

**CHAIRMAN'S AMENDMENT RELATING TO
EXTENSION OF HIGHWAY TRUST FUND EXCISE TAXES
AND RELATED TRUST FUND PROVISIONS
(REVENUE TITLE TO H.R. 2400)**

Scheduled for a Markup

By the

HOUSE COMMITTEE ON WAYS AND MEANS

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Prepared by the Staff

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INTRODUCTION

H.R. 2400, as amended (the "Building Efficient Surface Transportation and Equity Act of 1998"), was ordered reported by the House Committee on Transportation and Infrastructure on March 24, 1998. H.R. 2400, as amended, would extend expenditure authorizations for the Highway Trust Fund (the "Highway Fund") through September 30, 2003, and make various modifications to the highway and mass transit programs financed through the Highway Fund.¹ The Highway Fund is funded with amounts equivalent to revenues from certain excise taxes on motor fuels and on heavy trucks and tires. These excise taxes currently are scheduled to expire after September 30, 1999. The provisions dedicating revenues from these excise taxes to the Highway Fund, relevant expenditure provisions governing the purposes for which Highway Fund monies may be spent, and the period when those expenditures may occur are contained in the Internal Revenue Code (the "Code"). The Highway Fund expenditure authority currently expires after September 30, 1998. H.R. 2400, as amended, also would modify provisions relating to the Boat Safety Account of the Aquatic Resources Trust Fund ("Aquatic Fund").

The Committee on Ways and Means has been requested to provide a revenue title to accompany H.R. 2400. The Committee on Ways and Means has scheduled a markup on a possible revenue title to H.R. 2400 on March 26, 1998.

This document,² prepared by the staff of the Joint Committee on Taxation, provides a description of the present-law Highway Fund and Boat Safety Account excise taxes (Part I), the present-law Highway Fund and Boat Safety Account expenditure purposes (Part II), a summary of H.R. 2400 Trust Fund authorization amounts and program changes (Part III), and the Chairman's amendment for a revenue title for H.R. 2400 (Part IV).

¹ The Congress enacted a 6-month extension (through March 31, 1998) of the highway and mass transit program authorizations in S. 1519 (P.L. 105-130).

² This document may be cited as follows: Joint Committee on Taxation, *Chairman's Amendment Relating to Extension of Highway Trust Fund Excise Taxes and Related Trust Fund Provisions (Revenue Title to H.R. 2400)* (JCX-15R-98), March 25, 1998.

I. PRESENT-LAW HIGHWAY TRUST FUND AND BOAT SAFETY ACCOUNT EXCISE TAXES

Overview of Highway Excise Taxes

The current highway transportation excise taxes consist of:

- (1) taxes on gasoline, diesel fuel, kerosene, and special motor fuels;
- (2) a retail sales tax imposed on trucks and trailers having gross vehicle weights in excess of prescribed thresholds;
- (3) a tax on manufacturers of tires designed for use on heavy highway vehicles; and
- (4) an annual use tax imposed on trucks and tractors having taxable gross weights in excess of prescribed thresholds.

Special motor fuels include liquefied natural gas ("LNG"), benzol, naphtha, liquefied petroleum gas (e.g., propane), natural gasoline, and any other liquid (e.g., ethanol and methanol) other than gasoline or diesel fuel. Compressed natural gas ("CNG") also is subject to tax as a special motor fuel, but at a lower rate than other special motor fuels.

With the exception of 4.3 cents per gallon of the motor fuels excise tax rates, these highway taxes are scheduled to expire after September 30, 1999.

Highway Motor Fuels Taxes

Highway motor fuels tax rates

The current highway motor fuels excise tax rates are shown in Table 1.

Table 1.--Federal Highway Trust Fund Motor Fuels Excise Tax Rates¹
(rates shown in cents per gallon)

Highway Fuel	Highway Trust Fund Tax Rate ²
Gasoline	18.3
Diesel Fuel ³	24.3
Special Motor Fuels Generally	18.3 ⁴
CNG	4.3 ⁵

¹ The rates shown include the 4.3-cents-per-gallon tax rate as transferred to the Highway Fund beginning on October 1, 1997, pursuant to the Taxpayer Relief Act of 1997.

² Effective on October 1, 1997, an additional 0.1-cent-per-gallon rate applies on these motor fuels to finance the Leaking Underground Storage Tank Trust Fund.

³ Kerosene is taxed at the same rate as diesel fuel (as of July 1, 1998).

⁴ The rate is 13.6 cents per gallon for propane, 11.9 cents per gallon for liquefied natural gas, and 9.15 cents per gallon for methanol fuel from natural gas, in each case based on the relative energy equivalence of the fuel to gasoline.

⁵ The statutory rate is 48.54 cents per thousand cubic feet ("MCF").

Administration of highway motor fuels excise taxes

The gasoline, diesel fuel, and kerosene excise taxes are imposed on removal of the fuel from a refinery or on importation, unless the fuel is transferred by pipeline or barge to a registered terminal facility. In such a case, tax is imposed on removal of the fuel from the terminal facility (i.e., at the "terminal rack").³ A large majority of these taxes are imposed at the terminal rack. The special motor fuels tax, which accounts for a relatively small portion of

³ Gasoline and diesel motor fuel may be removed from a refinery without payment of tax only if the party removing the fuel and all subsequent parties before its removal from a terminal facility are registered with the Internal Revenue Service. If fuel is sold to an unregistered party before leaving the terminal facility, tax immediately is imposed. This tax does not preclude imposition of a second tax at the terminal rack; however, the second tax may be refunded upon request. This dual tax regime was enacted in 1990 in response to reports that fuel was being removed tax-free from terminals upon a claim that tax had already been paid, when in fact it had not been paid.

motor fuels tax revenues, is imposed at the retail level. Present law imposes tax on *all* gasoline, diesel fuel, and kerosene that is removed from a terminal facility, except diesel fuel that is destined for nontaxable use (including a partially taxable use in an intercity bus or a train) and that is indelibly dyed in accordance with Treasury Department regulations. Effective July 1, 1998, as a condition of holding untaxed fuel, terminals that sell diesel fuels must offer both dyed and undyed fuel to their customers and terminals that sell kerosene must offer both dyed and undyed kerosene. The person holding an inventory position in the terminal at the time the fuel is removed from that facility (the "position holder") is liable for payment of the tax.

Highway fuels tax exemptions

Present law includes numerous exemptions (including partial exemptions for specified uses of taxable fuels or for specified fuels) typically for governments or for uses not involving use of the highway system. Because the gasoline and diesel fuel taxes generally are imposed before the end use of the fuel is known, many of these exemptions are realized through refunds to end users of tax paid by a party that processed the fuel earlier in the distribution chain. These exempt uses and fuels include:

- (1) use in State and local government and nonprofit educational organization vehicles;
- (2) use in buses engaged in transporting students and employees of schools;
- (3) use in private local mass transit buses having a seating capacity of at least 20 adults (not including the driver) when the buses operate under contract with (or are subsidized by) a State or local governmental unit;
- (4) use in private intercity buses serving the general public along scheduled routes (totally exempt from the gasoline tax and exempt from 17 cents per gallon of the diesel tax); and
- (5) use in off-highway uses such as farming.

LNG, propane, and methanol derived from natural gas are subject to reduced tax rates based on the energy equivalence of these fuels to gasoline.

Ethanol and methanol derived from renewable sources (e.g., biomass) are eligible for income tax benefits (the "alcohol fuels credit") equal to 54 cents per gallon (ethanol) and 60 cents per gallon (methanol).⁴ In addition, small ethanol producers are eligible for a separate 10-

⁴ The alcohol fuels credit is scheduled to expire after December 31, 2000, or earlier, if the Highway Fund excise taxes actually expire before that date.

cents-per-gallon credit.⁵ The 54-cents-per-gallon ethanol and 60-cents-per-gallon renewable source methanol tax credits may be claimed through reduced excise taxes paid on gasoline and special motor fuels as well as through credits against income tax.⁶

Non-fuel Highway Fund Excise Taxes

In addition to the highway motor fuels excise tax revenues, the Highway Fund receives revenues produced by three excise taxes imposed exclusively on heavy highway vehicles or tires. These taxes are:

(1) A 12-percent excise tax imposed on the first retail sale of highway vehicles, tractors, and trailers (generally, trucks having a gross vehicle weight in excess of 33,000 pounds and trailers having such a weight in excess of 26,000 pounds);

(2) An excise tax imposed at graduated rates on highway tires weighing more than 40 pounds; and

(3) An annual use tax imposed on highway vehicles having a taxable gross weight of 55,000 pounds or more. (The maximum rate for this tax is \$550 per year, imposed on vehicles having a taxable gross weight over 75,000 pounds.)

Boat Safety Account and Trails Trust Fund Taxes

Gasoline and special motor fuels used in motorboats and in certain off-highway recreational vehicles and small engines are subject to tax in the same manner and at the same rates as gasoline and special motor fuels used in highway vehicles. Of the tax revenues from these uses, 6.8 cents per gallon is retained in the General Fund; the remaining 11.5 cents per gallon is deposited in the Aquatic Resources Trust Fund ("Aquatic Fund") (motorboats and small-engine gasoline), the Land and Water Conservation Fund ("Land and Water Fund") (\$1 million of motorboat fuels tax revenues), and the National Recreational Trails Trust Fund (the "Trails Fund") (fuels for off-highway recreational vehicles).⁷ Transfers to these Funds are

⁵ The small ethanol producer credit is available on up to 15 million gallons of ethanol produced by persons whose annual production capacity does not exceed 30 million gallons.

⁶ Authority to claim the ethanol and renewable source methanol tax benefits through excise tax reductions are scheduled to expire after September 30, 2000 (or earlier, if the underlying excise taxes actually expire before September 30, 2000).

⁷ Nonhighway recreational fuels taxes are the taxes imposed on (1) fuel used in vehicles and equipment on recreational trails or back country terrain or (2) fuel used in camp stores and other outdoor recreational equipment. Such revenues do not include small-engine gasoline tax revenues, which are transferred to the Aquatic Fund. "Small-engine" fuel means gasoline used as a fuel in the nonbusiness use of small-engine outdoor power equipment (to the extent of the

scheduled to terminate after September 30, 1998. Transfers to the Trails Fund are contingent on appropriations occurring from that Trust Fund; to date, no appropriations have been enacted.

Highway Fund tax rate).

II. HIGHWAY TRUST FUND AND BOAT SAFETY ACCOUNT EXPENDITURE PROVISIONS

In General

Dedication of excise tax revenues to the Highway Fund and expenditures from the Highway Fund are governed by provisions of the Code (sec. 9503).⁸ Under present law, revenues from the highway excise taxes, as imposed through September 30, 1999, are dedicated to the Highway Fund. Also, the Highway Fund earns interest on its cash balances each year from investments in Treasury securities (sec. 9602). Further, the Code authorizes expenditures (subject to appropriations) from the Highway Fund through September 30, 1998, for the purposes provided in authorizing legislation, as in effect on the date of enactment of Public Law 105-130.

Highway Fund provisions also govern transfer of 11.5 cents per gallon of the revenues from the tax imposed on gasoline used in motorboats, small engines, and off-highway recreational vehicles. Those revenues are transferred from the Highway Fund (after being received from the General Fund) to the Aquatic Fund, the Land and Water Fund, and the Trails Fund, respectively, through September 30, 1998.

Present-law Highway Fund Expenditure Purposes

Overview

The Highway Fund is divided into two accounts: a Highway Account and a Mass Transit Account, each of which is the funding source for specific programs.

Highway and Mass Transit Account expenditure purposes have been revised with passage of each authorization Act enacted since establishment of the Highway Fund in 1956. In general, expenditures authorized under those Acts (as the Acts were in effect on the date of enactment of the most recent such authorizing Act) are approved Highway Fund expenditure purposes.⁹ Authority to make expenditures from the Highway Fund is currently scheduled to expire after September 30, 1998. Thus, no Highway Fund monies may be spent for a purpose not approved by the tax-writing committees of Congress. Further, no Highway Fund expenditures may occur after September 30, 1998, without such approval.

⁸ The Highway Fund statutory provisions were placed in the Internal Revenue Code in 1982.

⁹ The authorizing Acts which currently are referenced in the Highway Fund (for the Highway Account) are the Highway Revenue Act of 1956, Titles I and II of the Surface Transportation Assistance Act of 1982, the Surface Transportation and Uniform Relocation Act of 1987, the Intermodal Surface Transportation Efficiency Act of 1991, and Public Law 105-130.

Highway Fund spending further is limited by two anti-deficit provisions, which are internal to the Highway Fund. The first of these provisions limits the unfunded Highway Account authorizations at the end of any fiscal year to amounts not exceeding the unobligated balance plus revenues projected to be collected for that Account by the dedicated excise taxes during the two following fiscal years. The second anti-deficit provision similarly limits unfunded Mass Transit Account authorizations to the dedicated excise taxes expected to be collected during the next fiscal year. Because of these two provisions, the highway transportation excise taxes typically are scheduled to expire at least two years after current authorizing Acts. If either of these provisions is violated, spending for specified programs funded by the relevant Trust Fund Account is to be reduced proportionately, in much the same manner as would occur under a general Budget Act sequester.

Highway Account

The Highway Fund's Highway Account receives revenues from all non-fuel highway transportation excise taxes and revenues from all but 2.85 cents per gallon¹⁰ (2.0 cents prior to October 1, 1997) of the highway motor fuels excise taxes. Programs financed from the Highway Account include expenditures for the following general purposes:

- (1) Federal-aid highways, including the Interstate System, National Highway System, forest and public lands highways, scenic highways, and certain overseas highways (includes construction and planning and traffic control projects);
- (2) Interstate highway resurfacing and repair;
- (3) Bridge replacement and repair;
- (4) Surface transportation programs;
- (5) Congestion mitigation and air quality improvement;
- (6) Highway safety programs and research and development, including a share of the cost of National Highway Traffic Safety Administration ("NHTSA") programs and university research centers;
- (7) Transportation research, technology, and training;
- (8) Intermodal urban projects and mass transit (including carpool and vanpool) grants;
- (9) Intelligent transportation systems;

¹⁰ A technical correction (to 2.86 cents per gallon) is included in Title VI ("Tax Technical Corrections Act of 1997") of H.R. 2676 as passed by the House on November 5, 1997.

- (10) Transportation enhancements (including transportation-related historic restoration, scenic beautification, removal of billboards);
- (11) Construction of ferry boats and ferry terminal facilities;
- (12) Certain administrative costs of the Federal Highway Administration and NHTSA;
- (13) Grants to the Internal Revenue Service for motor fuels tax and highway use tax enforcement activities; and
- (14) Certain other highway and transit-related programs (including bicycle pathways and pedestrian walkways).

Mass Transit Account

The Highway Fund's Mass Transit Account receives revenues equivalent to 2.85 cents per gallon¹¹ (2.0 cents prior to October 1, 1997) of the highway motor fuels excise taxes. Mass Transit Account monies are available through September 30, 1998, for capital and capital-related expenditures under sections 5338(a)(1) and (b)(1) of Title 49, United States Code, or the Intermodal Surface Transportation Efficiency Act of 1991.

The capital and capital-related mass transit programs include new rail or busway facilities, rail rolling stock, buses, improvement and maintenance of existing rail and other fixed guideway systems, and upgrading of bus systems.

Transfers from Highway Fund to National Recreational Trails Trust Fund

The National Recreational Trails Trust Fund ("Trails Fund") was established in the Intermodal Surface Transportation Act of 1991 ("1991 Act"). Amounts are authorized to be transferred from the Highway Fund into the Trails Fund equivalent to revenues received from "nonhighway recreational fuel taxes" (not to exceed \$30 million per year under an obligational ceiling set in the 1991 Act), subject to amounts actually being appropriated to the Trails Fund. No monies have been transferred to date, since no amounts have been appropriated to the Trails Fund. The authority to transfer revenues to the Trails Fund is scheduled to expire after September 30, 1998.

Nonhighway recreational fuels taxes are the taxes imposed (to the extent attributable to the 11.5 cents per gallon rate) on (1) fuel used in vehicles and equipment on recreational trails or back country terrain, or (2) fuel used in camp stoves and other outdoor recreational equipment. Such revenues do not include small-engine gasoline tax revenues which are transferred to the Aquatic Fund.

¹¹ See footnote 10, *supra*.

Expenditures are authorized from the Trails Fund, subject to appropriations, for allocations to States for use on trails and trail-related projects as set forth in the 1991 Act. Authorized uses include (1) acquisition of new trails and access areas, (2) maintenance and restoration of existing trails, (3) State environmental protection education programs, and (4) program administrative costs.

Transfers from Highway Fund to Aquatic Fund and to Land and Water Fund

Transfers of recreational motorboat gasoline and special fuels tax revenues from the Highway Fund to the Boat Safety Account of the Aquatic Fund currently are limited to a maximum of \$70 million per fiscal year. Any excess motorboat fuels tax revenues are transferred to the Land and Water Fund (\$1 million per year) and to the Sport Fish Restoration Account of the Aquatic Fund.¹² The authority to transfer revenues to the Aquatic Fund is scheduled to expire after September 30, 1998.

Expenditures from the Boat Safety Account and Land and Water Fund are subject to appropriation Acts. The Sport Fish Restoration Account has a permanent appropriation, and all moneys transferred to that Account are automatically appropriated in the fiscal year following the fiscal year of receipt.

Expenditures are authorized from the Boat Safety Account, as follows:

- (1) One-half of the amount allocated to the Account are for State boating safety programs; and
- (2) One-half of the amount allocated to the Account are for operating expenses of the Coast Guard to defray the cost of services provided for recreational boating safety.

¹² The maximum balance that may accumulate in the Boat Safety Account is \$70 million.

III. SUMMARY OF H.R. 2400 TRUST FUND AUTHORIZATIONS

H.R. 2400 would extend authorizations for Highway Fund expenditures for fiscal years 1998-2003. H.R. 2400 also would modify the expenditure purposes of the Highway Fund and the Boat Safety Account as described below. As ordered reported by the Committee on Transportation and Infrastructure (“Transportation and Infrastructure”), H.R. 2400 contains no revenue provisions or other Code amendments.¹³

Highway Account Authorizations Under H.R. 2400

H.R. 2400, as ordered reported by Transportation and Infrastructure, would provide authorizations totaling \$181 billion for the fiscal year period 1998-2003 from the Highway Account of the Highway Fund.

New Highway Account expenditure programs in the bill include the following:

<u>Program</u>	<u>1998-2003 total (\$millions)</u>
• Recreational trails program ¹⁴	270
• Automated motor fuel reporting system	(¹⁵)
• Highway safety data incentive grants	76

The bill would extend for fiscal years 1998-2003 the current authorization from the Highway Account for funds to the Internal Revenue Service and the States for highway use tax

¹³ See below for mention of the bill’s authorization of amounts from the Highway Account for grants to the Internal Revenue Service for motor fuel tax evasion projects and an automated motor fuel reporting system.

¹⁴ A “recreational trail” is a thoroughfare or track across land or snow used for recreational purposes, such as pedestrian activities (jogging, hiking, backpacking), skating or skateboarding, equestrian activities, cross-country skiing, bicycling, trail biking, snowmobiling, aquatic activities, and motorized vehicular activities (including all-terrain vehicles, motorcycles, snowmobiles, off-road vehicles). Eligible expenses include costs of State administration of the program and educational programs to promote trail safety and environmental protection. Some amounts were authorized for recreational trails under the National Highway Systems Designation Act of 1995, which was subsequent to the 1991 Act authorizations.

¹⁵ Such amounts as may be determined, which are included in the total of \$55 million for this program and the existing motor fuels tax enforcement program.

evasion projects. In addition, the bill would fund an automated motor fuels reporting system from the Highway Account.

Mass Transit Account Authorizations Under H.R. 2400

H.R. 2400, as ordered reported by Transportation and Infrastructure, would provide a total of \$35.8 billion for fiscal years 1998-2003 in authorizations from the Mass Transit Account of the Highway Fund for mass transit-related programs.

New purposes that would be authorized from the Mass Transit Account under the bill include: (1) operating expenses for rural and small urban mass transit systems and (2) modification of the definition of capital-related expenses to include preventive maintenance.¹⁶ There is a limit of \$400 million authorized per year for these new expenditure purposes.

Boat Safety Account Provisions Under H.R. 2400

H.R. 2400, as ordered reported by Transportation and Infrastructure, amends the authorizing statute for the Boat Safety Account expenditure purposes to provide that: (1) up to 2 percent of the amount is available to pay the Department of Transportation costs of administering the State boating safety programs; (2) up to 2 percent is available to ensure compliance with chapter 43, U.S.C. 46 (Coast Guard inspection and regulation of recreational vessels); and (3) up to 3 percent is available to establish, operate, and maintain aids to navigation that promote primarily recreational boating safety. The Secretary of Transportation is to conduct and report to the Congress the findings of a comprehensive survey of recreational boating in the United States, reporting by December 1, 1999 and every fifth year thereafter. In addition, the bill provides that of the amount allocated for State recreational boating safety programs, 5 percent of any amount over \$35 million per year is to be used only for public access facilities for transient nontrailerable recreational vessels. In effect, the bill provides that the balance of any amounts transferred to the Boat Safety Account is to go for State boating safety programs rather than to the Coast Guard. Further, the bill anticipates modification of the existing caps on transfers of motorboat fuels tax revenues to the Boat Safety Account.¹⁷

Change in Trust Fund Budget Treatment

H.R. 2400, as ordered reported by Transportation and Infrastructure, includes language to treat expenditures from and receipts to the Highway Fund as "off-budget." The language is essentially the same as the legislation to take the Social Security Trust Fund off-budget in 1990.

¹⁶ "Preventive maintenance" is currently eligible under the Highway Account for highways and bridges.

¹⁷ See proposed changes in Part IV (revenue amendment) to the Boat Safety Account transfers and balance limit.

IV. REVENUE TITLE AMENDMENT

1. Extension of existing Highway Fund excise taxes and certain exemptions

Extension of taxes and exemptions.--The scheduled expiration date of the current Highway Fund motor fuels taxes and the retail sale and annual use taxes on heavy highway vehicles, and most exemptions from those taxes, would be extended for six years, October 1, 1999 through September 30, 2005. The excise tax on tires would be extended through September 30, 2000. The present-law tax benefits for ethanol would not be extended. Thus, those benefits would expire as currently scheduled, after September 30, 2000, and December 31, 2000.

Dyed fuel mandate for registered terminals.--A present-law provision requiring motor fuels terminal facilities, as a condition of storing non-tax-paid fuel, to offer to their customers both undyed and dyed fuel if they distribute diesel fuel or kerosene would be delayed for two years, to July 1, 2000. This provision would not affect the general rules relating to imposition of tax on diesel fuel and kerosene.

2. Extension and modification of Highway Fund expenditure provisions

Transfer of revenues from extension; expenditure authority and purposes.--Revenues from the excise taxes and exemptions extended under the amendment would be transferred to the Highway Fund.

The current September 30, 1998, expiration date of authority to spend monies from the Highway Fund would be extended through September 30, 2003, and the Code provisions governing purposes for which monies in the Highway Fund may be spent would be updated to include the purposes provided in H.R. 2400, as enacted.

Provisions would be incorporated into the Highway Fund clarifying that expenditures from the Highway Fund may occur only as provided in the Code. Clarification further would be provided that the expiration date for expenditures allowed from the Highway Fund does not preclude disbursements to liquidate contracts which were validly entered into before that date. Expenditures for contracts entered into or for amounts otherwise obligated after that date (or for other non-contract authority purposes permitted by non-Code provisions) would not be permitted, notwithstanding the provisions of any subsequently enacted authorization or appropriations legislation. If any such subsequent non-tax legislation provided for expenditures not provided for in the Code, or if any executive agency authorized such expenditures in contravention of the Code restrictions, excise tax revenues otherwise to be deposited in the Highway Fund would be retained in the General Fund beginning on the date of enactment of such legislation or the date of such executive agency action.

Provisions governing administration of the Highway Fund.--The Code rules providing for investment of Highway Fund balances in interest-bearing Treasury securities would be modified

to provide that no interest would be credited to the Highway Fund after September 30, 1998. Further, on October 1, 1998, the cash balance of the Highway Account in excess of \$8 billion and the cash balance of the Mass Transit Account in excess of \$5.5 billion would be transferred from the Highway Fund to the General Fund.

The anti-deficit provisions of the Mass Transit Account would be conformed to those of the Highway Account so that permitted obligations would be determined by reference to two years of projected revenues.

Highway Fund technical corrections and "deadwood" repeal.--Two technical corrections to the Taxpayer Relief Act of 1997 (the "1997 Act") would be included:

(1) Clarification would be provided that excise tax revenues attributable to LNG, CNG, propane, and methanol from natural gas (all of which are subject to reduced energy equivalent rates, as indicated in Table 1) are divided between the Highway and Mass Transit Accounts of the Highway Fund in the same proportions as gasoline tax revenues are divided between those two accounts.

(2) Clarification would be provided that the amount of gasoline and diesel fuel tax revenues deposited into the Mass Transit Account would be 2.86 cents per gallon (rather than 2.85 cents per gallon as erroneously provided in the 1997 Act).

A provision of the 1997 Act providing that (1) the transfer of additional motor fuels tax revenues to the Highway Fund and (2) a one-time adjustment to fuels tax deposit requirements would not affect the operation of certain provisions of the 1991 highway legislation would be repealed as deadwood.

3. Provisions affecting certain other Trust Funds receiving fuels tax revenues from the Highway Fund

Trails Fund.--The Code provisions establishing the National Recreational Trails Trust Fund (the "Trails Fund") and providing for transfer of revenues to the Trails Fund would be repealed, effective on the date of the amendment's enactment. (As described above, no transfers have occurred to date because transfers are contingent on appropriations being enacted, and no funds have been appropriated from the Trails Fund.) Under H.R. 2400, Highway Fund expenditures would be authorized for similar purposes to those of the Trails Fund.

Aquatic Fund.--Transfers of motorboat and small-engine gasoline tax revenues to the Sport Fish Restoration and Boat Safety Accounts of the Aquatic Fund and expenditure authority for the Boat Safety Account of the Aquatic Fund would be extended through September 30, 2003. The expenditure purposes of the Aquatic Fund would be conformed to those in effect as of the date of enactment of H.R. 2400. Also, the provisions governing amounts transferred to the Boat Safety Account would be modified to conform to expenditure levels anticipated in H.R. 2400. Transfers of motorboat fuels tax revenues to the Boat Safety Account would be changed

to equal one-half of such revenues each fiscal year, with a limit on the balance in that Account equal to no more than one-half of the prior fiscal year's motorboat fuels tax revenues.

Provisions identical to those described above for the Highway Fund would be incorporated into the Aquatic Fund clarifying that expenditures from the Aquatic Fund may occur only as provided in the Code.

4. Repeal tire excise tax

The excise tax on tires that exceed prescribed weight thresholds would be repealed, effective on October 1, 2000.

5. Simplify fuels tax refund procedures

Consumers that use previously taxed highway motor fuels in a nontaxable use may file claims for refunds with the Internal Revenue Service. In general, claims for the first three calendar quarters may be filed quarterly if the tax to be refunded exceeds prescribed thresholds.¹⁸ Consumers not satisfying the prescribed dollar thresholds, and all fourth quarter refunds, are claimed through income tax credits.

The amendment would consolidate the fuels tax refund thresholds to allow quarterly claims to be filed once an aggregate year-to-date refund of \$750 or more for all motor fuels is due. Additionally, fourth quarter refund claims would be allowed under the same rules as those applicable to the first three calendar quarters. The provision would be effective for claims filed after September 30, 1998.

6. Transfer General Fund portion of taxes on motorboat gasoline and special motor fuels and small-engine gasoline to Aquatic Fund

The 6.8-cents-per-gallon portion of the tax on gasoline and special motor fuels used in motorboats and on small-engine gasoline that currently is retained in the General Fund would be transferred to the Aquatic Fund, effective generally for revenues from taxes imposed after September 30, 2000. This provision would be phased-in, with 3.4 cents per gallon of the revenues from taxes imposed during the period October 1, 1999 through September 30, 2000.

¹⁸ Under present law, gasoline refund claims may be filed quarterly for any of the first three calendar quarters if the quarterly refund claim equals or exceeds \$1,000. Diesel fuel refund claims for the first three calendar quarters may be filed in any quarter in which the aggregate diesel fuel refund for the year equals \$750 or more.

7. Repeal the 4.3-cents-per-gallon excise tax on rail diesel fuel

The 4.3-cents-per-gallon excise tax imposed on diesel fuel used in trains would be repealed, effective on October 1, 2000.