20           6621(a) (determined without regard to the last sen-  
21           tence of such paragraph) for calendar quarters of  
22           such year.

23           “(3) DEEMED FEDERAL EXCISE TAX PER  
24           CASE.—For purposes of paragraph (1), the deemed  
25           Federal excise tax per case is \$25.68.

1 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—

2 For purposes of this section—

3 “(1) CASE.—The term ‘case’ means 12 80-  
4 proof 750 milliliter bottles.

5 “(2) NUMBER OF CASES IN LOT.—The number  
6 of cases in any lot of distilled spirits shall be deter-  
7 mined by dividing the number of liters in such lot  
8 by 9.”.

9 (b) CONFORMING AMENDMENTS.—

10 (1) Subsection (b) of section 38 is amended by  
11 striking “plus” at the end of paragraph (14), by  
12 striking the period at the end of paragraph (15) and  
13 inserting “, plus”, and by adding at the end the fol-  
14 lowing new paragraph:

15 “(16) the distilled spirits credit determined  
16 under section 5011(a).”.

17 (2) Subsection (d) of section 39 is amended by  
18 adding at the end the following new paragraph:

19 “(11) NO CARRYBACK OF SECTION 5011 CREDIT  
20 BEFORE JANUARY 1, 2004.—No portion of the un-  
21 used business credit for any taxable year which is  
22 attributable to the credit determined under section  
23 5011(a) may be carried back to a taxable year be-  
24 ginning before January 1, 2004.”.

1           (3) The table of sections for subpart A of part  
 2           I of subchapter A of chapter 51 is amended by add-  
 3           ing at the end the following new item:

“Sec. 5011. Income tax credit for average cost of carrying excise  
 tax.”.

4           (c) EFFECTIVE DATE.—The amendments made by  
 5           this section shall apply to taxable years beginning after  
 6           December 31, 2003.

7           **SEC. 602. CREDIT FOR TAXPAYERS OWNING COMMERCIAL**  
 8                               **POWER TAKEOFF VEHICLES.**

9           (a) IN GENERAL.—Subpart D of part IV of sub-  
 10          chapter A of chapter 1 (relating to business-related cred-  
 11          its) is amended by adding at the end the following new  
 12          section:

13          **“SEC. 45G. COMMERCIAL POWER TAKEOFF VEHICLES**  
 14                               **CREDIT.**

15          “(a) GENERAL RULE.—For purposes of section 38,  
 16          the amount of the commercial power takeoff vehicles credit  
 17          determined under this section for the taxable year is \$250  
 18          for each qualified commercial power takeoff vehicle owned  
 19          by the taxpayer as of the close of the calendar year in  
 20          which or with which the taxable year of the taxpayer ends.

21          “(b) DEFINITIONS.—For purposes of this section—

22                “(1) QUALIFIED COMMERCIAL POWER TAKEOFF  
 23          VEHICLE.—The term ‘qualified commercial power  
 24          takeoff vehicle’ means any highway vehicle described

1 in paragraph (2) which is propelled by any fuel sub-  
 2 ject to tax under section 4041 or 4081 if such vehi-  
 3 cle is used in a trade or business or for the produc-  
 4 tion of income (and is licensed and insured for such  
 5 use).

6 “(2) HIGHWAY VEHICLE DESCRIBED.—A high-  
 7 way vehicle is described in this paragraph if such ve-  
 8 hicle is—

9 “(A) designed to engage in the daily collec-  
 10 tion of refuse or recyclables from homes or  
 11 businesses and is equipped with a mechanism  
 12 under which the vehicle’s propulsion engine pro-  
 13 vides the power to operate a load compactor, or

14 “(B) designed to deliver ready mixed con-  
 15 crete on a daily basis and is equipped with a  
 16 mechanism under which the vehicle’s propulsion  
 17 engine provides the power to operate a mixer  
 18 drum to agitate and mix the product en route  
 19 to the delivery site.

20 “(c) EXCEPTION FOR VEHICLES USED BY GOVERN-  
 21 MENTS, ETC.—No credit shall be allowed under this sec-  
 22 tion for any vehicle owned by any person at the close of  
 23 a calendar year if such vehicle is used at any time during  
 24 such year by—

1           “(1) the United States or an agency or instru-  
 2           mentality thereof, a State, a political subdivision of  
 3           a State, or an agency or instrumentality of one or  
 4           more States or political subdivisions, or

5           “(2) an organization exempt from tax under  
 6           section 501(a).

7           “(d) DENIAL OF DOUBLE BENEFIT.—The amount of  
 8           any deduction under this subtitle for any tax imposed by  
 9           subchapter B of chapter 31 or part III of subchapter A  
 10          of chapter 32 for any taxable year shall be reduced (but  
 11          not below zero) by the amount of the credit determined  
 12          under this subsection for such taxable year.

13          “(e) TERMINATION.—This section shall not apply  
 14          with respect to any calendar year after 2006.”.

15          (b) CONFORMING AMENDMENTS.—

16               (1) Subsection (b) of section 38, as amended by  
 17               this Act, is amended by striking “plus” at the end  
 18               of paragraph (15), by striking the period at the end  
 19               of paragraph (16) and inserting “, plus”, and by  
 20               adding at the end the following new paragraph:

21                   “(17) the commercial power takeoff vehicles  
 22                   credit under section 45G(a).”.

23               (2) Subsection (d) of section 39, as amended by  
 24               this Act, is amended by adding at the end the fol-  
 25               lowing new paragraph:



1           “(12) NO CARRYBACK OF SECTION 45G CREDIT  
 2           BEFORE JANUARY 1, 2004.—No portion of the un-  
 3           used business credit for any taxable year which is  
 4           attributable to the credit determined under section  
 5           45G(a) may be carried back to a taxable year begin-  
 6           ning before January 1, 2004.”.

7           (3) The table of sections for subpart D of part  
 8           IV of subchapter A of chapter 1 is amended by add-  
 9           ing at the end the following new item:

          “Sec. 45G. Commercial power takeoff vehicles credit.”.

10          (c) REGULATIONS.—Not later than January 1, 2007,  
 11          the Secretary of the Treasury, in consultation with the  
 12          Secretary of Energy, shall by regulation provide for the  
 13          method of determining the exemption from any excise tax  
 14          imposed under section 4041 or 4081 of the Internal Rev-  
 15          enue Code of 1986 on fuel used through a mechanism to  
 16          power equipment attached to a highway vehicle as de-  
 17          scribed in section 45G(b)(2) of such Code, as added by  
 18          subsection (a).

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

○