

103D CONGRESS  
1ST SESSION

# S. 465

To amend the Internal Revenue Code of 1986 to encourage the production of biodiesel and certain ethanol fuels, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

FEBRUARY 25 (legislative day, JANUARY 5), 1993

Mr. DASCHLE 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 encourage the production of biodiesel and certain ethanol fuels, 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. ALCOHOL FUELS CREDIT MAY OFFSET MINI-  
4       MUM TAX.**

5       (a) IN GENERAL.—Subsection (c) of section 38 of the  
6       Internal Revenue Code of 1986 (relating to limitation  
7       based on amount of tax) is amended by adding at the end  
8       the following new paragraph:

9               “(3) ALCOHOL FUELS CREDIT MAY OFFSET  
10          MINIMUM TAX.—

1                 “(A) IN GENERAL.—The amount deter-  
2         mined under paragraph (1)(A) shall be reduced  
3         by the lesser of—

4                     “(i) the portion of the alcohol fuels  
5         credit determined under section 40(a) not  
6         used against the normal limitation, or

7                     “(ii) 50 percent of the taxpayer’s ten-  
8         tative minimum tax for the taxable year.

9                 “(B) PORTION OF THE ALCOHOL FUELS  
10         CREDIT NOT USED AGAINST NORMAL LIMITA-  
11         TION.—For purposes of subparagraph (A), the  
12         portion of the alcohol fuels credit determined  
13         under section 40(a) not used against the nor-  
14         mal limitation is the excess (if any) of—

15                     “(i) the portion of the credit under  
16         subsection (a) which is attributable to such  
17         alcohol fuels credit, over

18                     “(ii) the limitation of paragraph (1)  
19         (without regard to this paragraph), re-  
20         duced by the portion of the credit under  
21         subsection (a) which is not so attrib-  
22         utable.”.

23         (b) EFFECTIVE DATE.—

6 (A) any credit which was determined in a  
7 taxable year, or

10 beginning on or before September 30, 1992.

## 11 SEC. 2. TAX CREDIT FOR BIODIESEL FUELS.

12 (a) IN GENERAL.—Section 40 of the Internal Reve-  
13 nue Code of 1986 (relating to credit for alcohol used as  
14 a fuel) is amended by adding at the end the following new  
15 subsection:

16        “(i) SPECIAL RULES FOR BIODIESEL.—

17               “(1) IN GENERAL.—In the case of biodiesel  
18        used as a component of, or replacement for, diesel  
19        fuel (as defined in section 4092(a))—

20                   “(A) the biodiesel shall be treated in the  
21                   same manner as alcohol for purposes of this  
22                   section, and

23                   “(B) subsection (h) shall apply in comput-  
24                   ing the amount of any credit under this section  
25                   with respect to the biodiesel.

1               “(2) BIODIESEL.—For purposes of this sub-  
2       section, the term ‘biodiesel’ means a liquid derived  
3       from biological materials (other than alcohol) for use  
4       in compression ignition engines.”.

5               (b) EFFECTIVE DATE.—The amendment made by  
6       this section shall apply to biodiesel produced, and sold or  
7       used, in taxable years beginning after December 31, 1992.

8       **SEC. 3. REPEAL OF ALCOHOL FUEL CREDIT INCOME INCLU-**  
9               **SION FOR BIODIESEL AND CERTAIN ALCO-**  
10               **HOLS.**

11               (a) IN GENERAL.—Section 87 of the Internal Reve-  
12       nue Code of 1986 (relating to inclusion in income of the  
13       alcohol fuels credit) is amended by adding at the end the  
14       following new subsection:

15               “(b) EXCEPTION FOR BIODIESEL AND CERTAIN AL-  
16       COHOL-BASED ETHERS.—Subsection (a) shall not apply  
17       to any portion of the alcohol fuel credit determined for  
18       the taxable year under section 40(a) which is attributable  
19       to—

20               “(1) biodiesel (as defined in section 40(i)(2)),  
21               “(2) ethanol which is used to produce ethyl ter-  
22       tiary butyl ether, or  
23               “(3) alcohol which is used to produce any ether  
24       derived from alcohol in a chemical reaction in which

1       there is no significant loss in the energy content of  
2       the alcohol.”

3       (b) CONFORMING AMENDMENT.—Section 87 of such  
4   Code is amended by striking “Gross” and inserting:

5       “(a) IN GENERAL.—Gross”.

6       (c) EFFECTIVE DATE.—The amendments made by  
7   this section shall apply to taxable years beginning after  
8   December 31, 1992.

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