

HIGHWAY REAUTHORIZATION TAX ACT OF 2005

MARCH 8, 2005.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. THOMAS, from the Committee on Ways and Means,
submitted the following

R E P O R T

[To accompany H.R. 996]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 996) to amend the Internal Revenue Code of 1986 to provide for the extension of highway-related taxes and trust funds, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Highway Reauthorization Tax Act of 2005”.

SEC. 2. EXTENSION OF HIGHWAY-RELATED TAXES AND TRUST FUNDS.**(a) EXTENSION OF TAXES.—**

(1) **IN GENERAL.**—The following provisions of the Internal Revenue Code of 1986 are each amended by striking “2005” each place it appears and inserting “2011”:

- (A) Section 4041(a)(1)(C)(iii)(I) (relating to rate of tax on certain buses).
- (B) Section 4041(a)(2)(B) (relating to rate of tax on special motor fuels).
- (C) Section 4041(m)(1) (relating to certain alcohol fuels).
- (D) Section 4051(c) (relating to termination of tax on heavy trucks and trailers).
- (E) Section 4071(d) (relating to termination of tax on tires).
- (F) Section 4081(d)(1) (relating to termination of tax on gasoline, diesel fuel, and kerosene).
- (G) Section 4481(f) (relating to period tax in effect).
- (H) Section 4482(c)(4) (relating to taxable period).
- (I) Section 4482(d) (relating to special rule for taxable period in which termination date occurs).

(2) **FLOOR STOCKS REFUNDS.**—Section 6412(a)(1) of such Code (relating to floor stocks refunds) is amended—

- (A) by striking “2005” each place it appears and inserting “2011”, and
- (B) by striking “2006” each place it appears and inserting “2012”.

(b) **EXTENSION OF CERTAIN EXEMPTIONS.**—The following provisions of such Code are each amended by striking “2005” and inserting “2011”:

- (1) Section 4221(a) (relating to certain tax-free sales).
- (2) Section 4483(h) (relating to termination of exemptions for highway use tax).

(c) EXTENSION OF DEPOSITS INTO TRUST FUNDS.—

(1) **IN GENERAL.**—Paragraphs (1) and (2) of subsection (b), and paragraphs (2) and (3) of subsection (c), of section 9503 of such Code (relating to the Highway Trust Fund) are each amended—

- (A) by striking “2005” each place it appears and inserting “2011”, and
- (B) by striking “2006” each place it appears and inserting “2012”.

(2) **MOTORBOAT AND SMALL-ENGINE FUEL TAX TRANSFERS.**—

(A) **IN GENERAL.**—Paragraphs (4)(A)(i) and (5)(A) of section 9503(c) of such Code are each amended by striking “2005” and inserting “2011”.

(B) **CONFORMING AMENDMENTS TO LAND AND WATER CONSERVATION FUND.**—Section 201(b) of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601–11(b)) is amended—

- (i) by striking “2003” and inserting “2009”, and
- (ii) by striking “2004” each place it appears and inserting “2010”.

(d) EXTENSION AND EXPANSION OF EXPENDITURES FROM TRUST FUNDS.—

(1) **HIGHWAY TRUST FUND.**—

(A) **HIGHWAY ACCOUNT.**—Paragraph (1) of section 9503(c) of such Code is amended—

- (i) in the matter before subparagraph (A), by striking “June 1, 2005” and inserting “October 1, 2009”,
- (ii) by striking “or” at the end of subparagraph (J),
- (iii) by striking the period at the end of subparagraph (K) and inserting “, or”,
- (iv) by inserting after subparagraph (K) the following new subparagraph:

“(L) authorized to be paid out of the Highway Trust Fund under the Transportation Equity Act: A Legacy for Users.”, and

- (v) in the matter after subparagraph (L), as added by clause (iv), by striking “Surface Transportation Extension Act of 2004, Part V” and inserting “Transportation Equity Act: A Legacy for Users”.

(B) **MASS TRANSIT ACCOUNT.**—Paragraph (3) of section 9503(e) of such Code is amended—

- (i) in the matter before subparagraph (A), by striking “June 1, 2005” and inserting “October 1, 2009”,
- (ii) by striking “or” at the end of subparagraph (H),
- (iii) by inserting “or” at the end of subparagraph (I),
- (iv) by inserting after subparagraph (I) the following new subparagraph:

“(J) Transportation Equity Act: A Legacy for Users.”, and

- (v) in the matter after subparagraph (J), as added by clause (iv), by striking “Surface Transportation Extension Act of 2004, Part V” and inserting “Transportation Equity Act: A Legacy for Users”.

(C) EXCEPTION TO LIMITATION ON TRANSFERS.—Subparagraph (B) of section 9503(b)(6) of such Code is amended by striking “June 1, 2005” and inserting “October 1, 2009”.

(2) AQUATIC RESOURCES TRUST FUND.—

(A) SPORT FISH RESTORATION ACCOUNT.—Paragraph (2) of section 9504(b) of such Code is amended by striking “Surface Transportation Extension Act of 2004, Part V” each place it appears and inserting “Transportation Equity Act: A Legacy for Users” .

(B) BOAT SAFETY ACCOUNT.—Subsection (c) of section 9504 of such Code is amended—

(i) by striking “June 1, 2005” and inserting “October 1, 2009”, and

(ii) by striking “Surface Transportation Extension Act of 2004, Part V” and inserting “Transportation Equity Act: A Legacy for Users” .

(C) EXCEPTION TO LIMITATION ON TRANSFERS.—Paragraph (2) of section 9504(d) of such Code is amended by striking “June 1, 2005” and inserting “October 1, 2009”.

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

SEC. 3. TECHNICAL CORRECTIONS REGARDING HIGHWAY-RELATED TAXES.

(a) AMENDMENTS RELATED TO SECTION 301 OF THE AMERICAN JOBS CREATION ACT OF 2004.—Section 6427 of such Code is amended—

(1) by striking subsection (f), and

(2) by striking subsection (o) and redesignating subsection (p) as subsection (o).

(b) AMENDMENTS RELATED TO SECTION 853 OF THE AMERICAN JOBS CREATION ACT OF 2004.—

(1) Subparagraph (C) of section 4081(a)(2) of the Internal Revenue Code of 1986 is amended by striking “for use in commercial aviation” and inserting “for use in commercial aviation by a person registered for such use under section 4101”.

(2) So much of paragraph (2) of section 4081(d) of such Code as precedes subparagraph (A) is amended to read as follows:

“(2) AVIATION FUELS.—The rates of tax specified in clauses (ii) and (iv) of subsection (a)(2)(A) shall be 4.3 cents per gallon—”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the American Jobs Creation Act of 2004 to which they relate.

I. SUMMARY AND BACKGROUND

A. PURPOSE AND SUMMARY

The bill, H.R. 996, as amended, contains provisions that extend the expenditure authority for the Highway Trust Fund and the Aquatic Resources Trust Fund and extend motor fuel excise taxes, and makes other technical changes related to highway excise taxes.

B. BACKGROUND AND NEED FOR LEGISLATION

The provisions approved by the Committee reflect the need to maintain Highway Trust Fund resources for the purposes of funding a highway reauthorization bill.

The Committee also believes that the full amount of excise taxes imposed on fuel used in motorboats and small engines should not be retained in the General Fund and should instead be credited to the trust fund primarily dedicated to the users who bear such taxes.

C. LEGISLATIVE HISTORY

The House Committee on Ways and Means marked up the Highway Reauthorization Tax Act of 2005 on March 3, 2005, and ordered the bill, as amended, favorably reported by voice vote.

II. EXPLANATION OF THE BILL

A. EXTENSION OF HIGHWAY TRUST FUND AND AQUATIC RESOURCES TRUST FUND EXPENDITURE AUTHORITY AND RELATED TAXES

(Sec. 2 of the bill and secs. 4041, 4051, 4071, 4081, 4221, 4481, 4482, 4483, 6412, 9503, and 9504 of the Code)

PRESENT-LAW HIGHWAY TRUST FUND EXCISE TAXES

In general

Six separate excise taxes are imposed to finance the Federal Highway Trust Fund program. Three of these taxes are imposed on highway motor fuels. The remaining three are a retail sales tax on heavy highway vehicles, a manufacturers' excise tax on heavy vehicle tires, and an annual use tax on heavy vehicles. A substantial majority of the revenues produced by the Highway Trust Fund excise taxes are derived from the taxes on motor fuels. Except for 4.3 cents per gallon of the Highway Trust Fund fuels tax rates, and a portion of the tax on certain special motor fuels, all of these taxes are scheduled to expire after September 30, 2005. The 4.3-cents-per-gallon portion of the fuels tax rates is permanent.¹ The six taxes are summarized below.

Highway motor fuels taxes

The Highway Trust Fund motor fuels tax rates are as follows:²

| | |
|--------------------------------|----------------------------------------------|
| Gasoline | 18.3 cents per gallon |
| Diesel fuel and kerosene | 24.3 cents per gallon |
| Special motor fuels | 18.3 cents per gallon generally ³ |

Non-fuel Highway Trust Fund excise taxes

In addition to the highway motor fuels excise tax revenues, the Highway Trust Fund receives revenues produced by three excise taxes imposed exclusively on heavy highway vehicles or tires. These taxes are:

1. A 12-percent excise tax imposed on the first retail sale of heavy highway vehicles, tractors, and trailers (generally, trucks having a gross vehicle weight in excess of 33,000 pounds and trailers having such a weight in excess of 26,000 pounds) (sec. 4051);
2. An excise tax imposed on highway tires with a rated load capacity exceeding 3,500 pounds, generally at a rate of 9.45 cents per 10 pounds of excess (sec. 4071(a)); and

¹This portion of the tax rates was enacted as a deficit reduction measure in 1993. Receipts from it were retained in the General Fund until 1997 legislation provided for their transfer to the Highway Trust Fund.

²Secs. 4081(a)(2)(A)(i), 4081(a)(2)(A)(iii), 4041(a)(2), 4041(a)(3), and 4041(m). Some of these fuels also are subject to an additional 0.1-cent-per-gallon excise tax to fund the Leaking Underground Storage Tank ("LUST") Trust Fund (secs. 4041(d) and 4081(a)(2)(B)).

³The statutory rate for certain special motor fuels is determined on an energy equivalent basis, as follows:

Liquefied petroleum gas (propane): 13.6 cents per gallon (3.2 cents after September 30, 2005).
Liquefied natural gas: 11.9 cents per gallon (2.8 cents after September 30, 2005).
Methanol derived from natural gas: 9.15 cents per gallon (2.15 cents after September 30, 2005).

Compressed natural gas: 48.54 cents per MCF.

See secs. 4041(a)(2), 4041(a)(3) and 4041(m).

The compressed natural gas tax rate is equivalent only to 4.3 cents per gallon of the rate imposed on gasoline and other special motor fuels rather than the full 18.3-cents-per-gallon rate. The tax rate for the other special motor fuels is equivalent to the full 18.3-cents-per-gallon gasoline and special motor fuels tax rate.

3. An annual use tax imposed on highway vehicles having a taxable gross weight of 55,000 pounds or more (sec. 4481). (The maximum rate for this tax is \$550 per year, imposed on vehicles having a taxable gross weight over 75,000 pounds.)

PRESENT-LAW HIGHWAY TRUST FUND EXPENDITURE PROVISIONS

In general

Dedication of excise tax revenues to the Highway Trust Fund and expenditures from the Highway Trust Fund are governed by the Code (sec. 9503).⁴ The Code authorizes expenditures (subject to appropriations) from the Fund through May 31, 2005, for the purposes provided in authorizing legislation, as in effect on the date of enactment of the Surface Transportation Extension Act of 2004, Part V.

Under present law, revenues from the highway excise taxes, as imposed through September 30, 2005, generally are dedicated to the Highway Trust Fund. Under section 9503(c)(2), the Highway Trust Fund reimburses the General Fund for amounts paid in respect of gasoline used on farms, gasoline used for certain non-highway purposes or by local transit systems, amounts relating to fuels not used for taxable purposes, and income tax credits for certain exempt uses of fuels.

Highway Trust Fund expenditure purposes

The Highway Trust Fund has a separate account for mass transit, the Mass Transit Account.⁵ The Highway Trust Fund and the Mass Transit Account are funding sources for specific programs. Neither the Highway Trust Fund nor the Mass Transit Account receives interest on its unexpended balances.⁶

Highway Trust Fund expenditure purposes have been revised with each authorization Act enacted since establishment of the Highway Trust Fund in 1956. In general, expenditures authorized under those Acts (as the Acts were in effect on the date of enactment of the most recent such authorizing Act) are specified by the Code as Highway Trust Fund expenditure purposes.⁷ The Code provides that authority to make expenditures from the Highway Trust Fund expires after May 31, 2005. Thus, no Highway Trust Fund expenditures may occur after May 31, 2005, without an amendment to the Code.

Interrelationship of the Highway Trust Fund and the Aquatic Resources Trust Fund

The Aquatic Resources Trust Fund is funded by a portion of the receipts from the excise taxes imposed on motorboat gasoline and special motor fuels and on gasoline used as a fuel in the nonbusi-

⁴The Highway Trust Fund statutory provisions were placed in the Internal Revenue Code in 1982.

⁵Sec. 9503(e)(1).

⁶Sec. 9503(f)(2).

⁷The authorizing Acts that currently are referenced in the Highway Trust Fund provisions of the Code are: the Highway Revenue Act of 1956, Title I and II of the Surface Transportation Assistance Act of 1982, the Surface Transportation and Uniform Relocation Act of 1987, the Intermodal Surface Transportation Efficiency Act of 1991 and the Transportation Equity Act for the 21st Century, the Surface Transportation Extension Act of 2003, the Surface Transportation Extension Act of 2004; the Surface Transportation Extension Act of 2004, Part II; the Surface Transportation Extension Act of 2004 Part III; the Surface Transportation Extension Act of 2004, Part IV; and the Surface Transportation Extension Act of 2004, Part V.

ness use of small-engine outdoor power equipment. A portion of these taxes are transferred into the Highway Trust Fund and then retransferred into the Aquatic Resources Trust Fund. As a result, transfers to the Aquatic Resources Trust Fund are governed in part by Highway Trust Fund provisions (secs. 9503(c)(4) and 9503(c)(5)).

A total tax rate of 18.4 cents per gallon is imposed on gasoline and special motor fuels used in motorboats and on gasoline used as a fuel in the nonbusiness use of small-engine outdoor power equipment. Of this rate, 0.1 cent per gallon is dedicated to the Leaking Underground Storage Tank Trust Fund. Of the remaining 18.3 cents per gallon, 4.8 cents per gallon are retained in the General Fund. The balance of 13.5 cents per gallon is transferred to the Highway Trust Fund and then retransferred to the Aquatic Resources Trust Fund and the Land and Water Conservation Fund, as follows.

The Aquatic Resources Trust Fund is comprised of two accounts, the Boat Safety Account and the Sport Fish Restoration Account. Motorboat fuel taxes, not exceeding \$70 million per year, are transferred to the Boat Safety Account. In addition, these transfers are subject to an overall annual limit equal to an amount that will not cause the Boat Safety Account to have an unobligated balance in excess of \$70 million. To the extent there are excess motorboat fuel taxes, the next \$1 million per year of motorboat fuel taxes is transferred from the Highway Trust Fund to the Land and Water Conservation Fund provided for in Title I of the Land and Water Conservation Fund Act of 1965. The balance of the motorboat fuel taxes in the Highway Trust Fund is transferred to the Sport Fish Restoration Account.

The Sport Fish Restoration Account also receives 13.5 cents per gallon of the small-engine fuel taxes from the Highway Trust Fund. This Account is also funded with receipts from an ad valorem manufacturers' excise tax on sport fishing equipment.

The retention in the General Fund of 4.8 cents per gallon of taxes on fuel used in motorboats and in the nonbusiness use of small-engine outdoor power equipment expires with respect to taxes imposed after September 30, 2005.

The expenditure authority for the Aquatic Resources Trust Fund expires after May 31, 2005.

H.R. 3: Transportation Equity Act: A Legacy for Users

On February 9, 2005, Representative Don Young introduced H.R. 3, the Transportation Equity Act: A Legacy for Users. Among other purposes, the bill reauthorizes the Federal highway, public transportation, highway safety and motor carrier safety programs for fiscal year 2004 through fiscal year 2009.

REASONS FOR CHANGE

The Committee believes that highway and transit spending sustains and creates jobs, providing valuable new opportunities in communities where the availability of jobs is declining. In addition, a long-term reauthorization provides stability for State transportation programs dependent on Federal funds. Thus, the Committee believes it is appropriate to reauthorize Highway Trust Fund expenditures through September 30, 2009 in coordination with new

transportation legislation and to extend current Federal taxes payable to the Highway Trust Fund through September 30, 2011.

The Committee also believes that the full amount of excise taxes imposed on fuel used in motorboats and in the nonbusiness use of small-engine outdoor power equipment should not be retained in the General Fund and should instead be credited to the trust fund dedicated to the users who primarily bear such taxes. Fuel taxes imposed with respect to other uses are currently either dedicated to an appropriate fund or are being phased out. Therefore, the Committee believes that allowing the present-law General Fund retention of such taxes to expire as scheduled is consistent with the treatment of other fuel taxes.

EXPLANATION OF PROVISION

The expenditure authority for the Highway Trust Fund and Aquatic Resources Trust Fund is extended through September 30, 2009. The Code provisions governing the purposes for which monies in the Highway Trust Fund may be spent are modified to include the reauthorization bill, H.R. 3, Transportation Equity Act: A Legacy for Users.

The provision also extends the motor fuel taxes and all three non-fuel excise taxes at their current rates through September 30, 2011.

The provision does not extend the retention in the General Fund of 4.8 cents per gallon of taxes on fuel used in motorboats and in the nonbusiness use of small-engine outdoor power equipment.

EFFECTIVE DATE

The provision is effective on the date of enactment.

B. FUELS-RELATED TECHNICAL CORRECTIONS TO AMERICAN JOBS CREATION ACT OF 2004

(Sec. 3 of the bill and secs. 4081 and 6427 of the Code)

The bill includes technical corrections to the American Jobs Creation Act of 2004 ("AJCA"). The amendments made by the technical corrections take effect as if included in the section of AJCA to which each amendment relates.

1. Volumetric ethanol excise tax credit (sec. 301 of AJCA)

AJCA repealed the reduced tax rates for alcohol fuels and taxable fuels to be blended with alcohol. The technical correction makes a conforming amendment to eliminate the refund provision based on those reduced rates (secs. 6427(f) and 6427(o)).

2. Aviation-grade kerosene (sec. 853 of AJCA)

Section 853 of AJCA moved the taxation of jet fuel (aviation-grade kerosene) from section 4091 to section 4081 and repealed section 4091. The termination date for the 21.8 cent per gallon rate for noncommercial aviation jet fuel was inadvertently omitted from the Act. The technical correction clarifies that after September 30, 2007, the rate for jet fuel used in noncommercial aviation will be 4.3 cents per gallon.

An additional technical correction clarifies that users of aviation-grade kerosene in commercial aviation are required to be registered

with the IRS in order for the 4.3-cents-per-gallon rate to apply (including for purposes of the self-assessment of tax by commercial aircraft operators).

III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee on Ways and Means in its consideration of the bill, H.R. 996.

MOTION TO REPORT THE BILL

The bill, H.R. 996, as amended was ordered favorably reported by voice vote (with a quorum being present).

IV. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 3(d)(2) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the revenue provisions of the bill, H.R. 996 as reported.

The bill is estimated to have the following effects on budget receipts for fiscal years 2005–2010:

**ESTIMATED BUDGET EFFECTS OF H.R. 996,
THE "HIGHWAY REAUTHORIZATION TAX ACT OF 2005,"
AS REPORTED BY THE COMMITTEE ON WAYS AND MEANS**

Fiscal Years 2005 - 2010

(Millions of Dollars)

| Provision | Effective | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2005-10 |
|--------------------------------------------------------------------------------------------------------------------------|-----------|------|------|------|------|------|------|---------|
| Extend Highway Trust Fund and Aquatic Resources Trust Fund Expenditure Authority and Related Taxes: | | | | | | | | |
| A. Revenue Effects..... | DOE | --- | --- | -29 | -69 | -104 | -125 | -327 |
| B. Outlay Effects [1] | DOE | --- | --- | --- | --- | --- | --- | --- |
| Total of Extend Highway Trust Fund and Aquatic Resources Trust Fund Expenditure Authority and Related Taxes | | --- | --- | -29 | -69 | -104 | -125 | -327 |
| Fuels-Related Technical Corrections to American Jobs Creation Act of 2004 | | | | | | | | |
| A. Volumetric Ethanol Excise Tax Credit | [2] | --- | --- | --- | --- | --- | --- | --- |
| B. Aviation Fuel | [2] | --- | --- | --- | --- | --- | --- | --- |
| Total of Fuels-Related Technical Corrections to American Jobs Creation Act of 2004 | | --- | --- | --- | --- | --- | --- | --- |
| NET TOTAL | | --- | --- | -29 | -69 | -104 | -125 | -327 |
| Joint Committee on Taxation | | --- | --- | --- | --- | --- | --- | --- |

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column: DOE = date of enactment

[1] Outlay effects provided by the Congressional Budget Office. Negative numbers indicate an increase in outlays from the Aquatics Resources Trust Fund.
[2] Effective as if included in the American Jobs Creation Act of 2004.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX
EXPENDITURES BUDGET AUTHORITY

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET
OFFICE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the CBO, the following statement by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 7, 2005.

Hon. WILLIAM "BILL" M. THOMAS,
*Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 996, the Highway Reauthorization Tax Act of 2005.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Laura Hanlon (for revenues), and Deborah Reis (for direct spending).

Sincerely,

DOUGLAS HOLTZ-EAKIN,
Director.

Enclosure.

H.R. 996—Highway Reauthorization Tax Act of 2005

Summary: H.R. 996 would amend the Internal Revenue Code to extend certain expiring highway taxes through September 30, 2011. Under current law, excise taxes are imposed on motor fuels, certain vehicles, and tires. Most of those taxes are set to expire on September 30, 2005. Among these levies is a tax of 18.3 cents per gallon that is imposed on gasoline and special motor fuels used in motorboats and certain small engines. H.R. 996 would distribute all revenues collected from the tax on those fuels to the Aquatic Resources Trust Fund (ARTF). ARTF deposits may be spent without further appropriation for state grants and conservation activities. Under current law, only 13.5 cents per gallon is deposited in the ARTF; the balance of 4.8 cents per gallon remains in the general fund.

H.R. 996 also would extend expenditure authority for the Highway Trust Fund and the ARTF through September 30, 2009.

CBO and the Joint Committee on Taxation (JCT) estimate that the bill would not affect revenues, relative to the current baseline, because CBO's baseline already assumes extension of the taxes under laws governing the baseline construction. CBO estimates that, by increasing the amount of revenue allocated to the ARTF, the bill would result in additional direct spending of \$29 million in 2007 and about \$1.1 billion over the 2007–2015 period.

CBO and JCT have determined that H.R. 996 contains no inter-governmental or private-sector mandates as defined in the Un-

funded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated Cost to the Federal Government: The budgetary impact of H.R. 996 over the 2005–2015 period is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

| | By fiscal year, in millions of dollars— | | | | | | | | | | |
|-----------------------------------|-----------------------------------------|------|------|------|------|------|------|------|------|------|------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| CHANGES IN REVENUES | | | | | | | | | | | |
| Estimated Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHANGES IN DIRECT SPENDING | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 0 | 123 | 131 | 138 | 144 | 149 | 152 | 156 | 161 | 163 |
| Estimated Outlays | 0 | 0 | 29 | 69 | 104 | 125 | 137 | 143 | 147 | 151 | 156 |

Sources: Joint Committee on Taxation and CBO.

*Basis of estimate**Revenues*

JCT estimates that extending the expiring tax provisions would have no effect on federal revenues because the baseline already includes those revenues. Under section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, excise taxes dedicated to trust funds, if set to expire, are assumed to be extended in CBO's baseline at the current rates in place just before scheduled expiration.

Direct Spending

Enacting H.R. 996 would increase direct spending beginning in 2007 because the bill would allocate the 18.3 cents per gallon collected from taxes on fuels used in motorboats and certain small engines to the ARTF, rather than the 13.5 cents per gallon currently deposited in that fund. All amounts deposited into the ARTF are available in the following year without further appropriation. CBO estimates that this change would increase direct spending by \$29 million in 2007 and by about \$1.1 billion over the 2007–2015 period.

Intergovernmental and private-sector impact: CBO and JCT have determined that H.R. 996 contains no intergovernmental or private-sector mandates and would impose no costs on state, local, or tribal governments.

Estimate prepared by: Federal Revenues; Laura Hanlon; and Federal Costs; Deborah Reis.

Estimate approved by: G. Thomas Woodward, Assistant Director for Tax Analysis; and Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

D. MACROECONOMIC IMPACT ANALYSIS

In compliance with clause 3(h)(2) of rule XIII of the Rules of the House of Representatives, the following statement is made by the Joint Committee on Taxation with respect to the provisions of the bill amending the Internal Revenue Code of 1986: the effects of the bill on economic activity are so small as to be incalculable within the context of a model of the aggregate economy.

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it is appropriate and timely to enact the revenue provision included in the bill as reported.

B. STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes funding, so no statement of general performance goals and objectives for which any measure authorizes funding is required.

C. CONSTITUTIONAL AUTHORITY STATEMENT

With respect to clause 3(d)(1) of the rule XIII of the Rules of the House of Representatives (relating to Constitutional Authority), the Committee states that the Committee's action in reporting this bill is derived from Article I of the Constitution, Section 8 ("The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises . . .").

D. INFORMATION RELATING TO UNFUNDED MANDATES

This information is provided in accordance with section 423 of the Unfunded Mandates Act of 1995 (Pub. L. No. 104-4).

The Committee has determined that the revenue provisions of the bill do not contain Federal mandates on the private sector. The Committee has determined that the revenue provisions of the bill do not impose a Federal intergovernmental mandate on State, local, or tribal governments.

E. APPLICABILITY OF HOUSE RULE XXI 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that "A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present." The Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not involve any Federal income tax rate increases within the meaning of the rule.

F. TAX COMPLEXITY ANALYSIS

Section 4022(b) of the Internal Revenue Service Restructuring and Reform Act of 1998 (the "IRS Reform Act") requires the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Department of the Treasury) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses.

The staff of the Joint Committee on Taxation has determined that a complexity analysis is not required under section 4022(b) of the IRS Reform Act because the bill contains no provisions that have "widespread applicability" to individuals or small businesses.

IV. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE OF 1986

* * * * *

Subtitle D—Miscellaneous Excise Taxes

* * * * *

CHAPTER 31—RETAIL EXCISE TAXES

* * * * *

Subchapter B—Special Fuels

* * * * *

SEC. 4041. IMPOSITION OF TAX.

(a) DIESEL FUEL AND SPECIAL MOTOR FUELS

(1) TAX ON DIESEL FUEL AND KEROSENE IN CERTAIN CASES

(A) * * *

* * * * *

(C) RATE OF TAX.—

(i) * * *

* * * * *

(iii) RATE OF TAX ON CERTAIN BUSES.—

(I) IN GENERAL.—Except as provided in subclause (II), in the case of fuel sold for use or used in a use described in section 6427(b)(1) (after the application of section 6427(b)(3)), the rate of tax imposed by this paragraph shall be 7.3 cents per gallon (4.3 cents per gallon after September 30, [2005] 2011).

(2) SPECIAL MOTOR FUELS.—

(A) * * *

(B) RATE OF TAX.—The rate of the tax imposed by this paragraph shall be—

(i) * * *

* * * * *

In the case of any sale or use after September 30, [2005] 2011, clause (ii) shall be applied by substituting “3.2 cents” for “13.6 cents”, and clause (iii) shall be applied by substituting “2.8 cents” for “11.9 cents”.

* * * * *

(m) CERTAIN ALCOHOL FUELS.—

(1) IN GENERAL.—In the case of the sale or use of any partially exempt methanol or ethanol fuel the rate of the tax imposed by subsection (a)(2) shall be—

(A) after September 30, 1997, and before October 1, [2005] 2011—

(i) * * *

* * * * *

(B) after September 30, [2005] 2011—

- (i) in the case of fuel none of the alcohol in which consists of ethanol, 2.15 cents per gallon, and
- (ii) in any other case, 4.3 cents per gallon.

* * * * *

Subchapter C—Heavy Trucks and Trailers

* * * * *

SEC. 4051. IMPOSITION OF TAX ON HEAVY TRUCKS AND TRAILERS SOLD AT RETAIL.

(a) * * *

* * * * *

(c) TERMINATION.—On and after October 1, [2005] 2011, the taxes imposed by this section shall not apply.

* * * * *

CHAPTER 32—MANUFACTURERS EXCISE TAXES

* * * * *

Subchapter A—Automotive and Related Items

* * * * *

PART II—TIRES

* * * * *

SEC. 4071. IMPOSITION OF TAX.

(a) * * *

* * * * *

(d) TERMINATION.—On and after October 1, [2005] 2011, the taxes imposed by subsection (a) shall not apply.

* * * * *

PART III—PETROLEUM PRODUCTS

* * * * *

Subpart A—Motor and Aviation Fuels

* * * * *

SEC. 4081. IMPOSITION OF TAX.

(a) TAX IMPOSED.—

(1) * * *

(2) RATES OF TAX.—

(A) * * *

* * * * *

(C) TAXES IMPOSED ON FUEL USED IN COMMERCIAL AVIATION.—In the case of aviation-grade kerosene which is removed from any refinery or terminal directly into the fuel tank of an aircraft [for use in commercial aviation] *for use*

in commercial aviation by a person registered for such use under section 4101, the rate of tax under subparagraph (A)(iv) shall be 4.3 cents per gallon.

* * * * *

(d) TERMINATION.—

(1) IN GENERAL.—The rates of tax specified in clauses (i) and (iii) of subsection (a)(2)(A) shall be 4.3 cents per gallon after September 30, [2005] 2011.

[(2) AVIATION GASOLINE.—The rate of tax specified in subsection (a)(2)(A)(ii) shall be 4.3 cents per gallon—]

(2) AVIATION FUELS.—*The rates of tax specified in clauses (ii) and (iv) of subsection (a)(2)(A) shall be 4.3 cents per gallon—*
(A) * * *

* * * * *

Subchapter G—Exemptions, Registration, Etc.

* * * * *

SEC. 4221. CERTAIN TAX-FREE SALES.

(a) GENERAL RULE.—Under regulations prescribed by the Secretary, no tax shall be imposed under this chapter (other than under section 4121 or 4081) on the sale by the manufacturer (or under subchapter A or C of chapter 31 on the first retail sale) of an article—

(1) * * *

* * * * *

but only if such exportation or use is to occur before any other use. Paragraphs (4) and (5) shall not apply to the tax imposed by section 4064. In the case of taxes imposed by section 4051, or 4071, paragraphs (4) and (5) shall not apply on and after October 1, [2005] 2011. In the case of the tax imposed by section 4131, paragraphs (3), (4), and (5) shall not apply and paragraph (2) shall apply only if the use of the exported vaccine meets such requirements as the Secretary may by regulations prescribe. In the case of taxes imposed by subchapter A of chapter 31, paragraphs (1), (3), (4), and (5) shall not apply.

* * * * *

CHAPTER 36—CERTAIN OTHER EXCISE TAXES

* * * * *

Subchapter D—Tax on Use of Certain Vehicles

* * * * *

SEC. 4481. IMPOSITION OF TAX.

(a) * * *

* * * * *

(f) PERIOD TAX IN EFFECT.—The tax imposed by this section shall apply only to use before October 1, [2005] 2011.

SEC. 4482. DEFINITIONS.

(a) * * *

* * * * *

(c) OTHER DEFINITIONS AND SPECIAL RULE.—For purposes of this subchapter—

(1) * * *

* * * * *

(4) TAXABLE PERIOD.—The term “taxable period” means any year beginning before July 1, [2005] 2011, and the period which begins on July 1, [2005] 2011, and ends at the close of September 30, [2005] 2011.

* * * * *

(d) SPECIAL RULE FOR TAXABLE PERIOD IN WHICH TERMINATION DATE OCCURS.—In the case of the taxable period which ends on September 30, [2005] 2011, the amount of the tax imposed by section 4481 with respect to any highway motor vehicle shall be determined by reducing each dollar amount in the table contained in section 4481(a) by 75 percent.

* * * * *

SEC. 4483. EXEMPTIONS.

(a) * * *

* * * * *

(h) TERMINATION OF EXEMPTIONS.—Subsections (a) and (c) shall not apply on and after October 1, [2005] 2011.

* * * * *

Subtitle E—Alcohol, Tobacco, and Certain Other Excise Taxes

* * * * *

CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

* * * * *

Subchapter B—Rules of Special Application

* * * * *

SEC. 6412. FLOOR STOCKS REFUNDS.

(a) IN GENERAL.—

(1) TIRES AND TAXABLE FUEL.—Where before October 1, [2005] 2011, any article subject to the tax imposed by section 4071 or 4081 has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article

on and after October 1, [2005] 2011, if claim for such credit or refund is filed with the Secretary on or before March 31, [2006] 2012, based upon a request submitted to the manufacturer, producer, or importer before January 1, [2006] 2012 by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before March 31, [2006] 2012, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to taxable fuel in retail stocks held at the place where intended to be sold at retail, nor with respect to taxable fuel held for sale by a producer or importer of taxable fuel.

* * * * *

SEC. 6427. FUELS NOT USED FOR TAXABLE PURPOSES.

(a) * * *

* * * * *

[(f) GASOLINE, DIESEL FUEL, KEROSENE, AND AVIATION FUEL USED TO PRODUCE CERTAIN ALCOHOL FUELS.—

[(1) IN GENERAL.—Except as provided in subsection (k), if any gasoline, diesel fuel, kerosene, or aviation fuel on which tax was imposed by section 4081 or 4091 at the regular tax rate is used by any person in producing a mixture described in section 4081(c) or 4091(c)(1)(A) (as the case may be) which is sold or used in such person’s trade or business, the Secretary shall pay (without interest) to such person an amount equal to the excess of the regular tax rate over the incentive tax rate with respect to such fuel.

[(2) DEFINITIONS.—For purposes of paragraph (1)—

[(A) REGULAR TAX RATE.—The term “regular tax rate” means—

[(i) in the case of gasoline, diesel fuel, or kerosene, the aggregate rate of tax imposed by section 4081 determined without regard to subsection (c) thereof, and

[(ii) in the case of aviation fuel, the aggregate rate of tax imposed by section 4091 determined without regard to subsection (c) thereof.

[(B) INCENTIVE TAX RATE.— The term “incentive tax rate” means—

[(i) in the case of gasoline, diesel fuel, or kerosene, the aggregate rate of tax imposed by section 4081 with respect to fuel described in subsection (c)(2) thereof, and

[(ii) in the case of aviation fuel, the aggregate rate of tax imposed by section 4091 with respect to fuel described in subsection (c)(2) thereof.

[(3) COORDINATION WITH OTHER REPAYMENT PROVISIONS.—No amount shall be payable under paragraph (1) with respect to any gasoline, diesel fuel, kerosene, or aviation fuel with respect to which an amount is payable under subsection (d), or (1) of this section or under section 6420 or 6421.

[(4) TERMINATION.—This subsection shall not apply with respect to any mixture sold or used after September 30, 2007.]

* * * * *

[(o) GASOHOL USED IN NONCOMMERCIAL AVIATION.—Except as provided in subsection (k), if—

[(1) any tax is imposed by section 4081 at a rate determined under subsection (c) thereof on gasohol (as defined in such subsection), and

[(2) such gasohol is used as a fuel in any aircraft in non-commercial aviation (as defined in section 4041(c)(2)), the Secretary shall pay (without interest) to the ultimate purchaser of such gasohol an amount equal to 1.4 cents (2 cents in the case of a mixture none of the alcohol in which consists of ethanol) multiplied by the number of gallons of gasohol so used.]

[(p) (o) CROSS REFERENCES.—

(1) * * *

* * * * *

Subtitle I—Trust Fund Code

* * * * *

CHAPTER 98—TRUST FUND CODE

* * * * *

Subchapter A—Establishment of Trust Funds

* * * * *

SEC. 9503. HIGHWAY TRUST FUND.

(a) * * *

(b) TRANSFER TO HIGHWAY TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—

(1) IN GENERAL.—There are hereby appropriated to the Highway Trust Fund amounts equivalent to the taxes received in the Treasury before October 1, [2005] 2011, under the following provisions—

(A) * * *

* * * * *

(2) LIABILITIES INCURRED BEFORE OCTOBER 1, [2005] 2011.—There are hereby appropriated to the Highway Trust Fund amounts equivalent to the taxes which are received in the Treasury after September 30, [2005] 2011, and before July 1, [2006] 2012, and which are attributable to liability for tax incurred before October 1, [2005] 2011, under the provisions described in paragraph (1).

* * * * *

(6) LIMITATION ON TRANSFERS TO HIGHWAY TRUST FUND.—

(A) * * *

(B) EXCEPTION FOR PRIOR OBLIGATIONS.—Subparagraph (A) shall not apply to any expenditure to liquidate any contract entered into (or for any amount otherwise obligated)

before [June 1, 2005] *October 1, 2009*, in accordance with the provisions of this section.

(c) EXPENDITURES FROM HIGHWAY TRUST FUND.—

(1) FEDERAL-AID HIGHWAY PROGRAM.—Except as provided in subsection (e), amounts in the Highway Trust Fund shall be available, as provided by appropriation Acts, for making expenditures before [June 1, 2005] *October 1, 2009*, to meet those obligations of the United States heretofore or hereafter incurred which are—

(A) * * *

* * * * *

(J) authorized to be paid out of the Highway Trust Fund under the Surface Transportation Extension Act of 2004, Part IV, [or]

(K) authorized to be paid out of the Highway Trust Fund under the Surface Transportation Extension Act of 2004, Part V[.], or

(L) *authorized to be paid out of the Highway Trust Fund under the Transportation Equity Act: A Legacy for Users.*

In determining the authorizations under the Acts referred to in the preceding subparagraphs, such Acts shall be applied as in effect on the date of the enactment of the [Surface Transportation Extension Act of 2004, Part V] *Transportation Equity Act: A Legacy for Users.*

(2) TRANSFERS FROM HIGHWAY TRUST FUND FOR CERTAIN REPAYMENTS AND CREDITS.—

(A) IN GENERAL.—The Secretary shall pay from time to time from the Highway Trust Fund into the general fund of the Treasury amounts equivalent to—

(i) the amounts paid before July 1, [2006] *2012*, under—

(I) * * *

* * * * *

(III) section 6427 (relating to fuels not used for taxable purposes), on the basis of claims filed for periods ending before October 1, [2005] *2011*, and

(ii) the credits allowed under section 34 (relating to credit for certain uses of fuel) with respect to fuel used before October 1, [2005] *2011*.

* * * * *

(3) FLOOR STOCKS REFUNDS.—The Secretary shall pay from time to time from the Highway Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, [2006] *2012*, under section 6412(a).

(4) TRANSFERS FROM THE TRUST FUND FOR MOTORBOAT FUEL TAXES.—

(A) TRANSFER TO BOAT SAFETY ACCOUNT.—

(i) IN GENERAL.—The Secretary shall pay from time to time from the Highway Trust Fund into the Boat Safety Account in the Aquatic Resources Trust Fund amounts (as determined by him) equivalent to the mo-

torboat fuel taxes received on or after October 1, 1980, and before October 1, **[2005] 2011**.

* * * * *

(5) TRANSFERS FROM THE TRUST FUND FOR SMALL-ENGINE FUEL TAXES.—

(A) IN GENERAL.—The Secretary shall pay from time to time from the Highway Trust Fund into the Sport Fish Restoration Account in the Aquatic Resources Trust Fund amounts (as determined by him) equivalent to the small-engine fuel taxes received on or after December 1, 1990 and before October 1, **[2005] 2011**.

* * * * *

(e) ESTABLISHMENT OF MASS TRANSIT ACCOUNT.—

(1) * * *

* * * * *

(3) EXPENDITURES FROM ACCOUNT.—Amounts in the Mass Transit Account shall be available, as provided by appropriation Acts, for making capital or capital related expenditures before **[June 1, 2005] October 1, 2009** (including capital expenditures for new projects) in accordance with—

(A) * * *

* * * * *

(H) the Surface Transportation Extension Act of 2004, Part IV, **[or]**

(I) the Surface Transportation Extension Act of 2004, Part V, *or*

(J) *Transportation Equity Act: A Legacy for Users*, as such section and Acts are in effect on the date of the enactment of the **[Surface Transportation Extension Act of 2004, Part V] Transportation Equity Act: A Legacy for Users**.

* * * * *

SEC. 9504. AQUATIC RESOURCES TRUST FUND.

(a) * * *

(b) SPORT FISH RESTORATION ACCOUNT.—

(1) * * *

(2) EXPENDITURES FROM ACCOUNT.—Amounts in the Sport Fish Restoration Account shall be available, as provided by appropriation Acts, for making expenditures—

(A) to carry out the purposes of the Act entitled “An Act to provide that the United States shall aid the States in fish restoration and management projects, and for other purposes”, approved August 9, 1950 (as in effect on the date of the enactment of the **[Surface Transportation Extension Act of 2004, Part V] Transportation Equity Act: A Legacy for Users**),

(B) to carry out the purposes of section 7404(d) of the Transportation Equity Act for the 21st Century (as in effect on the date of the enactment of the **[Surface Transportation Extension Act of 2004, Part V] Transportation Equity Act: A Legacy for Users**), and

(C) to carry out the purposes of the Coastal Wetlands Planning, Protection and Restoration Act (as in effect on

the date of the enactment of the [Surface Transportation Extension Act of 2004, Part V] *Transportation Equity Act: A Legacy for Users*).

Amounts transferred to such account under section 9503(c)(5) may be used only for making expenditures described in subparagraph (B) of this paragraph.

(c) EXPENDITURES FROM BOAT SAFETY ACCOUNT.—Amounts in the Boat Safety Account shall be available, as provided by appropriation Acts, for making expenditures before [June 1, 2005] *October 1, 2009*, to carry out the purposes of section 13106 of title 46, United States Code (as in effect on the date of the enactment of the [Surface Transportation Extension Act of 2004, Part V] *Transportation Equity Act: A Legacy for Users*).

(d) LIMITATION ON TRANSFERS TO AQUATIC RESOURCES TRUST FUND.—

(1) * * *

(2) EXCEPTION FOR PRIOR OBLIGATIONS.—Paragraph (1) shall not apply to any expenditure to liquidate any contract entered into (or for any amount otherwise obligated) before [June 1, 2005] *October 1, 2009*, in accordance with the provisions of this section.

* * * * *

SECTION 201 OF THE LAND AND WATER CONSERVATION FUND ACT OF 1965

TRANSFERS TO AND FROM LAND AND WATER CONSERVATION FUND

SEC. 201. (a) * * *

(b) There shall be paid from time to time from the land and water conservation fund into the general fund of the Treasury amounts estimated by the Secretary of the Treasury as equivalent to—

(1) the amounts paid before October 1, [2004] *2010*, under section 6421 of the Internal Revenue Code of 1954 (relating to amounts paid in respect of gasoline used for certain non-highway purposes or by local transit systems) with respect to gasoline used after December 31, 1964, in motorboats, on the basis of claims filed for periods ending before October 1, [2003] *2009*; and

(2) 80 percent of the floor stocks refunds made before October 1, [2004] *2010*, under section 6412(a)(2) of such Code with respect to gasoline to be used in motorboats.