

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.—

1 (1) IN GENERAL.—The amendment made by  
 2 this section shall apply to taxable years beginning  
 3 after September 30, 1992.

4 (2) EXCEPTION.—The amendment made by this  
 5 section shall not apply to—

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

8 (B) the portion of any credit which is car-  
 9 ried back to a taxable year,  
 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 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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