

110TH CONGRESS
1ST SESSION

H. R. 3497

To amend the Internal Revenue Code of 1986 to reduce the Federal tax on fuels by the amount of any increase in the rate of tax on such fuel by the States.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 7, 2007

Mr. GARRETT of New Jersey (for himself, Mr. BARRETT of South Carolina, Mr. MARCHANT, Mr. CARTER, Mr. HENSARLING, Ms. FALLIN, Mr. ISSA, Mr. SHADEGG, Mr. BARTLETT of Maryland, Mrs. MYRICK, Mr. FRANKS of Arizona, Mr. DANIEL E. LUNGREN of California, Mr. PRICE of Georgia, Mr. FEENEY, Mr. HOEKSTRA, Mrs. MUSGRAVE, Mr. PITTS, Mr. LAMBORN, Mr. WALBERG, Mr. GINGREY, Mr. FLAKE, and Mr. CHABOT) 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 reduce the Federal tax on fuels by the amount of any increase in the rate of tax on such fuel by the States.

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 “Surface Transportation and Taxation Equity Act” or as
6 the “STATE Act”.

1 (b) FINDINGS.—The Congress finds the following:

2 (1) Today’s surface transportation problems are
3 largely local and regional in nature.

4 (2) The original Federal goal of creating an
5 interstate system was met in the early 1980s.

6 (3) State and local governments are out-
7 spending the Federal Government on transportation
8 by a ratio of 2 to 1.

9 (4) The amount of traffic experiencing con-
10 gested conditions in the peak travel periods has dou-
11 bled in 20 years from 33 percent in 1982 to 67 per-
12 cent in 2002.

13 (5) More than \$63,000,000,000 is wasted each
14 year due to congestion in the 85 most populated
15 areas in the country.

16 (c) PURPOSES.—The purposes of this Act are to—

17 (1) return primary transportation program re-
18 sponsibility and taxing authority to the States,

19 (2) free States’ transportation dollars from
20 Federal micromanagement, earmarking, and budg-
21 etary pressures,

22 (3) enable decisions regarding which infrastruc-
23 ture projects will be built, how they will be financed,
24 and how they will be regulated to be made by per-
25 sons best able to make those decisions,

1 (4) eliminate the current system in which a
 2 Federal gasoline tax is sent to Washington and
 3 through a cumbersome Department of Transpor-
 4 tation bureaucracy,

5 (5) prohibit the Federal Government from fore-
 6 ing unwanted mandates on States by threatening to
 7 withhold transportation money, and

8 (6) achieve measurable congestion mitigation
 9 and infrastructure preservation and safety in a cost
 10 effective way subject to available resources.

11 **SEC. 2. FEDERAL TAX ON FUELS DECREASED BY AMOUNT**
 12 **OF INCREASE IN STATE TAX ON FUEL.**

13 (a) IN GENERAL.—Subpart B of part III of sub-
 14 chapter A of chapter 32 of the Internal Revenue Code of
 15 1986 (relating to special provisions applicable to fuels tax)
 16 is amended by adding at the end the following new section:

17 **“SEC. 4106. REDUCTION IN RATES OF TAX BASED ON IN-**
 18 **CREASE IN STATE TAX RATE.**

19 “(a) IN GENERAL.—Under regulations prescribed by
 20 the Secretary, the rate of tax imposed under section 4081
 21 with respect to any fuel and the rate of tax imposed under
 22 section 4041 with respect to any liquid shall be decreased,
 23 but not below 2 cents per gallon, by the applicable State
 24 tax rate increase with respect to such fuel or liquid.

1 “(b) APPLICABLE STATE TAX RATE INCREASE.—

2 For purposes of this section, the term ‘applicable State
3 tax rate increase’ means, with respect to any fuel or liquid,
4 the excess, as periodically determined under tables pre-
5 scribed by the Secretary, of—

6 “(1) the rate of tax imposed by the applicable
7 State on the sale or use of such fuel or liquid, over

8 “(2) the rate of tax imposed by the applicable
9 State on the sale or use of such fuel or liquid as of
10 March 5, 2007.

11 Any increase in the rate of tax imposed by any applicable
12 State on the sale or use of any fuel or liquid shall be taken
13 into account under this subsection only if State law pro-
14 vides that such increase is to be taken into account under
15 this subsection.

16 “(c) APPLICABLE STATE.—For purposes of this sec-
17 tion, the term ‘applicable State’ means the State which
18 is determined under regulations prescribed by the Sec-
19 retary as—

20 “(1) in the case of a liquid to which section
21 4041 applies, the State in which such liquid is sold
22 or used, or

23 “(2) in the case of a fuel to which section 4081
24 applies, the State in which such fuel is most likely
25 to be sold or used.

1 “(d) REQUIREMENT TO MAINTAIN INTERSTATE
2 HIGHWAY SYSTEM.—Subsection (a) shall not apply with
3 respect to any fuel or liquid if the applicable State with
4 respect to such fuel or liquid has not entered into an
5 agreement with the Secretary of Transportation under
6 which such State has agreed to provide for the proper
7 maintenance of that portion of the interstate highway sys-
8 tem which is within such State.”.

9 (b) CONFORMING AMENDMENTS.—

10 (1) Section 9503 of such Code is amended by
11 striking subsection (d).

12 (2)(A) Paragraph (4) of section 9503(e) of such
13 Code is amended to read as follows:

14 “(6) REDUCTION IN RATE OF TRANSFER BASED
15 ON REDUCTION IN STATE TAX RATES.—

16 “(A) IN GENERAL.—There shall be sub-
17 stituted for each amount in paragraph (2) an
18 amount which bears the same ratio to such
19 amount as the aggregate reduced tax rate bears
20 to the aggregate unreduced tax rate.

21 “(B) AGGREGATE REDUCED TAX RATE.—

22 For purposes of subparagraph (A), the term
23 ‘aggregate reduced tax rate’ means, with re-
24 spect to any amount for any calendar year, the
25 amount of tax that the Secretary estimates will

1 be imposed with respect to the liquid or fuel to
 2 which such amount relates for such year after
 3 application of section 4106.

4 “(C) AGGREGATE UNREDUCED TAX
 5 RATE.—For purposes of subparagraph (A), the
 6 term ‘aggregate unreduced tax rate’ means,
 7 with respect to any amount for any calendar
 8 year, the amount of tax that the Secretary esti-
 9 mates would have been imposed with respect to
 10 the liquid or fuel to which such amount relates
 11 for such year if section 4106 did not apply for
 12 such year.”.

13 (B) Subparagraph (A) of section 9503(e)(2) of
 14 such Code is amended by striking “sentence” and
 15 inserting “subsection”.

16 (3) The table for section for subpart B of part
 17 III of subchapter A of chapter 32 of such Code is
 18 amended by adding at the end the following new
 19 item:

“Sec. 4106. Reduction in rates of tax based on increase in State tax rate.”.

20 (c) EFFECTIVE DATE.—The amendment made by
 21 this section shall apply to liquid or fuel removed, entered,
 22 sold, or used after the date of the enactment of this Act.

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