

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

# S. 1248

To amend the Internal Revenue Code of 1986 to allow the alcohol fuels credit to be allocated to patrons of a cooperative in certain cases.

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 15 (legislative day, SEPTEMBER 5), 1995

Mr. WELLSTONE (for himself, Mr. PRESSLER, Mr. HARKIN, Mr. KERREY, Mr. CONRAD, and Mr. DORGAN) 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 allow the alcohol fuels credit to be allocated to patrons of a cooperative in certain cases.

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. ALLOCATION OF ALCOHOL FUELS CREDIT TO**  
4               **PATRONS OF A COOPERATIVE.**

5       (a) IN GENERAL.—Subsection (d) of section 40 of the  
6       Internal Revenue Code of 1986 (relating to alcohol used  
7       as fuel) is amended by adding at the end the following  
8       new paragraph:

1           “(6) ALLOCATION OF SMALL ETHANOL PRO-  
2       DUCER CREDIT TO PATRONS OF COOPERATIVE.—

3           “(A) IN GENERAL.—In the case of a coop-  
4       erative organization described in section  
5       1381(a), any portion of the credit determined  
6       under subsection (a)(3) for the taxable year  
7       may, at the election of the organization made  
8       on a timely filed return (including extensions)  
9       for such year, be apportioned pro rata among  
10      patrons on the basis of the quantity or value of  
11      business done with or for such patrons for the  
12      taxable year. Such an election, once made, shall  
13      be irrevocable for such taxable year.

14          “(B) TREATMENT OF ORGANIZATIONS AND  
15      PATRONS.—The amount of the credit appor-  
16      tioned to patrons pursuant to subparagraph  
17      (A)—

18           “(i) shall not be included in the  
19           amount determined under subsection (a)  
20           for the taxable year of the organization,  
21           and

22           “(ii) shall be included in the amount  
23           determined under subsection (a) for the  
24           taxable year of each patron in which the  
25           patronage dividend for the taxable year re-

1           ferred to in subparagraph (A) is includible  
2           in gross income.

3           “(C) SPECIAL RULE FOR DECREASING  
4           CREDIT FOR TAXABLE YEAR.—If the amount of  
5           the credit of a cooperative organization deter-  
6           mined under subsection (a)(3) for a taxable  
7           year is less than the amount of such credit  
8           shown on the cooperative organization’s return  
9           for such year, an amount equal to the excess of  
10          such reduction over the amount not apportioned  
11          to the patrons under subparagraph (A) for the  
12          taxable year shall be treated as an increase in  
13          tax imposed by this chapter on the organiza-  
14          tion. Any such increase shall not be treated as  
15          tax imposed by this chapter for purposes of de-  
16          termining the amount of any credit under this  
17          subpart or subpart A, B, E, or G of this part.”

18          (b) TECHNICAL AMENDMENT.—Section 1388 of such  
19          Code (relating to definitions and special rules for coopera-  
20          tive organizations) is amended by adding at the end the  
21          following new subsection:

22          “(k) CROSS REFERENCE.—

**“For provisions relating to the apportionment of  
the alcohol fuels credit between cooperative organi-  
zations and their patrons, see section 40(d)(6).”**

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1994.

