The original documents are located in Box 8, folder "Energy Policy and Conservation Act (2)" of the Loen and Leppert Files at the Gerald R. Ford Presidential Library.

FILE

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

Honorable Harley O. Staggers
Chairman
Committee on Interstate and
Foreign Commerce
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

As you know, your Committee is now marking up H.R. 7014, the Energy Policy and Oil Conservation Act of 1975, which was reported recently by Chairman Dingell's Subcommittee on Energy and Power.

Despite the significant efforts by Chairman Dingell and Mr. Brown, the ranking minority member of that Subcommittee, H.R. 7014 contains many shortcomings which we have brought to the Subcommittee's attention and expect to discuss further as the bill is considered by the Congress.

Generally, too much emphasis is placed on the continuation of unnecessary and costly regulatory approaches to conserve and develop energy resources. H.R. 7014 fails to provide any authority for two of the key elements of a national energy program: Deregulation of new natural gas and the Clean Air Act amendments (under the jurisdiction of Chairman Rogers Subcommittee on Health and the Environment).

Some of the deficiencies we consider profound in nature, and since I am advised that some of the Committee members expressed unfamiliarity with the nature and extent of the Administration's opposition to some of the bill's provisions, I believe it will be helpful if I take this opportunity to restate them. There are four major problems that the Administration has with the bill in its present form:

Old Oil Decontrol

The most crucial single provision of H.R. 7014 provides for the eventual decontrol of domestically produced crude oil. As you know, in January the President proposed immediate

decontrol of domestic crude oil on April 1. The timing of the proposal was subsequently delayed at the request of the Congressional leadership to provide the Congress additional time in which to consider legislation on this subject. Since then, the President has further compromised his original objective and has proposed a phased decontrol of domestic crude oil over a two-year period. In my view, these departures from the President's original intention constitute very significant efforts to both accommodate the Congress as to timing and to make sure that the economic adjustments of decontrol will occur very gradually.

Section 301 of H.R. 7014, however, seeks to address this problem by a complicated provision which borrows from existing Executive Branch regulations, and conditions its effectiveness on enactment of complex tax legislation. This section would require substantially longer than two years to achieve complete decontrol, and, by being conditioned on enactment of separate windfall profits tax legislation, may never achieve this objective. The Nation sorely needs the conservation effects of decontrol now. Moreover, we need the incentive for added domestic production, and we must end the existing pervasive regulatory structure of the mandatory allocation program under the Emergency Petroleum Allocation Act. To attain these objectives, it is crucial that any legislation reported by your Committee include a forthright decontrol proposal that will complete a phased decontrol during the two years proposed by the President. Further, while I support a windfall profits tax in conjunction with decontrol, the one outlined in H.R. 7014 would be punitive and have an adverse effect on domestic oil production.

Standby Energy Emergency Authorities

I am further very concerned as to the conditions under which the President might use the emergency conservation and rationing authorities provided in Title II of H.R. 7014. As you know, these authorities are intended only to provide this country the means whereby we might cope with another acute emergency such as last year's embargo. In order that the United States might fulfill the obligations provided in the Agreement on an International Energy Program, we must have such authority in existence and available for immediate use in emergencies.

Under Section 201 of the bill, however, neither the emergency rationing authority nor the emergency conservation authority would be available to the Government until a particular plan

for the carrying out of each authority is submitted to the Congress and actually approved by both Houses within 60 days. Thereafter, should an emergency occur requiring the implementation of an already approved plan, the authority would still be unavailable until a request for its use was submitted to the Congress and not disapproved by either House within 15 days.

As it is currently structured, this "authority" to deal with emergency situations is nothing more than an invitation to submit proposed emergency legislation. Recognizing the potential breadth of this type of authority, the Administration, in Title XIII of the Energy Independence Act of 1975, proposed stringently defined circumstances under which such authority might be exercised. The Administration further pledged, during hearings on this legislation, to cooperate with the Committee in making further improvements that would avoid any unnecessary or undesirable imprecision in the circumstances that would warrant the President actually exercising these authorities. In H.R. 7014, however, the Subcommittee has chosen instead to defer taking up these admittedly difficult questions, with the result that this bill provides no effective standby authority whatsoever.

Furthermore, section 211 of the bill, which would provide limited antitrust immunity for actions taken under voluntary agreements to carry out the international allocation of oil, is completely inadequate. The section contains such severe limitations on the scope of antitrust immunity that many companies will be unwilling to participate in any voluntary agreement, thus undercutting the entire framework for international allocation of oil under the IEP.

Extension of the Emergency Petroleum Allocation Act (EPAA)

H.R. 7014 would indefinitely extend the EPAA and would impose additional requirements on the administration of the price control and allocation program. It would condition actions to change prices or exempt products from mandatory allocation on a series of complex findings and submission to Congress, after which implementation would be subjected to a 15 day period for disapproval by either House of Congress.

This would make it virtually impossible to modify the program to adjust to changing situations and would extend indefinitely these regulations long after they are prudent or necessary. Accordingly, this provision should be deleted and a standby emergency allocation authority should be included in Title II, Part A.

Mandated Gasoline Shortage

H.R. 7014 would require that gasoline consumption be restrained, for three years, to the same level as the 1973-74 base period, and would mandate a 2% to 4% reduction in that base unless the President finds such reduction to be contrary to the objectives of the EPAA. As such, it would create a pervasive gasoline shortage and would create gas lines similar to those we experienced two winters ago, as well as all of the problems that went with those lines. This provision should be deleted from the bill.

I do not mean to suggest that the four problem areas referred to above are the full extent of our concerns with this bill. Other significant problems with H.R. 7014 include:

National Civilian Strategic Petroleum Reserve

As you know, the Administration's proposal contemplated the use of oil from the Naval Petroleum Reserves (NPR), both in kind and by proceeds from sales which would be deposited into a Special Fund to be used for the development of both the military and civilian strategic reserves. Should those resources not be available, the Administration would have to reconsider the scope if its earlier recommendations. The potential absence of NPR oil is even more critical in the consideration of an Early Storage Reserve; and, while we support the concept of such an Early Storage Program, it is important that any such authority remain discretionary.

The extensive, cumbersome requirements for Congressional review including a veto override of specific storage program implementation plans will substantially delay any efforts to implement this important system and may prove unworkable. The Administration's proposal, I believe, is a much more practical and workable approach. Under this proposal, we would prepare and submit an implementation plan to the Congress. The Congress would then have every opportunity to exercise control over the program through the normal annual authorization and appropriation process. I strongly urge that you adopt the Administration proposal.

Mandatory Auto Fuel Efficiency Standards

H.R. 7014 provides for civil penalties on manufacturers of fuel inefficient autos. This program would provide, at best, only marginal energy savings over the voluntary program which the Administration is conducting with the auto manufacturers, and over the expenses and efforts these auto manufacturers are already making in response to higher fuel prices. Yet, it would legislate another economic regulatory program heading to further government involvement in the complex operations of the auto industry. This provision should therefore be deleted from the bill.

Exclusive Federal Oil Import Purchasing Authority

Granting of authority for the President to act as the exclusive purchasing agent of oil and petroleum products for use in the United States is a notion that rests on an untested and unsupported theoretical idea to weaken the OPEC cartel. There is no evidence that this would happen. It would be impossible for the Federal Government to become the exclusive purchasing agent for all types, grades, and quantities of petroleum without a massive paralysis of the Nation's energy system. It would lead to a major and unwarranted governmental intervention into complex markets. This provision should be deleted from the bill.

Authorities Relating to Refinery Operations Inventory Controls, MER Production, and Export Restrictions

These authorities provide wide latitude for Federal intervention into the detailed operations of the petroleum and allied industries. Such authorities may be needed in the event of a severe energy emergency, and should be authorized for use only on a standby basis.

Retroactive Small Refiner Exemption from Entitlements

This provision is an unwarranted subsidy to a small number of business concerns and should be deleted.

Coal Production Subsidies

H.R. 7014 provides for loan guarantees of up to $750 million to small, underground, low sulfur coal mine operators. This will result in costly subsidies to inefficient operators and should be deleted.

Industrial Energy Conservation

The industrial conservation program in H.R. 7014 has several drawbacks. First, it involves the Federal Energy Administration in the detailed review of a company's operational decision-making regarding the mix and quality of fuels used and goods produced. Second, it underestimates the capability of industry to use energy more efficiently in response to higher energy prices. Finally, such a program could create pressures to make energy savings targets mandatory, thus leading to the economic distortions caused by another Federal regulatory program. Since FEA and the Department of Commerce already have underway a viable industrial energy conservation program, this provision is unnecessary and therefore should not be included in the bill.

Performance Standards for Appliance

Included in the appliance labeling provisions of H.R. 7014 is authority to institute a mandatory performance standards program for appliance manufacturers. We believe this authority to be unnecessary; it could result in pressures to implement another regulatory program of questionable marginal benefit, and therefore should not be included in the bill. Furthermore, FEA, as the lead Federal energy, should be given the policy lead for the overall labeling program, as reflected in a recent submission to the Subcommittee by the FEA, Department of Commerce, and Federal Trade Commission.

The concerns I have stated above are presented in the spirit of continued cooperation with the Congress in order to obtain enactment of workable, comprehensive legislation. My staff and I look forward to working with your Committee to achieve speedy enactment of energy legislation so badly needed by the American people.

Sincerely,

Frank G. Zarb
Administrator

Union Calendar No. 105

94TH CONGRESS
1ST SESSION

H. R. 6860

[Report No. 94–221]

IN THE HOUSE OF REPRESENTATIVES

MAY 9, 1975

Mr. ULLMAN introduced the following bill; which was referred to the Committee on Ways and Means

MAY 15, 1975

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To provide a comprehensive national energy conservation and conversion program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Energy Conservation and Conversion Act of 1975".

SEC. 2. TABLE OF CONTENTS.

SEC. 3. AMENDMENT OF 1954 CODE.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

TITLE I—IMPORT TREATMENT OF OIL

SEC. 101. STATEMENT OF PURPOSE.

The purpose of this title is—

(1) to reduce the dependence of the United States on foreign oil by imposing restrictions on imports of oil so as to reduce such imports as rapidly as practicable without contributing to serious economic dislocation,

(2) to decrease imports of oil so that not later than 1985 the amount of such imports should not exceed 25 percent of the amount of domestic oil consumption, and

(3) to place the United States, as soon as practicable, in a position to deal with any oil embargo by foreign nations through a combination of any strategic reserve for oil which may be provided by law, other available sources of oil, and economies in the domestic consumption of oil which may be effectuated.

The purpose of this title is to be certain that oil conservation which is obtained under this Act results in the reduction of oil imports and not in the reduction of domestic oil production.

PART I—QUOTAS

SEC. 111. IMPOSITION OF QUANTITATIVE RESTRICTIONS.

(a) QUANTITATIVE RESTRICTIONS.—Except as otherwise provided in this section, the maximum average

daily quantity of petroleum and petroleum products which may be imported into the United States shall be determined in accordance with the following table:

Calendar year:	Maximum average daily number of barrels (in millions)
1975	6.0
1976	6.0
1977	6.5
1978	6.0
1979	5.5
1980 and thereafter	5.5

In the case of the calendar year 1975, this subsection shall apply only with respect to articles entered or withdrawn from warehouse for consumption on or after the first day on which the import licensing system established under section 112 takes effect.

(b) AUTHORITY TO VARY SCHEDULE.—

(1) IN GENERAL.—Whenever the President determines that, by reason of variations in domestic consumption caused by economic factors or the weather, by reason of delays in obtaining domestic production of oil or in achieving oil conservation goals, or by reason of other similar factors, it is in the national interest to vary the average daily quantity of oil which may be imported during any period, he shall appropriately modify the figure set forth in subsection (a) applicable to such period.

(2) LIMITATION.—Any modification under this subsection for any period may not change the maximum

average daily number of barrels of petroleum and petroleum products which may be imported into the United States during any calendar year to a quantity which is above or below the figure for such calendar year set forth in subsection (a) by more than—

(A) in the case of 1975, 1976, or 1977, 1,000,000 barrels a day,

(B) in the case of 1978 or 1979, 1,500,000 barrels a day, or

(C) in the case of a calendar year after 1979, 2,000,000 barrels a day.

(c) SAVINGS IN DOMESTIC CONSUMPTION TO BE REFLECTED IN REDUCTIONS IN IMPORTS.—The President shall establish quantitative restrictions lower than the quantitative restrictions set forth in subsection (a) to the extent necessary to ensure that savings in United States consumption of oil will be fully reflected by at least equivalent reductions in the imports of oil.

(d) PETROCHEMICAL FEEDSTOCKS.—For purposes of the quantitative restrictions imposed pursuant to this section, petrochemical feedstocks shall not be counted against the maximum average daily number of barrels of petroleum and petroleum products which may be imported into the United States.

(e) NEEDS OF GEOGRAPHICAL AREAS AND INDUSTRIES FOR PARTICULAR PRODUCTS TO BE TAKEN INTO ACCOUNT.—The President shall divide any quantitative restrictions imposed pursuant to this section for any period among petroleum and petroleum products where such division is necessary to avoid substantial adverse impact on the various economic and health needs of geographical areas and industries within the United States.

(f) CERTAIN DISTILLATE AND RESIDUAL FUEL OILS IMPORTED FOR USE AS FUEL.—

(1) MINIMUM QUANTITIES IMPORTED BEFORE 1978.—Nothing in this section shall prevent the importation into the United States for use as fuel (other than for the propulsion of motor vehicles) of distillate fuel oil and residual fuel oil (provided for in item 475.05 or 475.10 of the Tariff Schedules of the United States) in average daily quantities which are equal to 2,000,000 barrels per day in the years 1975, 1976, and 1977, of which not more than 400,000 barrels per day in any such year may be for such distillate fuel oil.

(2) COORDINATION WITH SUBSECTION (a).—Any quantities of distillate fuel oil and residual fuel oil referred to in paragraph (1) which are imported into the United States during any calendar year before 1978 and which are not greater than the applicable minimum quantities set forth in paragraph (1) shall be charged against

the quantitative restrictions set forth in subsection (a) which apply for such year.

(g) APPLICATION OF QUANTITATIVE RESTRICTIONS.—No quantitative restriction imposed pursuant to this section shall apply with respect to any quantity of oil which is imported into the United States during any period for storage in any strategic reserve for oil which may be provided by law.

(h) QUARTERLY REVIEW OF QUANTITATIVE RESTRICTIONS.—Not less frequently than once each calendar quarter, the President shall review the quantitative restrictions established by subsection (a) and any modifications made pursuant to subsections (b) and (c).

(i) PROCLAIMING OF QUANTITATIVE RESTRICTIONS; CERTIFICATIONS.—

(1) QUARTERLY PROCLAMATION OF QUANTITATIVE RESTRICTIONS.—Before the beginning of each calendar quarter, the President shall proclaim the aggregate quantities of petroleum and petroleum products which under subsection (a) may be imported into the United States during such calendar quarter (as modified pursuant to subsections (b) and (c)).

(2) CERTIFICATION.—The President shall certify any modification made under subsection (b) or (c) to the Secretary of the Treasury and to the Deputy Administrator for Petroleum Import Licensing ~~and Purchasing~~.

(j) ADMINISTRATION.—The Secretary of the Treasury shall take such actions under the customs laws of the United States as may be necessary and appropriate to ensure that the aggregate quantities of oil imported into the United States during any period do not exceed the quantities established by subsection (a) as modified pursuant to subsections (b) and (c).

SEC. 112. ESTABLISHMENT OF IMPORT LICENSING SYSTEM.

(a) IN GENERAL.—Before December 31, 1975, the President shall establish an import licensing system for petroleum and petroleum products which are imported into the United States. Import licenses issued under this subsection shall be distributed on the basis of public auctions in which bidding is by sealed bids, and such licenses shall be fully marketable.

(b) SEPARATE LICENSES FOR SMALL REFINERS AND INDEPENDENT MARKETERS.—

(1) ESTABLISHMENT OF SEPARATE LICENSING SYSTEM.—

(A) The President shall establish a separate import licensing system for small refiners and independent marketers of petroleum or petroleum products. Except as provided in subparagraph (B),

import licenses issued under this subsection shall be distributed on the basis of public auctions in which bidding is by sealed bids. Import licenses issued under this subsection shall not be marketable; except that, under the circumstances and to the extent provided by regulations, they may be resold to the Deputy Administrator for Petroleum Import Licensing ~~and Purchasing~~.

(B) In any case in which any small refiner or independent marketer establishes to the satisfaction of the Deputy Administrator for Petroleum Import Licensing ~~and Purchasing~~—

(i) that he has made reasonable efforts to secure the import licenses necessary to carry out his business at its regular level of operation but has not been able to secure such licenses, or

(ii) that the destruction of, or damage to, any of his business facilities or any other emergency situation requires that he be issued import licenses in order to continue his business operation,

the Deputy Administrator may issue one or more import licenses to such refiner or marketer. The price for import licenses issued under this subparagraph shall be the average price for import

licenses established at public auctions conducted pursuant to subsection (a).

(2) SMALL REFINER AND INDEPENDENT MARKETER DEFINED.—For purposes of this section—

(A) SMALL REFINER.—The term "small refiner" means a refiner whose total refinery capacity (including the refinery capacity of any person who controls, is controlled by, or is under common control with such refiner) does not exceed 50,000 barrels per day.

(B) *INDEPENDENT MARKETER.*—The term "independent marketer" means a person who is engaged in the marketing or distributing of refined petroleum products, but who (i) is not a refiner, and (ii) is not a person who controls, is controlled by, is under common control with, or is affiliated with a refiner (other than by means of a supply contract).

(c) PROCEDURES FOR LICENSING SYSTEM.—

(1) IN GENERAL.—The Administrator of the Federal Energy Administration shall establish procedures for the administration of this section through the promulgation of regulations.

(2) REGULATIONS FOR SUBSECTIONS (a) AND (b).—The regulations promulgated under this section

with respect to subsections (a) and (b) shall include provisions authorizing the Deputy Administrator for Petroleum Import Licensing ~~and Purchasing~~—

(A) to schedule frequent auctions during each calendar quarter;

(B) to require that the bidding be for small units, but to permit persons to bid for a number of units;

(C) to establish a maximum limit on the number of units which may be acquired by related persons during any period;

(D) to establish a time limit on the period during which the rights under any import license may be exercised;

(E) to reject bids—

(i) where there is evidence of collusion as to the bidding or as to failure to bid, or

(ii) where such bids are substantially below the market price which exists for the resale of import license;

(F) to deal with identical high bids for any unit by rejecting all bids, by awarding the unit to the high bidder who has acquired fewer units during a specified period than any other high bidder, or otherwise; and

(G) to bar from acquiring or using import license issued pursuant to subsection (a) or (b) persons convicted of committing any felony or misdemeanor under the laws of the United States governing oil imports, oil allocations, or price controls on oil, and to provide procedures for removing such bar in appropriate cases.

(3) ADDITIONAL REGULATIONS FOR SUBSECTION (b).—In addition to the regulations referred to in paragraph (2), the ~~regulation~~ *regulations* promulgated under this section shall include provisions—

(A) to ensure that small refiners and independent marketers applying for import licenses under subsection (b) are bona fide refiners or bona fide marketers who have established distribution channels, and

(B) to limit import licenses under subsection (b) to such additional amounts of petroleum or any petroleum product as may be necessary to ensure that—

(i) any small refiner can operate his refineries at capacity; and

(ii) any independent marketer can adequately supply his regular distribution channels.

(d) PRESIDENT MAY REQUIRE USER OF IMPORT LI-

censes To Report Country of Origin.—If the President finds such action to be necessary or appropriate to the national interest, the President may require each person importing petroleum or a petroleum product into the United States under an import license issued pursuant to this section to report to the Deputy Administrator for Petroleum Import Licensing ~~and Purchasing~~ the foreign country of which such petroleum or petroleum product is a product.

(e) Refineries Located in the Possessions, Etc.—The President shall take such steps as may be necessary to ensure that refineries located in the territories and possessions of the United States and foreign trade zones of the United States will participate in all appropriate aspects of the provisions of this title upon terms not less favorable than those accorded to refineries and importers of petroleum products located in the customs territory of the United States. Nothing in this subsection shall be treated as removing any quantitative restriction or duty imposed by or pursuant to this title.

PART II—DUTIES

SEC. 121. RATES OF DUTY ON OIL.

(a) Statutory Rates of Duty.—Effective with respect to articles entered or withdrawn from warehouse for consumption on or after the 60th day after the date of the enactment of this Act—

(1) the rate of duty with respect to petroleum shall be 2 percent ad valorem; and

(2) the rate of duty with respect to any petroleum product described in section 133 (a) (3) shall be 5 percent ad valorem.

Such rates of duty shall replace the rates of duty heretofore provided by, or pursuant to, law.

(b) Authority To Adjust Rates of Duty.—Subject to the limitations set forth in subsections (c) and (d), the President may make, from time to time, such adjustments in the rates of duty established by subsection (a), and in the rates of duty resulting from adjustment under this subsection, as he finds are necessary to carry out the purposes of this Act in the light of overall considerations of the national interest; except that the President may not make any adjustment under this subsection before the close of the 2-year period beginning on the date of the enactment of this Act which results in a rate of duty of more than 5 percent ad valorem on any distillate fuel oil or residual fuel oil (provided for in item 475.05 or 475.10 of the Tariff Schedules of the United States) imported for use as fuel (other than for the propulsion of motor vehicles).

(c) Limitations on Adjustments.—No adjustment made under subsection (b) to any rate of duty may result in a rate of duty which—

(1) is more than the higher of 10 percent ad valorem or $1 a barrel, or

(2) is less than 2 percent ad valorem.

(d) ADJUSTMENTS INCREASING RATES OF DUTY.—

(1) SUBMISSION OF ANY PROPOSED INCREASE IN DUTY TO THE CONGRESS.—The President shall transmit to the House of Representatives and to the Senate on the same day, and to each House while it is in session, a document setting forth any adjustment which he proposes to make under subsection (b) which increases any rate of duty.

(2) TAKING EFFECT OF ANY SUCH INCREASE.—No adjustment proposed to be made under subsection (b) which increases any rate of duty may take effect sooner than the close of the 60th day after the day on which the document relating to such adjustment is delivered to Congress under paragraph (1).

(e) PROCLAIMING OF ADJUSTMENTS TO RATES OF DUTY.—Subject to the provisions of section (d), the President shall proclaim any adjustment to any rate of duty made by him under subsection (b).

(f) COORDINATION WITH OTHER LAWS.—

(1) (A) Section 232 (b) of the Trade Expansion Act of 1962 (relating to national security) is amended by adding at the end thereof the following new sentence:

"Nothing in this subsection shall be deemed to authorize the President, after the date of the enactment of this sentence, to adjust imports of petroleum and petroleum products; except that the President may adjust imports of petroleum and petroleum products during any period in which—

"(1) the Congress declares war,

"(2) United States Armed Forces are introduced into hostilities pursuant to specific statutory authorization,

"(3) a national emergency is created by attack upon the United States, its territories or possessions, or its Armed Forces, or

"(4) United States Armed Forces are introduced into such hostilities, situations, or places, or are enlarged in any foreign nation, under circumstances which require a report by the President to the Congress pursuant to section 4 (a) of the War Powers Resolution (50 U.S.C. 1453 (a)),

but any adjustment made pursuant to this exception shall not apply with respect to articles entered or withdrawn from warehouse for consumption on or after the 60th day after the closing date of the hostilities concerned."

(B) Effective with respect to articles entered or withdrawn from warehouse for consumption on or after

the 60th day after the date of the enactment of this Act, no adjustment action taken under section 232 (b) of the Trade Expansion Act of 1962 before such date of enactment shall have any force or effect with respect to petroleum or any petroleum product.

(2) Section 101 of the Trade Act of 1974 shall not apply to any rate of duty established by, or to any adjustment of any rate of duty made under, this section.

(3) Petroleum and petroleum products shall not be designated by the President as eligible articles for purposes of title V of the Trade Act of 1974.

PART III—ADMINISTRATIVE AND MISCELLANEOUS PROVISIONS

SEC. 131. IMPORT RESTRICTIONS AND RATES OF DUTY TO BE REFLECTED IN THE TARIFF SCHEDULES OF THE UNITED STATES.

The President shall by proclamation establish a new part 4 in the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) and shall reflect therein any quantitative restriction established by part I and any rate of duty established by part II and any modification of any quantitative restriction and adjustment to any rate of duty made by him under part I or II.

SEC. 132. ANNUAL REPORTS.

On or before March 15, 1976, and on or before March 15

of each year thereafter, the President shall make a full and complete report to the Congress on the operation of this Act. Each such report shall include full and complete information with respect to the economies in the domestic consumption of oil which have been effectuated, the increases in domestic production of oil which have taken place, the factors taken into account in making any modification under subsection (b) or (c) of section 111, and any other information which may be appropriate in assessing the way in which the provisions of this Act are being administered.

SEC. 133. DEFINITIONS.

(a) IN GENERAL.—For purposes of this title—

(1) The term "oil" means petroleum and petroleum products.

(2) The term "petroleum" means crude petroleum provided for in item 475.05 or 475.10 of the Tariff Schedules of the United States.

(3) The term "petroleum product" means any article provided for in part 10 of schedule 4 of the Tariff Schedules of the United States, other than petroleum, natural gas provided for under item 475.15, greases provided for under item 475.55 or 475.60, and mixtures of hydrocarbons in other than liquid form provided for under item 475.70.

(b) ADDITIONAL ARTICLES MAY BE TREATED AS PETROLEUM PRODUCTS FOR PURPOSES OF QUANTITATIVE RESTRICTIONS.—For purposes of this title (other than section 121), the term "petroleum products" may include, but only if the President proclaims such inclusion to be necessary to carry out the purposes of this Act, one or more of the following articles:

(1) Coal tar articles (benzene, cumene, toluene, and xylene) provided for under item 401.10, 401.26, 401.72, or 401.74 of such Schedules.

(2) Mixtures, consisting wholly of two or more of the coal tar articles referred to in paragraph (1), provided for under item 401.80.

(3) Hydrocarbons provided for under item 429.50 or 429.52.

PART IV—OFFICE OF PETROLEUM IMPORT LICENSING ~~AND PURCHASING~~

SEC. 141. ESTABLISHMENT OF OFFICE.

(a) IN GENERAL.—There is hereby established within the Federal Energy Administration the Office of Petroleum Import Licensing ~~and Purchasing~~ (hereinafter in this title referred to as the "Office").

(b) ADMINISTRATION.—The Office shall be headed by a Deputy Administrator for Petroleum Import Licensing

~~and Purchasing~~ (hereinafter in this title referred to as the "Deputy Administrator") who, in the performance of his duties under this title, shall be under the supervision of the Administrator of the Federal Energy Administration.

SEC. 142. FUNCTIONS OF THE DEPUTY ADMINISTRATOR.

The Deputy Administrator ~~shall—~~

~~(1) administer the import licensing system established under section 112; and~~

~~(2) administer the provisions of part V (relating to the Federal purchase and sale of imports of petroleum and petroleum products).~~

shall administer the import licensing system established under section 112.

SEC. 143. CONFORMING AMENDMENT.

Section 4 (c) of the Federal Energy Administration Act of 1974 is amended to read as follows:

"(c) There shall be in the Administration three Deputy Administrators (one of whom shall be the Deputy Administrator for Petroleum Import Licensing ~~and Purchasing~~), who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive compensation at the rate prescribed for offices and positions at level III of the Executive Schedule (5 U.S.C. 5314)."

PART V—AUTHORITY FOR FEDERAL PURCHASE AND SALE OF IMPORTS OF OIL

SEC. 151. PRESIDENTIAL DETERMINATION OF NEED FOR FEDERAL PURCHASE AND SALE OF OIL IMPORTS.

Whenever the President determines that the goals of reducing United States dependency on imports of petroleum and petroleum products and the securing of adequate supplies of such imports at reasonable and stable prices will be promoted through the implementation of a system under which all, or a portion, of such imports will be purchased or otherwise acquired, and sold, by the Office, he may, subject to the provisions of this part, implement such a system.

SEC. 152. PLAN FOR SYSTEM FOR THE FEDERAL PURCHASE AND SALE OF OIL IMPORTS.

(a) IN GENERAL.—If the President determines that the system referred to in section 151 should be implemented, he shall, acting through the Deputy Administrator, prepare and submit to the Congress a plan for the establishment and administration of such system, together with the text of any Executive order or regulation proposed to be issued to implement such plan.

(b) PLAN OBJECTIVES.—The plan required to be prepared under subsection (a) shall include such provisions

as are necessary and appropriate to achieve the following objectives:

(1) The Office, subject to such quantitative restrictions as may be imposed pursuant to section 111, shall purchase petroleum and petroleum products for importation into the United States at the lowest prices obtainable on the basis of competitive bidding; except that the President may direct, after taking into account the need for obtaining petroleum and petroleum products from secure foreign sources and such other factors as he deems appropriate to the national interest, that quantities of petroleum and petroleum products be purchased or otherwise acquired by the Office through other means, including—

(A) negotiated purchases from any foreign country; and

(B) exchange of United States products for petroleum or petroleum products of any foreign country.

(2) The Office shall sell petroleum and petroleum products purchased or otherwise acquired by it to private and public persons and entities within the United States in such manner, and under such terms and conditions, as it deems necessary and appropriate,

(3) The plan shall be phased into full operation in such stages, and over such period of time, as the President determines to be necessary to ensure that the Office will efficiently perform its functions under the plan with a minimum of disruption to existing market mechanisms.

(4) The plan may provide for the orderly phasing out of all or part of the import licensing system established under section 112.

SEC. 153. CONGRESSIONAL ACTION WITH RESPECT TO PROPOSED PLANS.

(a) IMPLEMENTATION OF PLANS SUBJECT TO CONGRESSIONAL DISAPPROVAL.—

(1) IN GENERAL.—Any plan prepared by the President pursuant to section 152 shall take effect if (and only if)—

(A) the President transmits to the House of Representatives and to the Senate a copy of the plan (together with the text of any Executive order or regulation proposed to be issued to implement such plan); and

(B) before the close of the first period of 30 calendar days of continuous session of the Congress after the date on which the copy of the plan referred to in subparagraph (A) is delivered to the House of Representatives and to the Senate, neither the

House of Representatives nor the Senate adopts by an affirmative vote of the majority of those present and voting in that House a resolution of disapproval.

(2) COMPUTATION OF 30-DAY PERIOD.—For purposes of paragraph (1)(B) of this subsection—

(A) continuity of session is broken only by an adjournment of Congress sine die; and

(B) the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of the 30-day period.

(3) RESOLUTION OF DISAPPROVAL.—For purposes of this section, the term "resolution of disapproval" means only a resolution of either House of Congress, the matter after the resolving clause of which is as follows: "That the ———— does not favor the taking effect of the proposed plan prepared pursuant to section 152 of the Energy Conservation and Conversion Act of 1975, transmitted to the Congress by the President on ———— ", the first blank space therein being filled with the name of the resolving House and the second blank space therein being filled with the day and year.

(b) PROCEDURE IN EACH HOUSE.—

(1) A resolution of disapproval in the House of Representatives shall be referred to the Committee on

~~Ways and Means. A resolution of disapproval in the Senate shall be referred to the Committee on Finance.~~

~~(2) (A) If the committee to which a resolution of disapproval has been referred has not reported it at the end of 7 calendar days after its introduction, it is in order to move either to discharge the committee from further consideration of the resolution or to discharge the committee from further consideration of any other resolution of disapproval which has been referred to the committee.~~

~~(B) A motion to discharge may be made only by an individual favoring the resolution, is highly privileged (except that it may not be made after the committee has reported a resolution of disapproval), and debate thereon shall be limited to not more than 1 hour, to be divided equally between those favoring and those opposing the resolution. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.~~

~~(C) If the motion to discharge is agreed to or disagreed to, the motion may not be renewed, nor may another motion to discharge the committee be made with respect to any other resolution of disapproval.~~

~~(3) (A) When the committee has reported, or has~~

~~been discharged from further consideration of, a resolution of disapproval, it is at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.~~

~~(B) Debate on the resolution of disapproval shall be limited to not more than 10 hours, which shall be divided equally between those favoring and those opposing the resolution. A motion further to limit debate is not debatable. An amendment to, or motion to recommit, the resolution is not in order, and it is not in order to move to reconsider the vote by which the resolution is agreed to or disagreed to.~~

~~(4) (A) Motions to postpone, made with respect to the discharge from committee or the consideration of a resolution of disapproval, and motions to proceed to the consideration of other business, shall be decided without debate.~~

~~(B) Appeals from the decisions of the Chair relating to the application of the rules of the House of Representatives or the Senate, as the case may be, to~~

~~the procedure relating to any resolution of disapproval shall be decided without debate.~~

~~(5) Whenever the President transmits copies of any proposed plan to the Congress, a copy of each plan shall be delivered to each House of Congress on the same day and shall be delivered to the Clerk of the House of Representatives if the House is not in session and to the Secretary of the Senate if the Senate is not in session.~~

~~(6) This subsection is enacted by the Congress—~~

~~(A) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such it is deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of resolutions of disapproval described in subsection (a)(3); and they supersede other rules only to the extent that they are inconsistent therewith; and~~

~~(B) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedures of that House) at any time, in the same manner, and to the same extent as in the case of any other rule of that House.~~

TITLE II—GASOLINE CONSERVATION PROGRAM

PART I—ENERGY CONSERVATION TAXES

SEC. 211. GASOLINE CONSERVATION TAX.

(a) GENERAL RULE.—Part III of subchapter A of chapter 32 (relating to petroleum products) is amended by redesignating subparts B and C as subparts C and D, respectively, and by inserting after subpart A the following new subpart:

"Subpart B—Gasoline Conservation Tax

"Sec. 4086. Imposition of tax.

"SEC. 4086. IMPOSITION OF TAX.

"(a) GENERAL RULE.—

"(1) IMPOSITION OF 3 CENTS A GALLON TAX.—In addition to any tax imposed by section 4081, there is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of 3 cents a gallon.

"(2) TAX TO BE DEPOSITED IN TRUST FUND.—For provisions for depositing amounts of the tax imposed by this section in the Energy Conservation and Conversion Trust Fund, see section 411(b) of the Energy Conservation and Conversion Act of 1975.

"(b) INCREASE IN RATE IF CONSERVATION GOALS ARE NOT REALIZED.—

"(1) DETERMINATION OF DOMESTIC CONSUMPTION.—Not later than January 31, of 1977, and of each year thereafter on January 1 of which the rate of tax imposed by this section is less than 23 cents a gallon, the Administrator of the Federal Energy Administration (hereinafter in this subsection referred to as the 'Administrator') shall make and publish in the Federal Register—

"(A) a determination of whether the domestic consumption of gasoline for the preceding calendar year exceeds the domestic consumption of gasoline for 1973, and

"(B) if it does, the percentage by which such consumption for the preceding calendar year exceeds such consumption for 1973.

"(2) INCREASE IN RATE.—If a determination under paragraph (1) yields a percentage which calls for a rate of tax under paragraph (3) which is greater than the rate of tax in effect on January 1 of the calendar year in which such determination is made, then, effective on April 15 of such year, the rate of the tax imposed by this section shall be increased to the rate of tax provided by paragraph (3).

"(3) TAX TABLE.—

"If the domestic consumption of gasoline for the calendar year preceding the year in which the determination is made exceeds the domestic consumption of gasoline for 1973 by a percentage which is—		The total tax imposed by this section shall be the following cents per gallon:
More than—	But not more than—	
0	1	8
1	2	13
2	3	18
3		23

"(4) DOMESTIC CONSUMPTION DEFINED.—For purposes of this subsection, the term 'domestic consumption of gasoline' means the average daily usage of gasoline occurring within the United States."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on January 1, 1976.

SEC. 212. SPECIAL MOTOR VEHICLES FUELS CONSERVATION TAXES.

(a) IN GENERAL.—Chapter 31 (relating to retailers excise taxes) is amended by redesignating subchapter F as subchapter G and by inserting after subchapter E the following new subchapter:

"Subchapter F—Special Motor Fuels Conservation Taxes

"Sec. 4051. Imposition of taxes.

"SEC. 4051. IMPOSITION OF TAXES.

"(a) SPECIAL MOTOR FUELS.—In addition to any tax imposed by section 4041 (b), there is hereby imposed a tax of 3 cents a gallon upon benzol, benzene, naphtha, liquefied petroleum gas, casing head and natural gasoline, or any other

liquid (other than kerosene, gas oil, or fuel oil, or any product taxable under section 4041 (a) or 4086)—

"(1) sold by any person to an owner, lessee, or other operator of a motor vehicle or motorboat for use as a fuel in such motor vehicle or motorboat; or

"(2) used by any person as a fuel in a motor vehicle or motorboat, unless there was a taxable sale of such liquid under this section.

"(b) NONCOMMERCIAL AVIATION.—In addition to any tax imposed by section 4041 (c), there is hereby imposed a tax of 3 cents a gallon upon any liquid (other than any product taxable under section 4086)—

"(1) sold by any person to an owner, lessee, or other operator of an aircraft, for use as a fuel in such aircraft in noncommercial aviation (as defined in section 4041 (c) (4)); or

"(2) used by any person as a fuel in an aircraft in noncommercial aviation (as so defined), unless there was a taxable sale of such liquid under this section.

"(c) INCREASE IN RATE.—If the rate of tax imposed by section 4086 is increased under subsection (b) of such section, then, effective on the date of such increase, the rate of the taxes imposed by subsections (a) and (b) of this section shall be the increased rate effective under section 4086 (b).

"(d) EXEMPTIONS.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed by this section on any liquid sold for use or used—

"(1) on a farm for farming purposes, as determined in accordance with paragraphs (1), (2), and (3) of section 6420 (c), or

"(2) as supplies for vessels or aircraft (within the meaning of section 4221 (d) (3)).

"(e) REGISTRATION.—If any liquid is sold by any person for use as a fuel in an aircraft, it shall be presumed, for purposes of subsection (b), that the tax imposed by such subsection applies to the sale of such liquid unless the purchaser is registered in such manner (and furnishes such information in respect of the use of the liquid) as the Secretary or his delegate shall by regulations prescribe."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on January 1, 1976, except that no tax shall be imposed under section 4051 of the Internal Revenue Code of 1954 (as added by subsection (a)) with respect to the use by any person of any fuel sold to such person before January 1, 1976, if such sale would have been taxable under such section 4051 if it had occurred on January 1, 1976.

SEC. 213. FLOOR STOCKS TAXES; TECHNICAL AND CONFORMING AMENDMENTS.

(a) FLOOR STOCKS TAXES.—

(1) IN GENERAL.—Subsection (a) of section 4226 (relating to floor stocks taxes) is amended to read as follows:

"(a) GASOLINE CONSERVATION TAX.—

"(1) IMPOSITION OF TAX.—On gasoline (as defined in section 4082(b)) which, on a gasoline tax increase date, is held by a dealer for sale, there is hereby imposed a floor stocks tax at a rate equal to the difference between (i) the tax (if any) imposed by section 4086 on the sale of such gasoline by the producer or importer, and (ii) the tax which would have been imposed by such section on such sale if that sale had occurred on such gasoline tax increase date. The tax imposed by this subparagraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline.

"(2) GASOLINE TAX INCREASE DATE DEFINED.—For purposes of this section, the term 'gasoline tax increase date' means January 1, 1976, and any other day on which the rate of the tax imposed by section

4086 exceeds the rate of such tax in effect on the preceding day."

(2) DUE DATE OF TAXES.—Subsection (d) of such section 4226 is amended to read as follows:

"(d) DUE DATE OF TAXES.—Any tax imposed by subsection (a) shall be paid at such time, not less than 90 days after the gasoline tax increase date in respect of which such tax was imposed, as may be prescribed by the Secretary or his delegate."

(b) DENIAL OF CERTAIN EXEMPTIONS AND REFUNDS.—

(1) Section 4056 is amended by striking out "under this chapter" and inserting in lieu thereof "under section 4041".

(2) Subsection (a) of section 4221 (relating to certain tax-free sales) is amended by adding at the end thereof the following new sentence: "Paragraph (2) shall not apply to the tax imposed by section 4086."

(3) Section 4293 is amended by inserting after "chapters 31 and 32" the following: "(other than section 4051 or 4086)".

(4) Paragraph (6)(C) of section 4221(d) (relating to use in further manufacture) and paragraph (3)(F) of section 6416(b) (relating to tax-paid articles

used for further manufacture, etc.) are each amended by striking out "section 4081" and inserting in lieu thereof "section 4081 or 4086".

(c) ALLOWANCE OF REFUNDS IN CASE OF CERTAIN USES.—Paragraph (2) of section 6416(b) (relating to tax payments considered overpayments in case of specified uses and resales) is amended—

(1) by inserting after "section 4041 (a)(1) or (b)(1)" the following: "or section 4051", and

(2) by adding at the end thereof the following new sentence:

"Subparagraph (A) shall not apply to any tax paid under section 4086 or 4051."

(d) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The table of subchapters for chapter 31 is amended by striking out the last item and inserting in lieu thereof:

"SUBCHAPTER F. Special motor fuels conservation taxes.
"SUBCHAPTER G. Special provisions applicable to retailers tax."

(2) The table of subparts for part III of subchapter A of chapter 32 is amended by striking out the last two items and inserting in lieu thereof the following:

"Subpart B. Gasoline conservation tax.
"Subpart C. Lubricating oil.
"Subpart D. Special provisions applicable to petroleum products."

(3) Subsections (a) and (b) of section 4082 are each amended by striking out "in this subpart" and inserting in lieu thereof "in this subpart and subpart B".

(4) Section 4083 is amended by striking out "section 4081" and inserting in lieu thereof "section 4081 or 4086".

(5) Section 4101 is amended by striking out "section 4081 or section 4091" and inserting in lieu thereof "section 4081, 4086, or 4091".

(6) Section 4226 is amended by striking out subsection (e).

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1976.

PART II—CREDITS, ETC., RELATING TO ENERGY CONSERVATION TAXES

SEC. 221. CREDIT FOR PERSONAL USE OF GASOLINE.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowable) is amended by inserting after section 44 the following new section:

"SEC. 44A. PERSONAL USE OF GASOLINE.

"(a) GENERAL RULE.—In the case of a taxpayer who is a qualified individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of the allowances to which the

individual is entitled for each month in such year. The allowance for any month in the taxable year shall be an amount equal to—

"(1) so much of the rate of tax in effect for such month under section 4086 (relating to gasoline conservation tax) as exceeds 3 cents a gallon, multiplied by

"(2) 40.

"(b) QUALIFIED INDIVIDUAL DEFINED.—For purposes of this section, an individual is a qualified individual if, as of the close of the taxable year, such individual—

"(1) has attained the age of 16, and

"(2) resides in the United States.

"(c) TRUSTS AND ESTATES.—A trust or estate shall not be entitled to the credit allowed under subsection (a).

"(d) SPECIAL RULE FOR RATE CHANGE IN MIDDLE OF MONTH.—In the case of any month in which there is an increase in the rate of tax imposed by section 4086, the rate of such tax in effect for such month, for purposes of subsection (a), shall be deemed to be one-half of the sum of the rate of such tax in effect on the first day of such month plus the rate of such tax in effect on the last day of such month."

(b) REFUND TO BE MADE WHERE CREDIT EXCEEDS LIABILITY FOR TAX.—Section 6401 (b) (relating to excessive credits) is amended—

(1) by inserting "44A (relating to personal use of gasoline)," before "and 667 (b)"; and

(2) by striking out "and 43" and inserting in lieu thereof "43, and 44A".

(c) WITHHOLDING TAX.—Subsection (a) of section 3402 (relating to income tax collected at source) is amended to read as follows:

"(a) REQUIREMENT OF WITHHOLDING.—Except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables prescribed by the Secretary or his delegate. The tables so prescribed shall be the same as the tables contained in this subsection as in effect on the day before the date of the enactment of the Energy Conservation and Conversion Act of 1975; except that, if there is any increase under section 4086 (b) in the rate of the tax imposed by section 4086, the amounts set forth as amounts of income tax to be withheld shall reflect the credit allowable under section 44A by reason of such increase. Any tables prescribed by reason of an increase in the rate of tax under section 4086 shall only apply with respect to wages paid on and after the effective date of such increase. For purposes of applying such tables, the term 'the amount of wages' means the amount by which the wages exceed the number of withholding

exemptions claimed, multiplied by the amount of one such exemption as shown in the table in subsection (b) (1)."

(d) CREDITS DISREGARDED IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.—Any payment considered to have been made by any individual by reason of section 44A of the Internal Revenue Code of 1954 (relating to credit for personal use of gasoline) shall not be taken into account as income or receipts for purposes of determining the eligibility of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

~~(d)~~ *(e)* CLERICAL AMENDMENT.—The table of sections for such subpart A is amended by inserting after the item relating to section 44 the following:

"Sec. 44A. Personal use of gasoline."

~~(e)~~ *(f)* EFFECTIVE DATES.—The amendments made by subsections (a), (b), and ~~(d)~~ *(e)* shall apply to taxable years ending after December 31, 1976.

SEC. 222. CREDIT FOR USE OF GASOLINE AND SPECIAL FUELS IN BUSINESSES OR IN WORK-RELATED TRAVEL.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowable) is amended by

inserting after section 44A the following new section:

"SEC. 44B. USE OF GASOLINE AND SPECIAL FUELS IN BUSINESS OR IN WORK-RELATED TRAVEL.

"(a) GENERAL RULE.—In the case of a taxpayer who is engaged in a trade or business or who has work-related travel, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

"(1) the trade or business allowances to which the taxpayer is entitled for such taxable year under subsection (b), plus

"(2) the work-related travel allowances to which the taxpayer is entitled for such taxable year under subsection (c).

"(b) TRADE OR BUSINESS ALLOWANCES.—

"(1) IN GENERAL.—For purposes of subsection (a), the taxpayer shall be entitled to a trade or business allowance for each month in the taxable year, and such allowance shall be equal to ½ of the sum of—

"(A) the product of—

"(i) the number of gallons of gasoline used during such month in a trade or business, multiplied by

"(ii) so much of the rate of tax in effect under section 4086 for the month in which

such gasoline was purchased by the taxpayer as exceeds 3 cents per gallon; plus

"(B) so much of the tax imposed by section 4051 on the sale to such taxpayer of fuel used during such month in a trade or business as was imposed at a rate in excess of 3 cents a gallon.

"(2) USE FOR CERTAIN PURPOSES.—Paragraph (1) shall not apply to any gasoline or other fuels used on a farm for farming purposes (within the meaning of section 6420(c)), used as supplies for vessels or aircraft (within the meaning of section 4221(d)(3)), ~~or used~~ *used* in a taxicab (as defined in section 6429(c)(2)(B)) while engaged in furnishing qualified taxicab services (as defined in section 6429(c)(2)(A)), *or used by an organization described in section 501(c)(3) which is exempt from tax under section 501(a) other than in an unrelated trade or business (as defined in section 513).*

"(c) WORK-RELATED TRAVEL ALLOWANCES.—

"(1) IN GENERAL.—For purposes of subsection (a), the taxpayer shall be entitled to a work-related travel allowance for each month of the taxable year, and such allowance shall be equal to ½ of the product of—

"(A) the number of gallons, in excess of 25, of gasoline or special fuels on which tax was imposed by section 4086 or 4051 which were purchased by the taxpayer and which were used by the taxpayer during such month in work-related travel, multiplied by

"(B) so much of the rate of tax in effect under sections 4086 and 4051 for such month as exceeds 3 cents per gallon.

"(2) WORK-RELATED TRAVEL.—For purposes of this subsection, the term 'work-related travel' means—

"(A) travel between the individual's principal residence and any post of duty in a qualified industry pursuant to employment in such qualified industry, and

"(B) travel to a new principal post of duty in a qualified industry if such new principal post of duty is at least 20 miles from the individual's former principal post of duty in a qualified industry.

"(3) QUALIFIED INDUSTRY.—For purposes of this subsection, the term 'qualified industry' means any industry which ordinarily provides individuals, employed in such industry, employment at a number of different posts of duty throughout the year.

"(d) SPECIAL RULE FOR RATE CHANGE IN MIDDLE OF MONTH.—In the case of any month in which there is an increase in the rate of the taxes imposed by sections 4086 and

4051, the rate of such taxes in effect for such month, for purposes of subsections (b) and (c), shall be deemed to be one-half of the sum of the rate of such taxes in effect on the first day of such month plus the rate of such taxes in effect on the last day of such month."

(b) COORDINATION WITH TRADE OR BUSINESS DEDUCTION.—Section 162 (relating to trade or business expenses) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

"(h) COORDINATION OF DEDUCTION WITH CERTAIN PROVISIONS RELATING TO ENERGY CONSERVATION TAXES.—

"(1) SECTION 44B CREDIT.—The amount which, but for this paragraph, would be allowable as a deduction under this section for amounts paid or incurred for gasoline or other fuels subject to tax under section 4086 or 4051 shall be reduced by the amount of any credit allowable under section 44B with respect to such gasoline or other fuels.

"(2) REPAYMENT IN CASE OF USE BY TAXICABS.—The amount which, but for this paragraph, would be allowable as a deduction under this section for amounts paid or incurred for gasoline or other fuels which are subject to tax under section 4086 or 4051 and which are used in any taxicab (as defined in section 6429(c)(2)(B)) while engaged in furnishing qualified taxicab services (as defined in section 6429(c)(2)(A)) shall be reduced by so much of the tax which was imposed by section 4086 or 4051 on such gasoline or other fuels as was imposed at a rate in excess of 3 cents a gallon."

(c) REFUND TO BE MADE WHERE CREDIT EXCEEDS LIABILITY FOR TAX.—Section 6401(b) (relating to excessive credits) is amended—

(1) by inserting "44B (relating to use of gasoline and special fuels in businesses or in work-related travel)," before "and 667(b)"; and

(2) by striking out "and 44A" and inserting in lieu thereof "44A, and 44B".

(d) CLERICAL AMENDMENT.—The table of sections for such subpart A is amended by inserting after the item relating to section 44A the following:

"Sec. 44B. Use of gasoline and special fuels in businesses or in work-related travel."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1976.

SEC. 223. REPAYMENT OF GASOLINE AND SPECIAL FUELS CONSERVATION TAXES IN CASE OF CERTAIN USES.

(a) GENERAL RULE.—Subchapter B of chapter 65 (relating to rules of special application for abatements, credits,

and refunds) is amended by adding at the end thereof the following new section:

"SEC. 6429. REPAYMENT OF GASOLINE AND SPECIAL FUELS CONSERVATION TAXES IN CASE OF CERTAIN USES.

"(a) USE FOR FARMING PURPOSES.—

"(1) IN GENERAL.—Except as provided in subsection ~~(g)~~ *(h)*, if any gasoline on which tax was imposed by section 4086 or any other fuel on the sale of which a tax was imposed by section 4051 is used by any purchaser of such gasoline or fuel on a farm for farming purposes (within the meaning of section 6420(c)), the Secretary or his delegate shall pay (without interest) to such purchaser an amount equal to the sum of—

"(A) the product of—

"(i) the number of gallons of gasoline so used; multiplied by

"(ii) the rate of the tax imposed by section 4086 in effect for the month in which such gasoline was purchased; plus

"(B) the amount of the tax imposed by section 4051 on the sale to such purchaser of the other fuel so used.

"(2) SPECIAL RULE.—If gasoline on which tax

was imposed under section 4086, or any other fuel on the sale of which tax was imposed under section 4051, is used on a farm by any person other than the owner, tenant, or operator of such farm, such owner, tenant, or operator shall be treated as the user and purchaser of such gasoline or other fuel.

"(b) LOCAL TRANSIT PURPOSES.—

"(1) IN GENERAL.—Except as provided in subsection ~~(g)~~ *(h)*, if any gasoline on which tax was imposed by section 4086 or any other fuel on the sale of which a tax was imposed by section 4051 is used by any purchaser of such gasoline or fuel during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes, the Secretary or his delegate shall pay (without interest) to such purchaser an amount equal to $\frac{1}{2}$ of the product of—

"(A) 3 cents multiplied by the number of gallons of gasoline and other fuel so used; multiplied by

"(B) the percentage which such purchaser's commuter fare revenue derived from such scheduled service during such calendar quarter was of his total passenger fare revenue derived from such scheduled service during such calendar quarter.

"(2) LIMITATION.—This subsection shall apply

with respect to gasoline or fuel used by any purchaser during any calendar quarter only if at least 60 percent of the total passenger fare revenue derived during such calendar quarter by such purchaser from scheduled service described in paragraph (1) was attributable to commuter fare revenue derived during such quarter by such purchaser from such scheduled service.

"(3) COMMUTER FARE REVENUE.—For purposes of this subsection, the term 'commuter fare revenue' has the meaning given to such term by section 6421 (d) (2).

"(c) USE IN CERTAIN TAXICABS.—

"(1) IN GENERAL.—Except as provided in subsection ~~(g)~~ *(h)*, if any gasoline on which tax was imposed by section 4086 or any fuel on the sale of which a tax was imposed by section 4051 is used by any purchaser of such gasoline or fuel in a taxicab while engaged in furnishing qualified taxicab services, the Secretary or his delegate shall pay (without interest) to such purchaser an amount equal to $\frac{3}{4}$ of the sum of—

"(A) the product of—

"(i) the number of gallons of gasoline so used, multiplied by

"(ii) so much of the rate of tax in effect under section 4086 for the month in which such

gasoline was purchased by the user as exceeds 3 cents per gallon; plus

"(B) so much of the tax imposed by section 4051 on the sale to such taxpayer of the fuel (other than gasoline) referred to in paragraph (1) as was imposed at a rate in excess of 3 cents a gallon.

"(2) DEFINITIONS.—For purposes of this subsection—

"(A) QUALIFIED TAXICAB SERVICES.—The term 'qualified taxicab services' means the furnishing of nonscheduled passenger land transportation for a fixed fare by a taxicab which is operated by a person who—

"(i) is licensed to engage in the trade or business of furnishing such transportation by a Federal, State, or local authority having jurisdiction over a substantial portion of such transportation furnished by such person; and

"(ii) is not prohibited under the laws, regulations, or procedures of such Federal, State, or local authority from furnishing (with the consent of the passengers) shared transportation.

"(B) TAXICAB.—The term 'taxicab' means

any land vehicle the passenger capacity of which is less than 10 adult passengers, including the driver.

"(3) SPECIAL RULE.—The amount of any payment under this subsection to any person shall not be included in the gross income of such person.

"(d) USE BY SECTION 501(c)(3) ORGANIZATIONS.—Except as provided in subsection (h), if any gasoline on which tax was imposed by section 4086 or any other fuel on the sale of which a tax was imposed by section 4051 is used by any purchaser of such gasoline or fuel which is an organization described in section 501(c)(3) which is exempt from tax under section 501(a), other than in an unrelated trade or business (as defined in section 513), the Secretary or his delegate shall pay (without interest) to such purchaser an amount equal to the sum of—

"(1) the product of—

"(A) the number of gallons of gasoline so used, multiplied by

"(B) the rate of tax in effect under section 4086 for the month in which such gasoline was purchased by the user; plus

"(2) the tax imposed by section 4051 on the sale to such taxpayer of the fuel (other than gasoline) so used.

"~~(d)~~ *(e)* SPECIAL RULES AND DEFINITION.—

"(1) EXEMPT SALES.—No amount shall be payable under this section with respect to any gasoline or special fuel which the Secretary or his delegate determines was exempt from the tax imposed by section 4086 or 4051, as the case may be.

"(2) GASOLINE.—The term 'gasoline' has the meaning given to such term by section 4082(b).

"(3) SPECIAL RULE FOR RATE CHANGE IN MIDDLE OF MONTH.—In the case of any month in which there is an increase in the rate of tax imposed by section 4086, the rate of such tax in effect for such month, for purposes of subsections ~~(a)~~ and ~~(c)~~ *(a), (c), and (d),* shall be deemed to be one-half of the sum of the rate of such tax in effect on the first day of such month plus the rate of such tax in effect on the last day of such month."

"~~(e)~~ *(f)* TIME FOR FILING CLAIMS; PERIOD COVERED.—

"(1) GENERAL RULE.—Except as provided by paragraph (2), not more than one claim may be filed under subsection (a), (b), ~~or (c)~~ *(c), or (d)* by any person with respect to gasoline or any other fuel used during his taxable year. No claim shall be allowed under this section with respect to gasoline or any other fuel used by such person during any taxable year unless filed by such person not later than the time prescribed by law for filing a claim for credit or refund of overpayment of income tax for such taxable year. For purposes of this

subsection, a person's taxable year shall be his taxable year for purposes of subtitle A.

(2) EXCEPTION.—If $1,000 or more is payable under this section to any person with respect to gasoline or any other fuel used during any of the first three quarters of any taxable year ending after the date on which an increase in the rate of tax under section 4086 first takes effect under subsection (b) of such section, a claim may be filed under this section by such person with respect to gasoline or any other fuel used during such quarter. No claim filed under this subparagraph shall be allowed unless filed on or before the last day of the first quarter following the quarter for which the claim is filed.

"~~(f)~~ *(g)* APPLICABLE LAWS.—

"(1) IN GENERAL.—All provisions of law, including penalties, applicable in respect of the tax imposed by section 4051 or 4086 shall, insofar as applicable and not inconsistent with this section, apply in respect of the payments provided for in this section to the same extent as if such payments constituted refunds or overpayments of the tax so imposed.

"(2) EXAMINATION OF BOOKS AND WITNESSES.—For the purpose of ascertaining the correctness of any claim made under this section, or the correctness of any

payment made in respect of any such claim, the Secretary or his delegate shall have the authority granted by paragraphs (1), (2), and (3) of section 7602 (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

"~~(g)~~ *(h)* INCOME TAX CREDIT IN LIEU OF PAYMENT.—

"(1) PERSONS NOT SUBJECT TO INCOME TAX.—Payment shall be made under this section only to—

"(A) the United States or an agency or instrumentality thereof, a State, a political subdivision of a State, or an agency or instrumentality of one or more States or political subdivisions, or

"(B) an organization exempt from tax under section 501(a) (other than an organization required to make a return of the tax imposed under subtitle A for its taxable year).

"(2) ALLOWANCE OF CREDIT AGAINST INCOME TAX.—For allowance of credit against the tax imposed by subtitle A for certain uses of gasoline and other fuels, see section 39.

"~~(h)~~ *(i)* REGULATIONS.—The Secretary or his delegate may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which payments may be made under this section.

"~~(i)~~ *(j)* CROSS REFERENCES.—

"(1) For civil penalty for excessive claims under this section, see section 6675.

"(2) For fraud penalties, etc., see chapter 75 (section 7201 and following, relating to crimes, other offenses, and forfeitures)."

(b) ALLOWANCE OF CREDIT FOR CERTAIN USES.—

(1) IN GENERAL.—Subsection (a) of section 39 (relating to certain uses of gasoline, special fuels, and lubricating oil) is amended by striking out "and" at the end of paragraph (3), by striking out the period at the end of paragraph (4) and inserting in lieu thereof ", and", and by adding after paragraph (4) the following new paragraph:

"(5) under section 6429 with respect to gasoline and special fuels used during the taxable year (determined without regard to section ~~6429(g)~~ *6429(h)*)."

(2) TECHNICAL AMENDMENT.—Subsection (c) of section 39 is amended by striking out "or 6427" and inserting in lieu thereof "6427, or 6429" and by striking out "or 6427(f)" and inserting in lieu thereof "6427(f), or ~~6429(g)~~ *6429(h)*)".

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The table of sections for subchapter B of chapter 65 is amended by adding at the end thereof the following new item:

"Sec. 6429. Repayment of gasoline and special fuels conservation taxes in case of certain uses."

(2) Section 6206 is amended—

(A) by striking out "**AND 6427**" in the section heading and inserting in lieu thereof "**6427, AND 6429**";

(B) by striking out "or 6427" each place it appears and inserting in lieu thereof "6427, or 6429"; and

(C) by inserting after "under section 6427)" the following: ", or by section 4051 or 4086 (with respect to payments under section 6429)".

(3) Section 6675 is amended—

(A) by striking out "or" after "highway motor ~~vehicle~~ *vehicles*)," in subsection (a);

(B) by inserting after "fuels not used for taxable purposes)" in subsection (a) the following: ", or 6429 (relating to repayment of gasoline and special fuels conservation taxes in case of certain uses)"; and

(C) by striking out "or 6427" in subsection (b) and inserting in lieu thereof "6427, or 6429".

(4) Sections 7210, 7603, and 7604(b) are each amended by inserting "~~6429(f)(2)~~ *6429(g)(2)*," after "6427(e)(2),".

(5) Section 7604(c)(2) is amended by inserting "~~6429(f)(2)~~ *6429(g)(2)*," after "6427(e)(2),".

(6) Section 7605(a) is amended—

(A) by striking out "6427 (e) (2)" the first place it appears and inserting in lieu thereof "6427 (e) (2), ~~6429 (f) (2)~~ *6429 (g) (2)*"; and

(B) by striking out "or 6427 (e) (2)" and inserting in lieu thereof "6427 (e) (2), or ~~6429 (f) (2)~~ *6429 (g) (2)*".

(d) EFFECTIVE DATES.—

(1) FOR SUBSECTIONS (a) AND (c).—The amendments made by subsections (a) and (c) shall take effect on January 1, 1976.

(2) FOR SUBSECTION (b).—The amendments made by subsection (b) shall apply to taxable years ending after January 1, 1976.

PART III—MISCELLANEOUS

SEC. 231. TECHNICAL AMENDMENTS WITH RESPECT TO CERTAIN TRUST FUNDS.

(a) AIRPORT AND AIRWAY TRUST FUND.—Paragraph (3) of section 208 (f) of the Airport and Airway Revenue Act of 1970 (49 U.S.C. 1742) is amended by adding at the end thereof the following new sentence: "This paragraph shall not apply to amounts equivalent to the credits so allowed to the extent that the credits so allowed are estimated by the Secretary of the Treasury to be attributable to the tax imposed by section 4086 of such Code (relating to gasoline

conservation tax) or section 4051 of such Code (relating to special fuels conservation tax)."

(b) HIGHWAY TRUST FUND.—

(1) Paragraph (1) of section ~~209 (a)~~ *209 (c)* of the Highway Revenue Act of 1956 is amended—

(A) by inserting "and" at the end of subparagraph (F),

(B) by striking out subparagraph (G),

(C) by redesignating subparagraph (H) as subparagraph (G), and

(D) by striking out "subparagraph (H)" in the last sentence and inserting in lieu thereof "subparagraph (G)".

(2) Paragraph (6) of section 209 (f) of such Act is amended by adding at the end thereof the following new sentence: "This paragraph shall not apply to amounts equivalent to the credits so allowed to the extent that the credits so allowed are estimated by the Secretary of the Treasury to be attributable to the tax imposed by section 4086 of such Code (relating to gasoline conservation tax) or section 4051 of such Code (relating to special fuels conservation tax)."

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1976.

TITLE III—OTHER ENERGY CONSERVATION PROGRAMS

PART I—AUTOMOBILE FUEL EFFICIENCY TAX

SEC. 311. AUTOMOBILE FUEL EFFICIENCY TAX.

(a) GENERAL RULE.—Part I of subchapter A of chapter 32 (relating to motor vehicle excise taxes) is amended by adding at the end thereof the following new section:

"SEC. 4064. AUTOMOBILE FUEL EFFICIENCY TAX.

"(a) IMPOSITION OF TAX.—If the fuel mileage rating of any manufacturer or importer for the model year 1978, 1979, or 1980 is below the fuel mileage standard for that model year provided by subsection (b), a tax is hereby imposed on each automobile produced by such manufacturer (or imported by such importer) during such model year which has a fuel mileage rating below the fuel mileage standard provided by subsection (b) for that model year. The tax imposed by this section shall be paid by the manufacturer or the importer, as the case may be.

"(b) FUEL MILEAGE STANDARD.—For purposes of this section—

"For the model year—	The fuel mileage standard (in miles per gallon) is—
1978	18
1979	19
1980	20

"(c) AMOUNT OF TAX.—

"(1) IN GENERAL.—In the case of any automobile

subject to tax under this section, the amount of such tax shall be the applicable percentage of the price for which such automobile (including parts and accessories, other than radial tires, sold on or in connection therewith or with the sale thereof) is sold by the manufacturer or importer.

"(2) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage shall be the percentage (for the model year in which the automobile is produced or imported, as the case may be) determined in accordance with the following table:

"If the fuel mileage rating (in miles per gallon) is—	The percentage is— 1978 model year	1979 model year	1980 model year
20 or more	0	0	0
19 or more but less than 20	0	0	2
18 or more but less than 19	0	2	3
17 or more but less than 18	2	3	4
16 or more but less than 17	3	4	5
15 or more but less than 16	4	5	6
Less than 15	5	6	7

"(d) RECOMMENDATIONS FOR MODEL YEARS AFTER 1980.—Before March 15, 1978, the Administrator of the Federal Energy Administration shall submit to the Congress a report as to whether the fuel mileage standard for 1980 is attainable by the automobile manufacturers subject to the ~~tax;~~ ~~and~~ *tax and recommendations*—

"(1) as to whether the tax imposed by this section shall be continued beyond the model year 1980, and

"(2) if such tax is continued—

"(A) any modifications the Administrator believes should be made in such tax, and

"(B) what the fuel mileage standard should be for model years after 1980.

"(e) DETERMINATION OF AUTOMOBILE FUEL MILEAGE RATING.—

"(1) DETERMINATION OF RATING.—

"(A) IN GENERAL.—The fuel mileage rating of every automobile which may be subject to tax under this section shall be the fuel mileage rating, for the class of automobiles in which such automobile falls, determined by the Secretary or his delegate. The determination of such rating for any class of automobiles shall be based on a composite mileage resulting from the testing of such class of automobiles, conducted in accordance with procedures established under paragraph (4). Such determination shall be published in the Federal Register.

"(B) REVIEW OF DETERMINATION.—Within 30 days after the fuel mileage rating of any class of automobiles has been published under subparagraph (A), the manufacturer or importer of such class of automobiles may file a petition in the United States Court of Appeals for the District of Columbia for

judicial review of such determination. Upon the filing of such petition, the court shall have jurisdiction to review such determination in accordance with chapter 7 of title 5, United States Code, and to grant appropriate relief as provided in such chapter.

"(2) INTERAGENCY COOPERATION.—In order to avoid unnecessary expense and duplication, the Secretary or his delegate shall make such arrangements or agreements for cooperation or mutual assistance in the performance of his functions under this section and the functions of any department, agency, or establishment of the United States, as he may find practicable and consistent with law. The Secretary or his delegate may have access to and utilize, on a reimbursable or other basis, information, facilities, or services of any department, agency, or establishment of the United States; and each such department, agency, or establishment shall cooperate with the Secretary or his delegate and, to the extent permitted by law, provide such information, facilities, or services as he may request.

"(3) FUEL MILEAGE RATING.—The term 'fuel mileage rating' means, with respect to any class of automobiles, the number of miles which an automobile in such class can be expected to travel for each gallon of fuel which it consumes.

"(4) PROCEDURE FOR DETERMINING FUEL MILEAGE RATINGS.—The Secretary or his delegate shall, by regulations, establish procedures for conducting tests to determine the fuel mileage ratings of automobiles which may be subject to tax under this section. Under such regulations the Secretary or his delegate shall establish separate classes of automobiles which may be based upon—

"(A) the manufacturer (or division of the manufacturer) of the automobiles;

"(B) the engine family of the automobiles (which takes into account the type of engine, fuel induction system, and emission control system);

"(C) the type of transmission of such automobiles;

"(D) whether or not the automobiles have air conditioners;

"(E) whether or not the automobiles are station wagons; and

"(F) the inertia weight of the automobiles.

For purposes of subparagraph (F), the inertia weight shall be taken into account in categories of 250-pound increments for automobiles which have inertia weights under 3,000 pounds, and in categories of 500-

pound increments for automobiles which have inertia weights of 3,000 pounds or more.

"(f) DETERMINATION OF FUEL MILEAGE RATING FOR EACH MANUFACTURER OR IMPORTER.—

"(1) MANUFACTURER.—The fuel mileage rating of any manufacturer for any model year shall be based on all automobiles produced by such manufacturer in the United States or Canada during such model year.

"(2) IMPORTER.—The fuel mileage rating of any importer for any model year shall be based on all new automobiles imported into the United States during such model year which were produced (outside the United States and Canada) by the manufacturer who produced the automobiles imported by such importer. If there is more than one such manufacturer, the importer shall have a separate fuel mileage rating with respect to the automobiles of each such manufacturer.

"(3) SPECIAL RULES.—For purposes of this subsection—

"(A) PERSONS WHO MANUFACTURE AND IMPORT.—A person who is both a manufacturer and an importer shall be treated—

"(i) as a manufacturer with respect to automobiles described in paragraph (1), and

"(ii) as an importer with respect to automobiles described in paragraph (2).

A person who manufactures automobiles in the United States shall be treated as the importer of all automobiles produced by such manufacturer which are imported into the United States.

"(B) CERTAIN IMPORTS FROM CANADA.—A person who is not a manufacturer with respect to automobiles described in paragraph (1) but who imports automobiles from Canada shall be treated as an importer with respect to such automobiles.

"(C) PRODUCTION IN UNITED STATES OR CANADA.—An automobile is produced in the United States or Canada if at least ~~50~~ *75* percent of the cost to the manufacturer of such automobile is attributable to value added in the United States or Canada. *Any automobile not described in the preceding sentence the production of which is completed in the United States shall be treated as having been imported (at the time of such completion) into the United States.*

"(D) TREATMENT OF CERTAIN EXPORTS AND IMPORTS AND SALES FOR FURTHER MANUFACTURE.—An automobile otherwise taken into account

under ~~paragraph~~ (1) shall not be taken into account ~~under such paragraph~~ (1)—

"(i) if it is sold to any person before the close of the model year in which it is produced for use in further manufacture,

"(ii) if it is exported from the United States before the close of the model year in which it is produced, or

"(iii) in the case of an automobile the production of which is completed in ~~Canada~~ *outside the United States*, unless it is imported into the United States before the close of the model year in which it is produced.

"(E) PERSONS UNDER COMMON CONTROL.—All persons who control, are controlled by, or are under common control with any person shall be treated as one person.

"(g) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) AUTOMOBILE.—The term 'automobile' means—

"(A) any passenger automobile (within the meaning of such term as used in section 4061(b)(2)), or

"(B) any automobile truck or bus which has a gross vehicle weight of 6,000 pounds or less (as determined under regulations prescribed by the Secretary or his delegate),

which uses gasoline or diesel fuel as a fuel for propulsion.

"(2) MODEL YEAR.—The term 'model year' means, with reference to any calendar year, the manufacturer's annual production period (as determined by the Secretary or his delegate) which includes January 1 of such calendar year. If the manufacturer has no annual production period, the term 'model year' means the calendar year.

"(3) MANUFACTURER.—The term 'manufacturer' includes a producer.

"(4) RADIAL TIRE.—The term 'radial tire' has the meaning given to such term by section 4072 (d).

"(5) MATHEMATICAL CALCULATIONS.—In determining any fuel mileage rating under subsection (e) or (f), the total number of automobiles to be taken into account for that determination is to be divided by a sum of terms, each term of which is a fraction created by dividing—

"(A) the number of automobiles within each group to be taken into account, by

"(B) the fuel mileage rating for the automobiles within such group rounded to the nearest 1/10 of a mile per gallon.

"(6) CHANGES IN EMISSIONS STANDARDS.—If there is any change (whether by law or by administrative action) from the Federal emissions standards which apply to automobiles produced on May 1, 1975, the Secretary or his delegate shall determine by rule (in accordance with section 553 of title 5, United States Code) and publish in the Federal Register—

"(A) the extent (if any) to which such change reduces fuel mileage, and

"(B) the modifications in the fuel mileage standard set forth in subsection (a) (2), and in the mileage brackets of the table set forth in subsection (a) (3), which are necessary to reflect the reduction in fuel mileage resulting from such change.

Any modifications published under this paragraph shall have the force and effect of law and shall apply to all automobiles produced or imported to which the changed emissions standards apply as if such modifications were contained in this section.

"(h) EXEMPTIONS.—Under regulations prescribed by the Secretary or his delegate, for purposes of this section the term 'automobile' does not include—

"(1) an ambulance, hearse, or combination ambulance-hearse,

"(2) any bus which is to be used predominantly by the purchaser in mass transportation services in urban areas, or

"(3) any bus sold to any person for use exclusively in transporting students and employees of schools operated by State or local governments or by nonprofit educational organizations (within the meaning of section 4221(d)(5)).

For purposes of paragraph (3), incidental use of a bus in providing transportation for State or local government or a nonprofit organization described in section 501(c) which is exempt from tax under section 501(a) shall be disregarded.

"(i) APPLICATION OF CERTAIN SECTIONS.—Sections 4221 and 4293 shall not apply to the tax imposed by this section, and section 4216(b) shall apply in determining the constructive sales price of any automobile taxable under this section."

(b) TECHNICAL AND CLERICAL AMENDMENTS.—

(1) The table of sections for part I of subchapter A of chapter 32 is amended by adding at the end thereof the following new item:

"Sec. 4064. Automobile fuel efficiency tax."

(2) Section 6161(b)(1) (relating to extensions of time for paying tax) is amended by inserting after "or 43," the following: "or by section 4064,". The second sentence of such section 6161(b) is amended by inserting after "chapter 43," the following: "or by section 4064 of chapter 32,".

(3) Section 6201(d) (cross reference) is amended by striking out "and chapter 43 taxes" and inserting in lieu thereof the following: "chapter 43, and section 4064 taxes".

(4) Section 6211 (defining deficiency) is amended—

(A) by striking out so much of subsection (a) as precedes paragraph (1) and inserting in lieu thereof the following:

"(a) IN GENERAL.—For purposes of this title in the case of income, estate, and gift taxes imposed by subtitles A and B and excise taxes imposed by section 4064 or by chapters 42 and 43, the term 'deficiency' means the amount by which the tax imposed by subtitle A or B, by section 4064, or by chapter 42 or 43, exceeds the excess of—"; and

(B) by inserting after "or B" in subsection (b)(2) the following: ", section 4064,".

(5) Section 6212 (relating to notice of deficiency) is amended—

(A) by inserting after "or B" in subsection (a) the following: ", section 4064,";

(B) by inserting after "chapter 12" each place it appears in subsection (b) (1) the following: ", section 4064,";

(C) by striking out "TAXES IMPOSED BY CHAPTER 42" in the heading of subsection (b) (1) and inserting in lieu thereof "CERTAIN EXCISE TAXES";

(D) by striking out "or of chapter 42 tax" in subsection (c) (1) and inserting in lieu thereof "of chapter 42 tax"; and

(E) by inserting after "to which such petition relates" the following: ", or of section 4064 tax with respect to the calendar year to which such petition relates".

(6) Section 6213 (relating to restrictions applicable to deficiencies and petition to Tax Court) is amended by inserting after "or B" in subsection (a) the following ", section 4064,".

(7) Section 6214 (d) (relating to final decisions of Tax Court) is amended by inserting after "this chapter," the following: "section 4064,".

(8) Section 6344 (a) (1) (relating to cross references) is amended by inserting before "chapter 42" the following: "section 4064 or".

(9) Section 6512 (relating to limitations in case of petition to Tax Court) is amended—

(A) by striking out "or 43" each place it appears therein and inserting in lieu thereof ", 43", and

(B) by inserting after "to which such petition relates" the following: ", or of section 4064 tax with respect to the calendar year to which such petition relates".

(10) Section 6601 (d) (relating to interest on underpayment, nonpayment, or extensions of time for payment of tax) is amended by striking out in the heading thereof "CHAPTER 42 or 43" and inserting in lieu thereof "CERTAIN EXCISE".

(11) Section 7422 (e) (relating to civil actions for refund) is amended by inserting before "chapter 42" the following: "section 4064 or",

PART II—INTERCITY BUSES, RADIAL TIRES, AND REREFINED OIL

SEC. 321. REPEAL OF EXCISE TAX ON BUSES USED IN INTERCITY PUBLIC TRANSPORTATION.

(a) GENERAL RULE.—Paragraph (6) of section 4063 (relating to exemption from excise tax for local transit buses) is amended to read as follows:

"(6) PUBLIC TRANSPORTATION BUSES.—The tax imposed under section 4061(a) shall not apply in the case of automobile bus chassis or automobile bus bodies which are to be used predominantly by the purchaser in public passenger transportation service."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply with respect to articles sold on or after the date of the enactment of this Act.

(2) WHEN SOLD.—For purposes of paragraph (1), an article shall not be considered sold before the date of the enactment of this Act unless possession or right to possession passes to the purchaser before such date.

(3) TRANSITIONAL RULE FOR LEASES, INSTALLMENT CONTRACTS, ETC.—In the case of—

(A) a lease,

(B) a contract for the sale of an article where it is provided that the price shall be paid by in-

stallments and title to the article sold does not pass until a future date notwithstanding partial payment by installments,

(C) a conditional sale, or

(D) a chattel mortgage arrangement wherein it is provided that the sale price shall be paid in installments,

entered into before the date of the enactment of this Act, payments made on or after such date with respect to the article leased or sold shall, for purposes of paragraph (1), be considered as payments made with respect to an article sold on or after such date, if the lessor or vendor establishes that the amount of payments payable on or after such date with respect to such article has been reduced by an amount equal to that portion of the tax applicable with respect to the lease or sale of such article which is due and payable on or after such date. If the lessor or vendor does not establish that the payments have been so reduced, they shall be treated as payments made with respect to an article sold before the date of the enactment of this Act.

SEC. 322. REPEAL OF EXCISE TAX ON RADIAL TIRES.

(a) REPEAL OF TAX ON NEW RADIAL TIRES.—Section 4073 (relating to exemptions from tax on tires and tubes) is

amended by adding at the end thereof the following new subsection:

"(d) RADIAL TIRES.—The tax imposed by section 4071 shall not apply to radial tires."

(b) REPEAL OF TAX ON TREAD RUBBER USED TO RETREAD OR RECAP RADIAL TIRES.—Subsection (c) of section 4073 (relating to exemption from tax on tread rubber in certain cases) is amended by striking out "such person" and all that follows and inserting in lieu thereof the following: "such person—

"(1) in the recapping or retreading of radial tires, or

"(2) otherwise than in the recapping or retreading of tires of the types used on highway vehicles."

(c) DEFINITION OF RADIAL TIRE.—Section 4072 (relating to definitions) is amended by adding at the end thereof the following new subsection:

"(d) RADIAL TIRE.—For purposes of this part, the term 'radial tire' means a tire of the type used on highway vehicles in which the ply cords which extend to the beads of such tire are laid at substantially 90 degrees to the center line of the tire's tread."

(d) TECHNICAL AMENDMENT.—Subparagraph (L) of section 6416(b)(2) (relating to specified uses and resales) is amended to read as follows:

"(L) in the case of tread rubber in respect of which tax was paid under section 4071(a)(4), used or sold for use (i) in recapping or retreading radial tires (as defined in section 4072(d)) or (ii) otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)), unless credit or refund of such tax is allowable under subsection (b)(3);

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply with respect to sales of radial tires (as defined in section 4072(d) of the Internal Revenue Code of 1954), and tread rubber (as defined in section 4072(b) of such Code), after March 17, 1975.

(2) FLOOR STOCKS REFUNDS.—Section 6412(a) (relating to floor stocks refunds) is amended by inserting immediately before paragraph (2) the following new paragraph:

"(1) RADIAL TIRES.—Where before March 18, 1975, any radial tire (as defined in section 4072(d)) subject to the tax imposed by section 4071(a) 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 tax paid by such manufacturer, producer, or importer on his sale of such tire if claim for such credit or refund is filed with the Secretary or his delegate on or before December 31, 1975, based upon a request submitted to the manufacturer, producer, or importer before October 1, 1975, by the dealer who held such tire in respect of which the credit or refund is claimed, and, on or before December 31, 1975, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax on such tire or written consent has been obtained from such dealer to allowance of such credit or refund."

SEC. 323. REREFINED LUBRICATING OIL.

(a) IN GENERAL.—Section 4093 (relating to exemption of sales to producers) is amended to read as follows:

"SEC. 4093. EXEMPTIONS.

"(a) SALES TO MANUFACTURERS OR PRODUCERS FOR RESALE.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed by section 4091 on lubricating oils sold to a manufacturer or producer of lubricating oils for resale by him.

"(b) USE IN PRODUCING REREFINED OIL.—

"(1) SALES TO REREFINERS.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed by section 4091 on lubricating oil sold for

use in mixing with used or waste lubricating oil which has been cleaned, renovated, or rerefined. Any person to whom lubricating oil is sold tax-free under this paragraph shall be treated as the producer of such lubricating oil.

"(2) USE IN PRODUCING REREFINED OIL.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed by section 4091 on lubricating oil used in producing rerefined oil to the extent that the amount of such lubricating oil does not exceed 55 percent of such rerefined oil.

"(3) REREFINED OIL DEFINED.—For purposes of this subsection, the term 'rerefined oil' means oil 25 percent or more of which is used or waste lubricating oil which has been cleaned, renovated, or rerefined."

(b) CONFORMING AMENDMENT.—Section 4092 (a) is amended by striking out "4093" and inserting in lieu thereof "4093 (a)".

(c) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 32 is amended by striking out the item relating to section 4093 and inserting in lieu thereof the following:

"Sec. 4093. Exemptions."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to sales after March 17, 1975.

importer an amount equal to the tax paid by such manufacturer, producer, or importer on his sale of such tire if claim for such credit or refund is filed with the Secretary or his delegate on or before December 31, 1975, based upon a request submitted to the manufacturer, producer, or importer before October 1, 1975, by the dealer who held such tire in respect of which the credit or refund is claimed, and, on or before December 31, 1975, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax on such tire or written consent has been obtained from such dealer to allowance of such credit or refund."

SEC. 323. REREFINED LUBRICATING OIL.

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"SEC. 4093. EXEMPTIONS.

"(a) SALES TO MANUFACTURERS OR PRODUCERS FOR RESALE.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed by section 4091 on lubricating oils sold to a manufacturer or producer of lubricating oils for resale by him.

"(b) USE IN PRODUCING REREFINED OIL.—

"(1) SALES TO REREFINERS.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed by section 4091 on lubricating oil sold for

use in mixing with used or waste lubricating oil which has been cleaned, renovated, or rerefined. Any person to whom lubricating oil is sold tax-free under this paragraph shall be treated as the producer of such lubricating oil.

"(2) USE IN PRODUCING REREFINED OIL.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed by section 4091 on lubricating oil used in producing rerefined oil to the extent that the amount of such lubricating oil does not exceed 55 percent of such rerefined oil.

"(3) REREFINED OIL DEFINED.—For purposes of this subsection, the term 'rerefined oil' means oil 25 percent or more of which is used or waste lubricating oil which has been cleaned, renovated, or rerefined."

(b) CONFORMING AMENDMENT.—Section 4092 (a) is amended by striking out "4093" and inserting in lieu thereof "4093 (a)".

(c) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 32 is amended by striking out the item relating to section 4093 and inserting in lieu thereof the following:

"Sec. 4093. Exemptions."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to sales after March 17, 1975.

PART III—TAX INCENTIVES FOR CERTAIN ENERGY-RELATED IMPROVEMENTS OF BUILDINGS

SEC. 331. INSULATION OF PRINCIPAL RESIDENCE.

(a) GENERAL RULE.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowable) is amended by inserting immediately before section 45 the following new section:

"SEC. 44C. INSULATION OF PRINCIPAL RESIDENCE.

"(a) GENERAL RULE.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 30 percent of the qualified insulation expenditures paid by the taxpayer during the taxable year with respect to any residence to the extent that such expenditures do not exceed $500.

"(b) LIMITATIONS.—

"(1) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under—

"(A) section 33 (relating to foreign tax credit),

"(B) section 37 (relating to retirement income),

"(C) section 38 (relating to investment in certain depreciable property and purchases of certain recyclable waste),

"(D) section 40 (relating to expenses of work incentive programs),

"(E) section 41 (relating to contributions to candidates for public office),

"(F) section 42 (relating to credit for personal exemptions), and

"(G) section 44 (relating to purchase of new principal residence).

"(2) PRIOR EXPENDITURES TAKEN INTO ACCOUNT.—If—

"(A) the taxpayer made qualified insulation expenditures with respect to any residence in any prior taxable year, or

"(B) any prior occupant of any residence made qualified insulation expenditures with respect to such ~~residence.~~ *residence,*

then subsection (a) shall be applied with respect to such residence for the taxable year by reducing (but not below zero) the $500 amount contained in such subsection by the aggregate of the expenditures described in subparagraphs (A) and (B).

"(3) VERIFICATION.—No credit shall be allowed

under subsection (a) with respect to any qualified insulation expenditures unless such expenditures are verified in such manner as the Secretary or his delegate shall prescribe by regulations.

"(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED INSULATION EXPENDITURES.—The term 'qualified insulation expenditures' means any amount paid by an individual for any installation (other than pursuant to a reconstruction of the dwelling unit) which occurs after March 17, 1975, and before January 1, 1978, of insulation in any dwelling unit which—

"(A) at the time of such installation is used by the individual as his principal residence; and

"(B) is in existence on March 17, 1975, and used on such date by one or more individuals as a residence.

Such term shall only include amounts paid for the original installation of any insulation in a dwelling unit.

"(2) INSULATION.—The term 'insulation' means any insulation, storm (or thermal) window or door, or any other similar item—

"(A) which is specifically and primarily designed to reduce, when installed in or on a building, the heat loss or gain of such building,

"(B) the original use of which commences with the taxpayer,

"(C) which has a useful life to the taxpayer of at least 3 years, and

"(D) which meets such performance standards as the Secretary or his delegate may prescribe by regulations after consultation with the Administrator of the Federal Energy Administration and the Secretary of Housing and Urban Development.

"(3) JOINT OCCUPANCY.—In the case of any dwelling unit which is jointly occupied and is used during any calendar year as a principal residence, by two or more individuals—

"(A) the amount of the credit allowable under subsection (a) (after applying subsection (b) (2)) with respect to any qualified insulation expenditures paid during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as one taxpayer whose taxable year is such calendar year; and

"(B) each of such individuals shall be allowed a credit under subsection (a) for the taxable year in which such calendar year ends (subject to the limitation of subsection (b) (1)) in an amount

which bears the same ratio to the amount determined under subparagraph (A) as the amount paid by such individual during such calendar year for such expenditures bears to the aggregate of the amounts paid by all of such individuals during such calendar year for such expenditures.

"(4) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who holds stock as a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual—

"(A) shall be treated as owning the dwelling unit which he is entitled to occupy as such stockholder; and

"(B) shall be treated as having paid his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any qualified insulation expenditures paid by such corporation.

"(d) REDUCTION OF BASIS.—The basis of any property shall not be increased by the amount of any qualified insulation expenditures made with respect to such property to the extent of the amount of any credit allowed under this section with respect to such expenditures.

"(e) TERMINATION.—This section shall not apply to any amount paid after December 31, 1977."

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The table of sections for such subpart A is amended by inserting immediately before the item relating to section 45 the following new item:

"Sec. 44C. Insulation of principal residence."

(2) Section 56(a)(2) (relating to imposition of minimum tax) is amended by striking out "and" at the end of clause (vi), by striking out "; and" at the end of clause (vii) and inserting in lieu thereof ", and", and by inserting after clause (vii) the following new clause:

"(viii) section 44C (relating to insulation of principal residence); and".

(3) Section 56(c)(1) (relating to tax carryovers) is amended by striking out "and" at the end of subparagraph (F), by striking out "exceed" at the end of subparagraph (G) and inserting in lieu thereof "and", and by inserting after subparagraph (G) the following new subparagraph:

"(H) section 44C (relating to insulation of principal residence), exceed".

(4) Subsection (a) of section 1016 (relating to adjustments to basis) is amended by striking out the period at the end of paragraph (22) and inserting in lieu thereof a semicolon and by inserting after paragraph (22) the following new paragraph:

"(23) to the extent provided in section 44C(d), in the case of property with respect to which a credit has been allowed under section 44C."

(5) Section 6096(b) (relating to designation of income tax payment to Presidential Election Campaign Fund) is amended by striking out "and 44" and inserting in lieu thereof "44, and 44C".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid after March 17, 1975, in taxable years ending after such date.

SEC. 332. RESIDENTIAL SOLAR ENERGY EQUIPMENT.

(a) GENERAL RULE.—Subpart A of chapter IV of subchapter A of chapter 1 (relating to credits allowable) is amended by inserting immediately before section 45 the following new section:

"SEC. 44D. RESIDENTIAL SOLAR ENERGY EQUIPMENT.

"(a) GENERAL RULE.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

"(1) 40 percent of the qualified solar energy equipment expenditures paid by the taxpayer during the taxable year with respect to any residence to the extent that such expenditures do not exceed $1,000, plus

"(2) 20 percent of the qualified solar energy equipment expenditures paid by the taxpayer during the taxable year with respect to such residence to the extent that such expenditures exceed $1,000 but do not exceed $2,000.

"(b) LIMITATIONS.—

"(1) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under—

"(A) section 33 (relating to foreign tax credit),

"(B) section 37 (relating to retirement income),

"(C) section 38 (relating to investment in certain depreciable property and purchases of certain recyclable waste),

"(D) section 40 (relating to expenses of work incentive programs),

"(E) section 41 (relating to contributions to candidates for public office),

"(F) section 42 (relating to credit for personal exemptions),

"(G) section 44 (relating to purchase of new principal residence), and

"(H) section 44C (relating to insulation of principal residence).

"(2) PRIOR EXPENDITURES TAKEN INTO ACCOUNT.—If—

"(A) the taxpayer made qualified solar energy equipment expenditures with respect to any residence in any prior taxable year, or

"(B) any prior owner of such residence made qualified solar energy equipment expenditures with respect to such residence,

then subsection (a) shall be applied with respect to such residence for the taxable year by reducing (but not below zero) the dollar amounts contained in such subsection by the aggregate of the expenditures described in subparagraphs (A) and (B).

"(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED SOLAR ENERGY EQUIPMENT EXPENDITURES.—The term 'qualified solar energy expenditures' means any amount paid by an individual for any installation which occurs after March 17, 1975, and before January 1, 1981, of solar energy equipment, in any dwelling unit which at the time of such installation is owned by the individual and used by him as his principal residence (within the meaning of section 1034).

"(2) SOLAR ENERGY EQUIPMENT.—The term 'solar energy equipment' means equipment—

"(A) which, when installed in or on a building—

"(i) uses solar energy to heat or cool such building or provide hot water for use within such building; and

"(ii) meets the definitive performance criteria prescribed by the Secretary of Housing and Urban Development under the Solar Heating and Cooling Demonstration Act of 1974;

"(B) the original use of which commences with the taxpayer; and

"(C) which has a useful life of at least 3 years.

"(3) JOINT OWNERSHIP.—In the case of any building which is jointly owned, and is used during any calendar year as a principal residence, by two or more individuals—

"(A) the amount of the credit allowable under subsection (a) (after applying subsection (b) (2)) with respect to any qualified solar energy equipment expenditures paid during such calendar year by any of such individuals with respect to such building shall be determined by treating all of such individ-

uals as one taxpayer whose taxable year is such calendar year; and

"(B) each of such individuals shall be allowed a credit under subsection (a) for the taxable year in which such calendar year ends (subject to the limitation of subsection (b)(1)) in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount paid by such individual during such calendar year for such expenditures bears to the aggregate of the amounts paid by all of such individuals during such calendar year for such expenditures.

"(4) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who holds stock as a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual—

"(A) shall be treated as owning the dwelling unit which he is entitled to occupy as such stockholder; and

"(B) shall be treated as having paid his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any qualified solar energy equipment expenditures paid by such corporation.

"(d) REDUCTION OF BASIS.—The basis of any property

shall not be increased by the amount of any qualified solar energy equipment expenditures made with respect to such property to the extent of the amount of any credit allowed under this section with respect to such expenditures.

"(e) TERMINATION.—This section shall not apply to any amount paid after December 31, 1980."

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The table of sections for such subpart A is amended by inserting before the item relating to section 45 the following:

"Sec. 44D. Residential solar energy equipment."

(2) Section 56(a)(2) (relating to imposition of minimum tax) is amended by striking out "and" at the end of clause (vii), by striking out "; and" at the end of clause (viii) and inserting in lieu thereof ", and", and by inserting after clause (viii) the following new clause:

"(ix) section 44D (relating to residential solar energy equipment); and".

(3) Section 56(c)(1) (relating to tax carryovers) is amended by striking out "and" at the end of subparagraph ~~(C)~~ *(G)*, by striking out "exceed" at the end of subparagraph (H) and inserting in lieu thereof "and", and by inserting after subparagraph (H) the following new subparagraph:

"(I) section 44D (relating to residential solar energy equipment), exceed".

(4) Subsection (a) of section 1016 (relating to adjustments to basis) is amended by striking out the period at the end of paragraph (23) and inserting in lieu thereof a semicolon and by inserting after paragraph (23) the following new paragraph:

"(24) to the extent provided in section 44D(d), in the case of property with respect to which a credit has been allowed under section 44D."

(5) Section 6096(b) (relating to designation of income tax payment to Presidential Election Campaign Fund) is amended by striking out "and 44C" and inserting in lieu thereof "44C, and 44D".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid after March 17, 1975, in taxable years ending after such date.

TITLE IV—ENERGY CONSERVATION AND CONVERSION TRUST FUND

SEC. 411. ESTABLISHMENT OF ENERGY CONSERVATION AND CONVERSION TRUST FUND.

(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the "Energy Conservation and Conversion Trust Fund" (hereinafter in this title referred to as the "Trust Fund"),

consisting of such amounts as may be appropriated or credited to the Trust Fund as provided in this section.

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

(1) IN GENERAL.—There are hereby appropriated to the Trust Fund amounts determined by the Secretary of the Treasury (hereinafter in this title referred to as the "Secretary") to be equivalent to the following amounts received in the Treasury before October 1, 1985:

(A) the amount of the taxes under—

(i) section 4086 of the Internal Revenue Code of 1954 (relating to gasoline conservation tax),

(ii) section 4051 of such Code (relating to special motor fuels conservation taxes),

(iii) section 4064 of such Code (relating to automobile fuel efficiency tax),

(iv) section 4991 *of such Code* (relating to tax on certain business uses of petroleum and petroleum products), and

(v) section 4226(a) of such Code (relating to floor stocks taxes),

reduced by the amount of the credits allowable under such Code which are properly chargeable against

the amount of such taxes appropriated by this paragraph;

(B) the duties under section 121 of this Act (relating to rates of duty on oil); and

(C) to the extent provided by any law enacted after the date of the enactment of this Act, proceeds to the United States from oil and gas properties in which the United States has an interest.

(2) METHOD OF TRANSFER.—The amounts appropriated by paragraph (1) shall be transferred at least quarterly from the general fund of the Treasury to the Trust Fund on the basis of estimates made by the Secretary of the amounts referred to in paragraph (1) received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

(c) ANNUAL CEILING ON AMOUNTS WHICH MAY BE PLACED IN TRUST FUND.—The amount appropriated by subsection (b) (1) for any fiscal year shall not exceed—

(1) in the case of any fiscal year ending on or before September 30, 1983, $5,000,000,000; and

(2) in the case of the fiscal year ending September 30, 1984, $2,500,000,000.

No amount shall be appropriated to the Trust Fund after

September 30, 1984. Any amount which, but for this subsection, would be appropriated to the Trust Fund shall remain in the general fund of the Treasury.

(d) OVERALL LIMITATION ON AMOUNT IN THE TRUST FUND.—

(1) IN GENERAL.—If at any time during a fiscal year ending on or ~~after~~ *before* September 30, 1984, the Secretary determines that the amount in the Trust Fund which is not obligated for expenditure exceeds $10,000,000,000, the Secretary shall transfer the amount of such excess to the general fund of the Treasury.

(2) FISCAL YEAR 1985.—If at any time during the fiscal year ending on September 30, 1985, the Secretary determines that the amount in the Trust Fund which is not obligated for expenditure exceeds $5,000,000,000, the Secretary shall transfer the amount of such excess to the general fund of the Treasury.

(e) MANAGEMENT OF TRUST FUND.—

(1) REPORT.—It shall be the duty of the Secretary to hold the Trust Fund, and to report to the Congress each year on the financial condition and the results of the operations of the Trust Fund during the preceding fiscal year and on its expected condition and operations during the next 5 fiscal years. Such report shall be

printed as a House document of the session of the Congress to which the report is made.

(2) INVESTMENT.—

(A) IN GENERAL.—It shall be the duty of the Secretary to invest such portion of the Trust Fund as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose, such obligations may be acquired (i) on original issue at the issue price, or (ii) by purchase of outstanding obligations at the market price.

(B) SALE OF OBLIGATIONS.—Any obligation acquired by the Trust Fund may be sold by the Secretary at the market price.

(C) INTEREST ON CERTAIN PROCEEDS.—The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund shall be credited to and form a part of the Trust Fund.

(f) TERMINATION.—The Secretary shall transfer from the Trust Fund into the general fund of the Treasury any amount in the Trust Fund on October 1, 1985, which is not obligated for expenditure.

SEC. 412. EXPENDITURES FROM TRUST FUNDS FOR ENERGY PROJECTS AND PROGRAMS.

(a) IN GENERAL.—Amounts in the Trust Fund shall be available, as provided by appropriation Acts, for making expenditures before October 1, 1985, for purposes of conserving energy resources and expanding energy supplies through—

(1) basic and applied research programs related to new energy technologies, including (but not limited to)—

(A) solar energy,

(B) geothermal energy,

(C) advanced transportation power systems,

(D) environmental impact (and human safety),

(E) energy conversion,

(F) energy transmission,

(G) energy conservation,

(H) synthetic fuels from fossil sources,

(I) utilization of solid waste,

(J) fusion, and

(K) an engine for an efficient pollution-free automobile;

(2) development and demonstration of new energy technologies, including (but not limited to)—

(A) coal liquefaction and gasification demonstration projects,

(B) aid for powerplant conversions to coal,

(C) loans or subsidies for solid waste energy conversion plants (including production of methane gas from organic wastes),

(D) loans or subsidies for shale oil production,

(E) price guarantees on long-term purchase contracts for other new energy sources,

(F) strip mining reclamation and mine safety programs,

(G) engines for efficient pollution-free automobiles,

(H) loans and subsidies relating to solar energy systems, and

(I) demonstration and development of hot water heating systems, or space heating and cooling systems, for home use;

(3) programs relating to the development of energy resources from properties (including offshore properties) in which the United States has an interest, including (but not limited to)—

(A) geothermal energy development, and

(B) energy related environmental protection programs and research; and

(4) research projects, or capital expenditures for demonstration projects, relating to local and regional transportation systems, including (but not limited to)—

(A) mass transit by bus,

(B) fixed guideway mass transit,

(C) commuter rail transportation,

(D) intercity rail passenger service,

(E) mass transit terminal facilities,

(F) mass transit operational facilities, and

(G) exclusive or preferential bus lanes.

Nothing in this subsection shall be deemed to authorize any program, project, or other activity not otherwise authorized by law. Amounts required for purposes of this subsection shall be included in the appropriation requests of those Federal agencies authorized to carry out the program, project, or activity.

(b) PROGRAM EVALUATION CRITERIA, ETC.—Not later than 270 days after the date of the enactment of this Act, the Energy Conservation and Conversion Trust Fund Review Board shall—

(1) develop criteria for evaluating the programs, projects, and activities referred to in paragraphs (1), (2), (3), and (4) of subsection (a),

(2) evaluate potential programs, projects, and activities on the basis of such criteria, and

(3) submit to the Congress a report containing the criteria developed under paragraph (1) together with the Board's recommendations for the proportion of the Trust Fund which should be available for expenditure for each fiscal year for programs, projects, and activities referred to in each paragraph of subsection (a).

SEC. 413. ENERGY CONSERVATION AND CONVERSION TRUST FUND REVIEW BOARD.

(a) ESTABLISHMENT OF BOARD.—There is hereby established a review board to be known as the "Energy Conservation and Conversion Trust Fund Review Board" (hereinafter in this section referred to as the "Board").

(b) MEMBERSHIP.—

(1) NUMBER AND APPOINTMENT.—

(A) IN GENERAL.—The Board shall be composed of 5 members appointed by the President by and with the advice and consent of the Senate.

(B) LIMITATIONS.—An individual may not be appointed as a member of the Board if—

(i) at any time during the 5-year period ending on the date of his nomination such individual held interests in one or more energy related industries and the aggregate fair market value of such interests exceeded $2,500; or

(ii) for any taxable year beginning or ending during such 5-year period such individual received or accrued gross income in excess of $10,000 from one or more energy related industries.

Any individual who after appointment as a member acquires any interest in, or receives or accrues any income from, an energy related industry may not thereafter hold such position. For purposes of this paragraph, an individual shall be deemed to hold any interest held by such individual's spouse or by any child of the individual who has not attained 18 years of age.

(C) ENERGY RELATED INDUSTRY.—For purposes of this paragraph, the term "energy related industry" means an industry engaged in the trade or business of—

(i) the generation, transmission, distribution, or sale of electrical or other energy,

(ii) the production, transmission, distribution, or sale of oil or gas, or primary products of oil and gas,

(iii) production, importation, distribution, or sale of motor vehicles, or

(iv) the furnishing or sale of transportation.

(2) TERMS.—

(A) Except as provided in subparagraphs (B) and (C), members shall be appointed for terms of 5 years.

(B) Of the members first appointed—

(i) one shall be appointed for a term of 1 year,

(ii) one shall be appointed for a term of 2 years,

(iii) one shall be appointed for a term of 3 years,

(iv) one shall be appointed for a term of 4 years, and

(v) one shall be appointed for a term of 5 years,

as designated by the President at the time of appointment.

(C) Any member appointed to fill a vacancy occurring before the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term. A member may serve after the expiration of his term until his successor has taken office.

(3) PAY AND TRAVEL EXPENSES.—

(A) Except as provided in subparagraph (B), members of the Board shall each be entitled to receive $100 for each day (including traveltime) during which they are engaged in the actual performance of duties vested in the Board.

(B) Members of the Board who are full-time officers or employees of the United States or Members of Congress shall receive no additional pay on account of their service on the Board.

(C) While away from their homes or regular places of business in the performance of services for the Board, members of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under section 5703(b) of title 5 of the United States Code.

(4) CHAIRMAN.—The Chairman of the Board shall be elected by the members of the Board.

(c) DUTIES.—The Board shall review the expenditures made from the Trust Fund under section 412 and report to the Congress each year regarding expenditures so made during the preceding fiscal year. Such report shall contain evaluations of the programs and projects for which such expenditures were made, and such recommendations for such

changes as the Board considers necessary to ensure that future expenditures made from the Trust Fund best carry out the purposes of this title.

(d) STAFF.—The Board shall appoint such employees as it deems necessary. Such employees shall be appointed subject to the provisions of title 5, United States Code, governing appointments in the civil service, and shall be paid in accordance with the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates.

(e) APPROPRIATION AUTHORIZATION.—There are authorized to be appropriated from time to time such sums as may be necessary to carry out the purposes of this section.

TITLE V—ENCOURAGING BUSINESS CONVERSION FOR GREATER ENERGY SAVING

PART I—BUSINESS USE OF PETROLEUM AND PETROLEUM PRODUCTS

SEC. 511. EXCISE TAX ON BUSINESS USE OF PETROLEUM AND PETROLEUM PRODUCTS.

(a) IN GENERAL.—Subtitle D (relating to miscellaneous excise taxes) is amended by adding at the end thereof the following new chapter:

"CHAPTER 45—TAX ON BUSINESS USE OF PETROLEUM AND PETROLEUM PRODUCTS

"SEC. 4991. IMPOSITION OF TAX.

"(a) IN GENERAL.—There is hereby imposed a tax on each taxable use of a taxable petroleum or petroleum product.

"(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) shall be—

"(1) FOR NATURAL GAS.—In the case of natural gas—

"If the taxable use occurs during calendar year	The tax per 1,000 cubic feet is:
1977	4 cents.
1978	8 cents.
1979	12 cents.
1980 or thereafter	18 cents.

"(2) FOR CRUDE OIL AND OTHER PETROLEUM PRODUCTS.—In the case of crude oil and other petroleum products—

"If the taxable use occurs during calendar year	The tax per barrel is:
1977	17 cents.
1978	33 cents.
1979	50 cents.
1980	67 cents.
1981	83 cents.
1982 or thereafter	$1.

"(c) LIABILITY FOR TAX.—The tax imposed by this section shall be paid by the user.

"SEC. 4992. DEFINITIONS AND SPECIAL RULES.

"(a) TAXABLE USE.—

"(1) IN GENERAL.—For purposes of this chapter, the term 'taxable use' means any use as a fuel in a trade or business other than a use described in paragraph (2).

"(2) CERTAIN USES EXCEPTED.—For purposes of this chapter, the term 'taxable use' does not include any use as a fuel—

"(A) in a vehicle, vessel, or aircraft,

"(B) in an apartment, hotel, motel, or other residential facility,

"(C) for the extraction of a mineral to the extent such extraction constitutes mining within the meaning of section 613 (c),

"(D) on a farm for farming purposes (determined in a manner similar to that provided by section 6420 (c)),

"(E) in a facility (used in a trade or business described in section 46 (c) (3) (B) (i)) for the generation of electrical power if—

"(i) such facility is acquired by the user before January 1, 1976,

"(ii) the physical construction, reconstruction, or erection of such facility by the user is begun before January 1, 1976, or

"(iii) such facility is constructed, reconstructed, or erected for the user, or acquired by the user, pursuant to a contract which is on December 31, 1975, and at all times thereafter, binding on the user, and

"(F) by an organization described in section 501 (c) (3) which is exempt from tax under section 501 (a) other than in an unrelated trade or business (as defined in section 513).

Subparagraph (E) shall not apply to any use after December 31, 1981.

"(b) TAXABLE PETROLEUM OR PETROLEUM PRODUCT.—For purposes of this chapter, the term 'taxable petroleum or petroleum product' means any petroleum or petroleum product other than gasoline (as defined in section 4082 (b)).

"(c) PETROLEUM AND PETROLEUM PRODUCTS.—For purposes of this chapter, the term 'petroleum or petroleum product' includes natural gas."

(b) CLERICAL AMENDMENT.—The table of chapters for subtitle D is amended by adding at the end thereof the following:

"CHAPTER 45. Tax on business use of petroleum and petroleum products."

(c) REPORT BY THE ADMINISTRATOR OF THE FEDERAL ENERGY ADMINISTRATION.—

(1) IN GENERAL.—The Administrator of the Federal Energy Administration (hereinafter in this subsection referred to as the "Administrator") shall conduct a study of the uses of petroleum or petroleum products (including natural gas) to identify—

(A) the industries or industrial processes where there is no economically feasible alternative to the use of petroleum or petroleum products,

(B) the areas of the country where conversion to the use of fuels other than petroleum or petroleum products is not feasible because of Federal, State, or local laws relating to pollution, and

(C) all other factors bearing on uses which should be exempted from the application of section 4991 of the Internal Revenue Code of 1954.

(2) REPORT.—Not later than June 1, 1976, the Administrator shall submit to Congress a report of his findings under the study conducted under paragraph (1), together with such recommendations as he may deem advisable.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to petroleum and petroleum products (as defined in section 4992(c) of the Internal Revenue Code of 1954) used after December 31, 1976.

PART II—AMORTIZATION FOR CERTAIN ENERGY-RELATED PROPERTY

SEC. 521. AMORTIZATION OF QUALIFIED ENERGY USE PROPERTY.

Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding at the end thereof the following new section:

"SEC. 189. AMORTIZATION OF QUALIFIED ENERGY USE PROPERTY.

"(a) ALLOWANCE OF DEDUCTION.—Every person, at his election, shall be entitled to a deduction with respect to the amortization of any qualified energy use property (as defined in subsection (b)), based on a period of 60 months.

"(b) QUALIFIED ENERGY USE PROPERTY.—For purposes of this section—

"(1) QUALIFIED ENERGY USE PROPERTY.—The term 'qualified energy use property' means—

"(A) qualified waste equipment

"(B) qualified shale oil conversion equipment,

"(C) qualified coal processing equipment, or

"(D) a qualified coal pipeline.

"(2) QUALIFIED WASTE EQUIPMENT.—The term 'qualified waste equipment' means any machinery or

equipment (of a character subject to the allowance for depreciation)—

"(A) necessary to permit the use of waste as a fuel in a facility burning a combination of waste and oil as its principal fuel (including unloading equipment, feeding systems, and refuse-firing ports for waste fuels),

"(B) used to process waste into a fuel, or

"(C) used to sort and prepare solid waste for recycling or used for recycling solid waste.

"(3) QUALIFIED SHALE OIL CONVERSION EQUIPMENT.—The term 'qualified shale oil conversion equipment' means any machinery or equipment (of a character subject to the allowance for depreciation) necessary—

"(A) to reach the oil shale,

"(B) to extract the oil shale, or

"(C) to convert the oil shale into oil or gas.

"(4) QUALIFIED COAL PROCESSING EQUIPMENT.—The term 'qualified coal processing equipment' means any machinery or equipment (of a character subject to the allowance for depreciation) for processing coal into a liquid or gaseous state.

"(5) QUALIFIED COAL PIPELINE.—The term 'qualified coal pipeline' means a coal slurry pipeline or

any other pipeline (of a character subject to the allowance for depreciation) for the transportation of coal from the mine or other gathering point.

"(6) COAL INCLUDES LIGNITE.—The term 'coal' includes lignite.

"(c) AMOUNT OF DEDUCTION.—The amortization deduction for any qualified energy use property shall be an amount, with respect to each month of the 60-month period within the taxable year, equal to the adjusted basis of the qualified energy use property at the end of such month divided by the number of months (including the month for which the deduction is computed) remaining in the period. Such adjusted basis at the end of the month shall be computed without regard to the amortization deduction for such month. The amortization deduction provided by this section with respect to any qualified energy use property for any month shall be in lieu of the depreciation deduction with respect to such property for such month provided by section 167. The 60-month period shall begin, as to any qualified energy use property, at the election of the taxpayer, with the month following the month in which such property was placed in service or with the succeeding taxable year.

"(d) SPECIAL RULES FOR ADJUSTED BASIS.—

"(1) For purposes of this section, the adjusted basis of any qualified energy use property with respect to

which an election has been made under subsection (e) shall not be increased for amounts chargeable to capital account for additions or improvements after the amortization period has begun.

"(2) The depreciation deduction provided by section 167 shall, notwithstanding subsection (c), be allowed with respect to the portion of the adjusted basis which is not taken into account in applying this section.

"(e) ELECTION OF AMORTIZATION.—The election of the taxpayer to take the amortization deduction, and the election to begin the 60-month period with the month following the month in which the qualified energy use property is placed in service or with the taxable year succeeding the taxable year in which such property is placed in service, shall be made by filing with the Secretary or his delegate, in such manner, in such form, and within such time as the Secretary or his delegate may by regulations prescribe, a statement of such election.

"(f) TERMINATION OF ELECTION.—

"(1) BY THE TAXPAYER.—A taxpayer which has elected under subsection (e) to take the amortization deduction with respect to any qualified energy use property may, at any time after making such election, discontinue the amortization deduction with respect to the remainder of the amortization period, such discontinuance to begin as of the beginning of any month specified by the taxpayer in a notice in writing filed with the Secretary or his delegate before the beginning of such month. The depreciation deduction provided under section 167 shall be allowed, beginning with the first month as to which the amortization deduction does not apply, and the taxpayer shall not be entitled to any further amortization deduction under this section with respect to such property.

"(2) CONSTRUCTIVE TERMINATION.—If at any time during the amortization period any qualified energy use property ceases to meet the requirements of subsection (b) or becomes property with respect to which an amortization deduction under this section is not allowable by reason of subsection (g), the taxpayer shall be deemed to have terminated under paragraph (1) his election under this section. Such termination shall be effective beginning with the month in which such cessation occurs or in which a lease exists which causes disallowance under subsection (g).

"(g) NONCORPORATE LESSORS.—No amortization deduction shall be allowed under this section with respect to any property of which a person which is not a corporation is the lessor. In the case of property of which a partnership is the lessor, the amortization deduction otherwise allowable

under this section with respect to such property to any partner which is a corporation shall be allowed notwithstanding the preceding sentence and subsection (f) (2). For purposes of this subsection, an electing small business corporation (as defined in section 1371) shall be treated as a person which is not a corporation.

"(h) LIFE TENANT AND REMAINDERMAN.—In the case of any qualified energy use property held by one person for life with remainder to another person, the deduction under this section shall be computed as if the life tenant were the absolute owner of the property and shall be allowable to the life tenant.

"(i) APPLICATION OF SECTION.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the amortization deduction provided by this section shall apply to that portion of the basis which is attributable to construction, reconstruction, or erection after March 17, 1975, with respect to property which is placed in service after such date and before January 1, 1981.

"(2) PRE-1981 PORTION.—In the case of property constructed, reconstructed, or erected by the taxpayer, or for the taxpayer pursuant to a contract which is binding on the taxpayer on January 1, 1981, and at all times thereafter, which is placed in service on or after

January 1, 1981, the amortization deduction provided by this section shall apply to that portion of the basis which is attributable to construction, reconstruction, or erection before January 1, 1981.

"(j) CROSS REFERENCE.—

"For treatment of certain gain derived from the disposition of property the adjusted basis of which is determined with regard to this section, see section 1245."

SEC. 522. AMORTIZATION OF QUALIFIED RAILROAD EQUIPMENT.

Part VI of subchapter B of chapter 1 (relating to itemized deductions of individuals and corporations) is amended by adding at the end thereof the following new section:

"SEC. 190. AMORTIZATION OF QUALIFIED RAILROAD EQUIPMENT.

"(a) ALLOWANCE OF DEDUCTION.—Every person, at his election, shall be entitled to a deduction with respect to the amortization of any qualified railroad equipment (as defined in subsection (b)), based on a period of 60 months.

"(b) QUALIFIED RAILROAD EQUIPMENT DEFINED.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified railroad equipment' means equipment described in paragraph (2) of this subsection used by a common carrier engaged in the furnishing or sale of transportation by railroad and subject to the jurisdiction of the Interstate Commerce Commission if—

under this section with respect to such property to any partner which is a corporation shall be allowed notwithstanding the preceding sentence and subsection (f) (2). For purposes of this subsection, an electing small business corporation (as defined in section 1371) shall be treated as a person which is not a corporation.

"(h) LIFE TENANT AND REMAINDERMAN.—In the case of any qualified energy use property held by one person for life with remainder to another person, the deduction under this section shall be computed as if the life tenant were the absolute owner of the property and shall be allowable to the life tenant.

"(i) APPLICATION OF SECTION.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the amortization deduction provided by this section shall apply to that portion of the basis which is attributable to construction, reconstruction, or erection after March 17, 1975, with respect to property which is placed in service after such date and before January 1, 1981.

"(2) PRE-1981 PORTION.—In the case of property constructed, reconstructed, or erected by the taxpayer, or for the taxpayer pursuant to a contract which is binding on the taxpayer on January 1, 1981, and at all times thereafter, which is placed in service on or after

January 1, 1981, the amortization deduction provided by this section shall apply to that portion of the basis which is attributable to construction, reconstruction, or erection before January 1, 1981.

"(j) CROSS REFERENCE.—

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"(b) QUALIFIED RAILROAD EQUIPMENT DEFINED.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified railroad equipment' means equipment described in paragraph (2) of this subsection used by a common carrier engaged in the furnishing or sale of transportation by railroad and subject to the jurisdiction of the Interstate Commerce Commission if—

"(A) such equipment is—

"(i) used by a domestic common carrier by railroad, or

"(ii) owned and used by a car line company or a switching or terminal company at least 95 percent of whose stock is owned by one or more domestic common carriers by railroad, and

"(B) the original use of such equipment commences with the taxpayer after December 31, 1974.

"(2) EQUIPMENT.—The equipment referred to in paragraph (1) of this subsection is tangible property which is of a character subject to the allowance for depreciation provided in section 167 (not including a building or its structural components) if such property—

"(A) is used as an integral part of—

"(i) a communications, signal, or traffic control system;

"(ii) a rolling stock classification yard; or

"(iii) a facility for loading and unloading trailers and containers on and from railroad flatcars; or

"(B) is an improvement or betterment in track account.

"(c) AMOUNT OF DEDUCTION.—The amortization deduction for any qualified railroad equipment shall be an amount, with respect to each month of the 60-month period within the taxable year, equal to the adjusted basis of the qualified railroad equipment at the end of such month divided by the number of months (including the month for which the deduction is computed) remaining in the period. Such adjusted basis at the end of the month shall be computed without regard to the amortization deduction for such month. The amortization deduction provided by this section with respect to any qualified railroad equipment for any month shall be in lieu of the depreciation deduction with respect to such equipment for such month provided by section 167. The 60-month period shall begin, as to any qualified railroad equipment, at the election of the taxpayer, with the month following the month in which such equipment was placed in service or with the succeeding taxable year.

"(d) SPECIAL RULES.—

"(1) ADJUSTED BASIS.—

"(A) For purposes of this section, the adjusted basis of any qualified railroad equipment with respect to which an election has been made under subsection (e) shall not be increased for amounts chargeable to capital account for additions or

improvements after the amortization period has begun.

"(B) Costs incurred in connection with a used unit of railroad equipment which are properly chargeable to a capital account shall be treated as a separate unit of railroad equipment for purposes of this section.

"(C) The depreciation deduction provided by section 167 shall, notwithstanding subsection (c), be allowed with respect to the portion of the adjusted basis which is not taken into account in applying this section.

"(2) METHOD OF ACCOUNTING FOR DATE PLACED IN SERVICE.—For purposes of subsections (a) and (e) in the case of qualified railroad equipment placed in service after December 31, 1974, and before January 1, 1980, the taxpayer may elect to begin the 60-month period with the date when such equipment is treated as having been placed in service under a method of accounting for acquisitions and retirements of property which—

"(A) prescribes a date when property is placed in service, and

"(B) is consistently followed by the taxpayer.

"(e) ELECTION OF AMORTIZATION.—The election of

the taxpayer to take the amortization deduction, and the election to begin the 60-month period with the month following the month in which the qualified railroad equipment is placed in service or with the taxable year succeeding the taxable year in which such equipment is placed in service, shall be made by filing with the Secretary or his delegate, in such manner, in such form, and within such time as the Secretary or his delegate may by regulations prescribe, a statement of such election.

"(f) TERMINATION OF ELECTION.—

"(1) BY THE TAXPAYER.—A taxpayer which has elected under subsection (e) to take the amortization deduction with respect to any qualified railroad equipment may, at any time after making such election, discontinue the amortization deduction with respect to the remainder of the amortization period, such discontinuance to begin as of the beginning of any month specified by the taxpayer in a notice in writing filed with the Secretary or his delegate before the beginning of such month. The depreciation deduction provided under section 167 shall be allowed, beginning with the first month as to which the amortization deduction does not apply, and the taxpayer shall not be entitled to any further amortization deduction under this section with respect to such equipment.

"(2) CONSTRUCTIVE TERMINATION.—If at any time during the amortization period any qualified railroad equipment ceases to meet the requirements of subsection (d) (1) or becomes property with respect to which an amortization deduction under this section is not allowable by reason of subsection (g), the taxpayer shall be deemed to have terminated under paragraph (1) his election under this section. Such termination shall be effective beginning with the month in which such cessation occurs or in which the lease exists which causes disallowance.

"(g) NONCORPORATE LESSORS.—No amortization deduction shall be allowed under this section with respect to any property of which a person which is not a corporation is the lessor. In the case of property of which a partnership is the lessor, the amortization deduction otherwise allowable under this section with respect to such property to any partner which is a corporation shall be allowed notwithstanding the preceding sentence and subsection (f) (2). For purposes of this subsection, an electing small business corporation (as defined in section 1371) shall be treated as a person which is not a corporation.

"(h) LIFE TENANT AND REMAINDERMAN.—In the case of any qualified railroad equipment held by one person for life with remainder to another person, the deduction under this section shall be computed as if the life tenant were the absolute owner of the equipment and shall be allowable to the life tenant.

"(i) APPLICATION OF SECTION.—This section shall apply to qualified railroad equipment placed in service after December 31, 1974, and before January 1, 1980.

"(j) CROSS REFERENCE.—

"For treatment of certain gain derived from the disposition of property the adjusted basis of which is determined with regard to this section, see section 1245."

SEC. 523. AMENDMENTS RELATING TO AMORTIZATION OF CERTAIN RAILROAD ROLLING STOCK.

(a) EXTENSION OF PERIOD DURING WHICH RAILROAD ROLLING STOCK MAY QUALIFY FOR 5-YEAR AMORTIZATION.—Section 184 (e) (relating to amortization of railroad rolling stock) is amended—

(1) by striking out "1976" in paragraph (1) and inserting in lieu thereof "1980", and

(2) by striking out "January 1, 1976" in paragraph (7) and inserting in lieu thereof "January 1, 1980".

(b) CERTAIN COAL CARS AND RAILROAD FERRY VESSELS.—Subsection (d) of section 184 (defining qualified railroad rolling stock) is amended to read as follows:

"(d) QUALIFIED RAILROAD ROLLING STOCK.—Except as provided in subsection (e) (4), the term 'qualified railroad rolling stock' means, for purposes of this section—

"(1) rolling stock of the type used by a common carrier engaged in the furnishing or sale of transportation by railroad and subject to the jurisdiction of the Interstate Commerce Commission if—

"(A) such rolling stock is—

"(i) used by a domestic common carrier by railroad on a full-time basis, or on a part-time basis if its only additional use is an incidental use by a Canadian or Mexican common carrier by railroad on a per diem basis, or

"(ii) owned and used by a switching or terminal company all of whose stock is owned by one or more domestic common carriers by railroad, and

"(B) the original use of such rolling stock commences with the taxpayer after December 31, 1968;

"(2) any railroad rolling stock not described in paragraph (1)—

"(A) which is a car used by the taxpayer predominantly in the hauling within the United States of coal which is used (other than for resale) by the taxpayer in his trade or business, and

"(B) the original use of which commences with the taxpayer after May 7, 1975; and

"(3) any vessel—

"(A) which is used predominantly by the taxpayer in hauling railroad rolling stock between terminals located within the United States, and

"(B) the original use of which commences with the taxpayer after May 7, 1975."

(c) DENIAL OF AMORTIZATION TO NONCORPORATE LESSORS.—

(1) IN GENERAL.—Section 184 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

"(g) NONCORPORATE LESSORS.—No amortization deduction shall be allowed under this section with respect to any property of which a person which is not a corporation is the lessor. In the case of property of which a partnership is the lessor, the amortization deduction otherwise allowable under this section with respect to such property to any partner which is a corporation shall be allowed notwithstanding the preceding sentence and subsection (e)(6). For purposes of this subsection, an electing small business corporation (as defined in section 1371) shall be treated as a person which is not a corporation."

(2) CONSTRUCTIVE TERMINATION.—Paragraph (6) of section 184(e) is amended by striking out "subsection (d)(1)" and inserting in lieu thereof "subsec-

tion (d) or becomes property with respect to which an amortization deduction under this section is not allowable by reason of subsection (g)".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service by the taxpayer after May 7, 1975.

SEC. 524. TECHNICAL AND CONFORMING AMENDMENTS.

(a) COORDINATION WITH INVESTMENT CREDIT.—

(1) IN GENERAL.—Paragraph (3) of section 48 (a) (defining section 38 property) is amended by striking out "184,".

(2) USEFUL LIFE.—The second sentence of section 46 (c) (2) (defining applicable percentage for purposes of determining qualified investment) is amended by striking out the period at the end thereof and inserting in lieu thereof "(or, if the taxpayer has elected an amortization deduction with respect to the property, the amortization period)."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after March 17, 1975.

(b) CONFORMING AMENDMENTS.—

(1) Section 642 (f) (relating to amortization deduction for estates and trusts) is amended by striking

out "and 188" and inserting in lieu thereof "188, 189, and 190".

(2) Section 1082 (a) (2) (B) (relating to basis in certain exchanges) is amended by striking out "or 188" and inserting in lieu thereof "188, 189, or 190".

(3) Section 1245 (a) (relating to gain from dispositions of certain depreciable property) is amended by striking out "or 188" each place it appears in paragraph (2) and inserting in lieu thereof "188, or 189".

(c) CLERICAL AMENDMENTS.—The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end thereof the following:

"Sec. 189. Amortization of qualified energy use property.
"Sec. 190. Amortization of qualified railroad equipment."

PART III—TAX CREDIT CHANGES RELATING TO ENERGY CONSERVATION

SEC. 531. CHANGES IN INVESTMENT CREDIT RELATING TO INSULATION, SOLAR ENERGY, AND AIR CONDITIONING.

(a) INSULATION AND SOLAR ENERGY.—Section 48 (relating to definitions and special rules for purposes of the investment credit) is amended by redesignating subsection (k) as subsection (l) and by adding after subsection (j) the following new subsection:

"(k) TEMPORARY RULES FOR INSULATION AND SOLAR ENERGY.—

"(1) TREATMENT OF SECTION 38 PROPERTY.—Any—

"(A) insulation installed (other than pursuant to a reconstruction of the building) after March 17, 1975, and before January 1, 1978, in a structure which was in existence on March 17, 1975, and was used on such date in a trade or business (or held for the production of income) or

"(B) solar energy equipment installed after March 17, 1975, and before January 1, 1981,

shall be treated as section 38 property.

"(2) LODGING RULE NOT TO APPLY.—For purposes of this subsection, paragraph (3) of subsection (a) (relating to property used for lodging) shall not apply.

"(3) DEFINITIONS.—For purposes of this subsection—

"(A) INSULATION.—The term 'insulation' has the meaning given to such term by section 44C (c) (2).

"(B) SOLAR ENERGY EQUIPMENT.—The term 'solar energy equipment' has the meaning given to such term by section 44D (c) (2).

"(4) TERMINATION.—This subsection shall not apply to—

"(A) amounts paid or incurred with respect to insulation after December 31, 1977, or

"(B) amounts paid or incurred with respect to solar energy equipment after December 31, 1980."

(b) AIR CONDITIONING, SPACE HEATERS, ETC.—Subparagraph (A) of section 48 (a) (1) (defining section 38 property) is amended to read as follows:

"(A) tangible personal property (other than an air conditioning or heating unit), or".

(c) EFFECTIVE DATES.—

(1) The amendments made by subsection (a) shall apply to amounts paid or incurred after March 17, 1975.

(2) The amendment made by subsection (b) shall apply to property placed in service after the date of the enactment of this Act.

SEC. 532. GENERATING FACILITIES POWERED BY PETROLEUM AND PETROLEUM PRODUCTS.

(a) IN GENERAL.—Paragraph (1) of section 48 (a) (defining section 38 property) is amended by adding at the end thereof the following new sentence: "Such term does not include any electrical generating property fueled by petroleum or petroleum products (including natural gas)."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to property which is placed in service after April 17, 1975.

(2) BINDING CONTRACTS.—The amendment made by subsection (a) shall not apply to property which is constructed, reconstructed, erected, or acquired pursuant to a contract which was, on April 17, 1975, and at all times thereafter, binding on the taxpayer.

(3) PLANT FACILITY RULE.—

(A) GENERAL RULE.—If—

(i) pursuant to a plan of the taxpayer in existence on April 17, 1975 (which plan was not substantially modified at any time after such date and before the taxpayer placed the plant facility in service), the taxpayer has constructed, reconstructed, or erected a plant facility, and either

(ii) the construction, reconstruction, or erection of such plant facility was commenced by the taxpayer before April 18, 1975, or

(iii) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facility is attributable to either

property the construction, reconstruction, or erection of which was begun by the taxpayer before April 18, 1975, or property the acquisition of which by the taxpayer occurred before such date,

then the amendment made by subsection (a) shall not apply to all property comprising such plant facility. For purposes of clause (iii) of the preceding sentence, the rules of paragraphs (2) and (4) shall be applied.

(B) PLANT FACILITY DEFINED.—For purposes of this paragraph, the term "plant facility" means a facility which does not include any building (or of which buildings constitute an insignificant portion) and which is—

(i) a self-contained, single operating unit or processing operation,

(ii) located on a single site, and

(iii) identified, on April 17, 1975, in the purchasing and internal financial plans of the taxpayer as a single unitary project.

(C) COMMENCEMENT OF CONSTRUCTION.—For purposes of subparagraph (A) (ii), the construction, reconstruction, or erection of a plant facility shall not be considered to have commenced until

construction, reconstruction, or erection has commenced at the site of such plant facility. The preceding sentence shall not apply if the site of such plant facility is not located on land.

(4) MACHINERY OR EQUIPMENT RULE.—The amendment made by subsection (a) shall not apply to any piece of machinery or equipment—

(A) more than 50 percent of the parts and components of which (determined on the basis of cost) were held by the taxpayer on April 17, 1975, or are acquired by the taxpayer pursuant to a binding contract which was in effect on such date (and all times thereafter), for inclusion or use in such piece of machinery or equipment, and

(B) the cost of the parts and components of which is not an insignificant portion of the total cost.

(c) QUALIFIED PROGRESS EXPENDITURES.—Nothing in the amendment made by subsection (a) shall be construed to deny any investment credit for qualified progress expenditures described in section 46(d) of the Internal Revenue Code of 1954 for any taxable year beginning before April 17, 1975.

SEC. 533. RECYCLING TAX CREDIT.

(a) ALLOWANCE OF CREDIT.—Paragraph (1) of section 46(a) (relating to amount of credit), (as amended by section 301(a) of the Tax Reduction Act of 1975) is amended by adding at the end thereof the following new subparagraph:

"(E) AMOUNT FOR QUALIFIED RECYCLING PURCHASE.—The amount of the credit allowed by section 38 for the taxable year shall be the sum of—

"(i) the amount determined under the preceding provisions of this paragraph, plus

"(ii) an amount equal to the percent set forth in subparagraph (A) of the qualified recycling purchase, (as defined in subsection (g)).

For purposes of clause (ii), paragraph (2) (C) shall be applied by substituting '100 percent' for '50 percent'."

(b) QUALIFIED RECYCLING PURCHASE DEFINED.—Section 46 is amended by adding at the end thereof the following new subsection:

"(g) QUALIFIED RECYCLING PURCHASE.—

"(1) IN GENERAL.—For purposes of this subpart, the term 'qualified recycling purchase' means, with respect to any taxable year, the applicable percentage of the amount paid or incurred by the taxpayer to purchase

any class of postconsumer solid waste materials (as defined in section 48(l)) which were recycled within the United States by the taxpayer during the taxable year. In the case of any taxpayer, such term does not include amounts paid or incurred during the taxable year for any class of postconsumer solid waste materials if a substantial portion of the materials resulting from the recycling by the taxpayer during such year of such class is exported from the United States.

"(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage shall be 100 percent reduced by the price adjustment percent determined under paragraph (3) for the calendar quarter in which the amount was paid or incurred.

"(3) PRICE ADJUSTMENT PERCENT.—For purposes of paragraph (2), the price adjustment percent for any calendar quarter for any class of postconsumer solid waste materials shall be the percent, if any, by which—

"(A) the price index (prepared by the Department of Labor) for such class for the computation quarter, exceeds

"(B) 200 percent of the average of the price indexes for such class for the base period, increased to reflect the increase (if any) in the Consumer

Price Index prepared by the Department of Labor for the computation quarter over the average of such indexes for the base period.

The price adjustment percent for each calendar quarter for each class of postconsumer solid waste materials shall be determined by the Secretary or his delegate and published in the Federal Register.

"(4) DEFINITIONS FOR PURPOSES OF PARAGRAPH (3).—For purposes of paragraph (3)—

"(A) BASE PERIOD.—The term 'base period' means the calendar years 1971 through 1973.

"(B) COMPUTATION QUARTER.—The term 'computation quarter' means, with respect to any calendar quarter, the most recent preceding calendar quarter for which the price index for the class of postconsumer solid waste materials is available.

"(5) RECYCLE DEFINED.—For purposes of this subsection, the term 'recycle' means to subject to a treatment which alters the composition or physical properties of a material. Such term does not include a process consisting merely of sorting, shredding, stripping, compressing, and packing for storage and shipment.

"(6) PURCHASE.—For purposes of this subsection, the term 'purchase' has the meaning assigned to such term by section 179(d)(2)."

(b) POST-CONSUMER SOLID WASTE MATERIALS DEFINED.—Section 48 (relating to definitions and special rules for purposes of the investment credit) is amended by redesignating subsection (l) as subsection (m) and by inserting after subsection (k) the following new subsection:

"(l) SPECIAL RULES RELATING TO RECYCLING.—

"(1) POST-CONSUMER SOLID WASTE MATERIALS DEFINED.—For purposes of this subpart, the term 'post-consumer solid waste materials' means glass, paper, textiles, nonferrous metals (other than precious metals and other than copper base scrap), or ferrous metals which have been used by an ultimate consumer and which have no significant value or utility except as waste material. For purposes of the preceding sentence, the use of any material in the further manufacture of a significantly different article by a person shall be treated as a use by an ultimate consumer, but only if such person cannot reuse the waste material in such further manufacture and only if neither such person nor any related person is engaged in the manufacture of such material or in the processing of such waste material. The term 'post-consumer solid waste materials' does not include any material which becomes a component part of property which is section 38 property in the hands of the taxpayer who recycles such material.

"(2) LIMITATION TO 15 PERCENT OF QUALIFIED INVESTMENT IN RECYCLING EQUIPMENT.—The aggregate amount of the credit allowed under section 38 by reason of section 46(a) (1) (E) (ii) for any taxable year shall not exceed—

"(A) 15 percent of the aggregate qualified investment (determined under subsections (c) and (d) of section 46) in machinery or equipment for recycling post-consumer solid waste materials properly attributable to periods after the date of the enactment of this paragraph and before the close of such taxable year, reduced by

"(B) the aggregate amount of the credit allowed under section 38 by reason of section 46 (a) (1) (E) (ii) for prior taxable years.

For purposes of subparagraph (A), qualified investment shall be taken into account only if it is attributable to periods before January 1, 1984. To the extent that any amount is not allowable for any taxable year solely by reason of the first sentence of this paragraph, such amount shall be treated as arising in the next succeeding taxable year.

"(3) SUBCHAPTER S CORPORATIONS; ESTATES AND TRUSTS.—For purposes of this subpart, rules similar

to the rules set forth in subsections (e) and (f) shall apply with respect to qualified recycling purchases."

(c) CLERICAL, ETC., AMENDMENTS.—

(1) The heading for section 38 is amended to read as follows:

"SEC. 38. INVESTMENT IN CERTAIN DEPRECIABLE PROPERTY AND PURCHASES OF CERTAIN RECYCLABLE WASTE."

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking out the item relating to section 38 and inserting in lieu thereof the following:

"Sec. 38. Investment in certain depreciable property and purchases of certain recyclable waste."

(3) The heading of subpart B of part IV of subchapter A of chapter 1 is amended to read as follows:

"Subpart B—Rules for Computing Credit for Investment in Certain Depreciable Property and Purchases of Certain Recyclable Waste".

(4) The table of subparts for such part IV is amended by striking out the item relating to subpart B and inserting in lieu thereof the following:

"Subpart B. Rules for computing credit for investment in certain depreciable property and purchases of certain recyclable waste."

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to amounts paid or incurred after December 31, 1975, in taxable years ending after December 31, 1975.

(2) TERMINATION OF PROVISIONS.—The amendments made by this section shall not apply to amounts paid or incurred after December 31, 1980, by the taxpayer to purchase postconsumer solid waste materials, and no credit shall be allowable under section 38 by reason of section 46(a)(1)(E)(ii) for any taxable year ending after December 31, 1983.

Union Calendar No. 105

94TH CONGRESS
1ST SESSION

H. R. 6860

[Report No. 94–221]

A BILL

To provide a comprehensive national energy conservation and conversion program.

By Mr. ULLMAN

MAY 9, 1975
Referred to the Committee on Ways and Means

MAY 15, 1975
Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed