

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 1066

To amend the Internal Revenue Code of 1986 to phase out the tax subsidies for alcohol fuels involving alcohol produced from feedstocks eligible to receive Federal agricultural subsidies.

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## IN THE SENATE OF THE UNITED STATES

JULY 24 (legislative day, July 10), 1995

Mr. BRADLEY (for himself and Mr. NICKLES) 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 phase out the tax subsidies for alcohol fuels involving alcohol produced from feedstocks eligible to receive Federal agricultural subsidies.

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. PHASE-OUT OF TAX SUBSIDIES FOR ALCOHOL**  
4                       **FUELS PRODUCED FROM FEEDSTOCKS ELIGI-**  
5                       **BLE TO RECEIVE FEDERAL AGRICULTURAL**  
6                       **SUBSIDIES.**

7       (a) ALCOHOL FUELS CREDIT.—Section 40 of the In-  
8       ternal Revenue Code of 1986 (relating to credit for alcohol

1 used as a fuel) is amended by adding at the end the follow-  
2 ing new subsection:

3 “(i) PHASE-OUT OF CREDIT FOR ALCOHOL PRO-  
4 DUCED FROM FEEDSTOCKS ELIGIBLE TO RECEIVE FED-  
5 ERAL AGRICULTURAL SUBSIDIES.—

6 “(1) IN GENERAL.—No credit shall be allowed  
7 under this section with respect to any alcohol, or  
8 fuel containing alcohol, which is produced from any  
9 feedstock which is a subsidized agricultural commod-  
10 ity.

11 “(2) PHASE-IN OF DISALLOWANCE.—In the  
12 case of taxable years beginning in 1996 and 1997,  
13 paragraph (1) shall not apply and the credit deter-  
14 mined under this section with respect to alcohol or  
15 fuels described in paragraph (1) shall be equal to 67  
16 percent (33 percent in the case of taxable years be-  
17 ginning in 1997) of the credit determined without  
18 regard to this subsection.

19 “(3) SUBSIDIZED AGRICULTURAL COMMOD-  
20 ITY.—For purposes of this subsection, the term  
21 ‘subsidized agricultural commodity’ means any agri-  
22 cultural commodity which is supported, or is eligible  
23 to be supported, by a price support or production  
24 adjustment program carried out by the Secretary of  
25 Agriculture.”

1 (b) EXCISE TAX REDUCTION.—

2 (1) PETROLEUM PRODUCTS.—Section 4081(c)  
3 of the Internal Revenue Code of 1986 (relating to  
4 taxable fuels mixed with alcohol) is amended by re-  
5 designating paragraph (8) as paragraph (9) and by  
6 adding after paragraph (7) the following new para-  
7 graph:

8 “(8) PHASE-OUT OF SUBSIDY FOR ALCOHOL  
9 PRODUCED FROM FEEDSTOCKS ELIGIBLE TO RE-  
10 CEIVE FEDERAL AGRICULTURAL SUBSIDIES.—

11 “(A) IN GENERAL.—This subsection shall  
12 not apply to any qualified alcohol mixture con-  
13 taining alcohol which is produced from any  
14 feedstock which is a subsidized agricultural  
15 commodity.

16 “(B) PHASE-IN OF DISALLOWANCE.—In  
17 the case of calendar years 1996 and 1997, the  
18 rate of tax under subsection (a) with respect to  
19 any qualified alcohol mixture described in sub-  
20 paragraph (A) shall be equal to the sum of—

21 “(i) the rate of tax determined under  
22 this subsection (without regard to this  
23 paragraph), plus

24 “(ii) 33 percent (67 percent in the  
25 case of 1997) of the difference between the

1 rate of tax under subsection (a) deter-  
2 mined with and without regard to this sub-  
3 section.

4 “(C) SUBSIDIZED AGRICULTURAL COM-  
5 MODITY.—For purposes of this paragraph, the  
6 term ‘subsidized agricultural commodity’ means  
7 any agricultural commodity which is supported,  
8 or is eligible to be supported, by a price support  
9 or production adjustment program carried out  
10 by the Secretary of Agriculture.”

11 (2) SPECIAL FUELS.—Section 4041 (relating to  
12 tax on special fuels) is amended by adding at the  
13 end the following new subsection:

14 “(n) PHASE-OUT OF SUBSIDY FOR ALCOHOL PRO-  
15 DUCED FROM FEEDSTOCKS ELIGIBLE TO RECEIVE FED-  
16 ERAL AGRICULTURAL SUBSIDIES.—

17 “(1) IN GENERAL.—Subsections (b)(2), (k),  
18 and (m) shall not apply to any alcohol fuel contain-  
19 ing alcohol which is produced from any feedstock  
20 which is a subsidized agricultural commodity.

21 “(2) PHASE-IN OF DISALLOWANCE.—In the  
22 case of calendar years 1996 and 1997, the rate of  
23 tax determined under subsection (b)(2), (k), or (m)  
24 with respect to any alcohol fuel described in para-  
25 graph (1) shall be equal to the sum of—

1           “(A) the rate of tax determined under such  
2           subsection (without regard to this subsection),  
3           plus

4           “(B) 33 percent (67 percent in the case of  
5           1997) of the difference between the rate of tax  
6           under this section determined with and without  
7           regard to subsection (b)(2), (k), or (m), which-  
8           ever is applicable.

9           “(3) SUBSIDIZED AGRICULTURAL COMMOD-  
10          ITY.—For purposes of this subsection, the term  
11          ‘subsidized agricultural commodity’ means any agri-  
12          cultural commodity which is supported, or is eligible  
13          to be supported, by a price support or production  
14          adjustment program carried out by the Secretary of  
15          Agriculture.”

16          (3) AVIATION FUEL.—Section 4091(c) (relating  
17          to reduced rate of tax for aviation fuel in alcohol  
18          mixture) is amended by redesignating paragraph (5)  
19          as paragraph (6) and by inserting after paragraph  
20          (4) the following new paragraph:

21          “(5) PHASE-OUT OF SUBSIDY FOR ALCOHOL  
22          PRODUCED FROM FEEDSTOCKS ELIGIBLE TO RE-  
23          CEIVE FEDERAL AGRICULTURAL SUBSIDIES.—

24          “(A) IN GENERAL.—This subsection shall  
25          not apply to any mixture of aviation fuel con-

1       taining alcohol which is produced from any  
2       feedstock which is a subsidized agricultural  
3       commodity.

4       “(B) PHASE-IN OF DISALLOWANCE.—In  
5       the case of calendar years 1996 and 1997, the  
6       rate of tax under subsection (a) with respect to  
7       any mixture of aviation fuel described in sub-  
8       paragraph (A) shall be equal to the sum of—

9               “(i) the rate of tax determined under  
10              this subsection (without regard to this  
11              paragraph), plus

12             “(ii) 33 percent (67 percent in the  
13             case of 1997) of the difference between the  
14             rate of tax under subsection (a) deter-  
15             mined with and without regard to this sub-  
16             section.

17       “(C) SUBSIDIZED AGRICULTURAL COM-  
18       MODITY.—For purposes of this paragraph, the  
19       term ‘subsidized agricultural commodity’ means  
20       any agricultural commodity which is supported,  
21       or is eligible to be supported, by a price support  
22       or production adjustment program carried out  
23       by the Secretary of Agriculture.”

24       (c) EFFECTIVE DATES.—

1           (1) CREDIT.—The amendment made by sub-  
2           section (a) shall apply to taxable years beginning  
3           after December 31, 1995.

4           (2) EXCISE TAXES.—

5                 (A) IN GENERAL.—The amendments made  
6           by subsection (b) shall take effect on January  
7           1, 1996.

8                 (B) FLOOR STOCK TAX.—

9                         (i) IN GENERAL.—In the case of any  
10           alcohol fuel in which tax was imposed  
11           under section 4041, 4081, or 4091 of the  
12           Internal Revenue Code of 1986 before any  
13           tax-increase date, and which is held on  
14           such date by any person, then there is  
15           hereby imposed a floor stock tax on such  
16           fuel equal to the difference between the tax  
17           imposed under such section on such date  
18           and the tax so imposed.

19                       (ii) LIABILITY FOR TAX AND METHOD  
20           PAYMENT.—A person holding an alcohol  
21           fuel on any tax-increase date shall be liable  
22           for such tax, shall pay such tax no later  
23           than 90 days after such date, and shall  
24           pay such tax in such manner as the Sec-  
25           retary may prescribe.

1 (iii) EXCEPTIONS.—The tax imposed  
2 by clause (i) shall not apply—

3 (I) to any fuel held in the tank of  
4 a motor vehicle or motorboat, or

5 (II) to any fuel held by a person  
6 if, on the tax-increase date, the aggre-  
7 gate amount of fuel held by such per-  
8 son and any related persons does not  
9 exceed 2,000 gallons.

10 (iv) TAX-INCREASE DATE.—For pur-  
11 poses of this subparagraph, the term “tax-  
12 increase date” means January 1, 1996,  
13 January 1, 1997, and January 1, 1998.

14 (v) OTHER LAWS APPLICABLE.—All  
15 provisions of law, including penalties appli-  
16 cable with respect to the taxes imposed by  
17 sections 4041, 4081, and 4091 of such  
18 Code shall, insofar as applicable and not  
19 inconsistent with the provisions of this  
20 subparagraph, apply with respect to the  
21 floor stock taxes imposed by clause (i).

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