CONTENTS

I. COMPARISON OF HOUSE AND SENATE ENERGY TAX PROVISIONS

A. RESIDENTIAL ENERGY CREDITS

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
1. Insulation and other energy-conserving components (sec. 2011 of the House bill and sec. 1011 of the Senate bill)	Under present law, no special tax credit or deduction is allowed for the installation of insulation or other energy-conserving components in or on a taxpayer's residence.			
Nature and amount of credit		A nonrefundable income tax credit (i.e., the credit cannot exceed the taxpayer's tax liability) is provided for 20 percent of the first $2,000 of qualifying expenditures for insulation and other energy-conserving components, for a maximum credit of $400. The maximum expenditure amount of $2,000 is reduced by expenditures for the same residence which were taken into account in computing the credit for an earlier year. In addition, a minimum credit amount of $10 per return is required for any taxable year before any credit may be allowed.	Same as House bill, except that the credit is refundable (i.e., the credit can exceed the taxpayer's tax liability).	
Period of credit		Qualifying expenditures must be made for property installed on or after April 20, 1977, and on or before December 31, 1984.	Same as House bill, except that the termination date is one year later (December 31, 1985).	House recedes.
Qualifying residences		Qualifying installations must be in or on the taxpayer's (owners and renters) principal residence, and that residence must be located in the United States. The credit is also allowed for a stockholder in a cooperative housing association and for a member of a condominium management association. The credit would only be available for dwellings in existence on April 20, 1977.	Same as House bill, except that the credit is explicitly made available to principal residences in Guam and the Virgin Islands. Individuals whose residences are the subjects of weatherization grants under the nontax energy provisions are not to be entitled to the credit. Also, the amount of any loan issued under these provisions would be reduced by the amount of the credit allowed.	Senate recedes. Senate recedes. Senate recedes.
Qualifying property		*Insulation.*—Qualifying insulation is an item primarily designed to reduce the heat loss or gain of a dwelling or water heater.	*Insulation.*—Same as House bill.	Same provision is in both bills.
		Energy-conserving component.—Qualifying energy-conserving component is any item (other than insulation) which is: (1) a furnace replacement burner designed to achieve a reduction in the amount of fuel consumed,	*Energy-conserving component.*—Essentially the same, except that the credit is specifically provided for the following additional items: (a) a replacement furnace or boiler which is designed to provide more efficient energy utilization by improved heat generation or lowered heat losses;	Senate bill includes items (1), (2), (3), (4), (6), and (7) of the House bill.

A. RESIDENTIAL ENERGY CREDITS—Continued

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
1. Insulation, etc.—*Qualifying property (Cont.)*		(2) a device for modifying flue openings, (3) an electrical or mechanical furnace ignition system which replaces a gas pilot light, (4) a storm or thermal window or door for the exterior of the dwelling, (5) a clock thermostat, (6) caulking or weather-stripping of an exterior door or window, or (7) an item of a kind which the Secretary of the Treasury specifies by regulations as increasing the energy efficiency of the dwelling.	(b) an automatic energy-saving thermostat (which includes clock thermostats as well as other types of automatic thermostats); (c) a heat pump which replaces an electric resistance heating system; (d) meters which display the cost of energy usage; (e) a replacement fluorescent lighting system; (f) an evaporative cooling device (floor amendment by Sen. DeConcini, agreed to by voice vote); (g) residential equipment which uses hydrogen as a fuel (floor amendment by Sen. Garn, agreed to by voice vote); and (h) residential equipment designed to use wood or peat as a fuel (floor amendment by Sen. McIntyre, agreed to by voice vote). In addition, the Secretary is to prescribe guidelines setting out the criteria which an equipment item must meet if it is to be added to the list of qualifying equipment. The Secretary is also to establish procedures under which a manufacturer might apply to have a product added to the qualifying expenditure list.	Senate recedes on items (1), (2), (3), (4), (6), and (7) of the House bill.
Limitation on inspection		No provision.	In determining whether an item is eligible for the credit, on-site inspections which are not already authorized in the assessment and collection of income taxes would be prohibited unless the resident claiming the credit consents to the inspection.	Senate recedes with understanding that the substance of its provision will be included in the Statement of Managers.
		Effective date.—The provision is effective for qualifying expenditures made on or after April 20, 1977, and on or before December 31, 1984. ***Energy savings estimate.***—It is estimated that this credit would reduce oil imports by 270,000 barrels per day in 1985. ***Revenue effect.***—It is estimated that the House bill provisions will result in revenue losses of: (millions) Fiscal 1978 .... $361 Fiscal 1979 .... 466 Fiscal 1980 .... 491 Fiscal 1981 .... 518 Fiscal 1982 .... 546 Fiscal 1983 .... 576 Fiscal 1984 .... 608 Fiscal 1985 .... 541 TOTAL 4,107	***Effective date.***—Same beginning date as in House bill; the termination date is one year later (December 31, 1985). ***Energy savings estimate.***—It is estimated that this credit would reduce oil imports by 300,000 barrels per day in 1985. ***Revenue effect.***—It is estimated that the Senate bill provisions will result in revenue losses of: (millions) Fiscal 1978 .... $569 Fiscal 1979 .... 812 Fiscal 1980 .... 1,126 Fiscal 1981 .... 1,414 Fiscal 1982 .... 1,594 Fiscal 1983 .... 1,294 Fiscal 1984 .... 1,220 Fiscal 1985 .... 1,285 TOTAL .... [1] 9,274	House recedes.

[1] In addition, it is estimated that these provisions will result in a revenue loss of $1,054 million for fiscal year 1986.

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
2. Solar, wind and geothermal energy equipment (sec. 2011 of the House bill and sec. 1011 of the Senate bill)	Under present law, no special tax credit or deduction is allowed for solar, wind, or geothermal energy equipment installed in connection with a residence.			
Nature and amount of credit		A *nonrefundable* income tax credit is provided for 30 percent of the first $1,500 of qualifying expenditures and 20 percent of the next $8,500 of these expenditures, for a maximum credit of $2,150. The maximum expenditures amount is reduced by expenditures which were taken into account for the same residence in computing the credit for an earlier tax year. In addition, a minimum credit amount of $10 per return for any year is required before any credit may be allowed.	Same as House bill, except that the credit is *refundable* and is provided for 30 percent of the first $2,000 and 20 percent for the next $8,000 of qualifying expenditures, for a maximum credit of $2,200.	
Period of credit		Allowable expenditures must be made for property installed on or after April 20, 1977, and on or before December 31, 1984.	Same as House bill, except that the termination date is one year later (December 31, 1985).	House recedes.
Qualifying residences		Qualifying installations must be in connection with the taxpayer's (owners and renters) principal residence, and that residence must be located in the United States. The credit is available for installations on both newly constructed and existing residences, and it is allowed to a stockholder in a cooperative housing association and to a member of a condominium management association.	Same as House bill, except that the credit is explicitly made available to principal residences in Guam and the Virgin Islands. The amount of any loan received under the nontax energy provisions of the energy bill in connection with solar, wind and geothermal residential expenditures is to be reduced by the amount of the tax credit received in this regard.	Senate recedes. Senate recedes.
Qualifying property		The credit is provided for the purchase and installation of equipment which: (1) uses solar energy to heat or cool a dwelling or to provide hot water for use within the dwelling, or (2) uses wind energy to generate energy in any form for personal residential purposes.	Same as House bill, except that the credit is also provided for: (a) equipment using solar energy in the production of electricity (floor amendment by Senator Garn, agreed to by voice vote); (b) leased solar energy equipment (as well as purchased equipment); (c) equipment using geothermal energy; and (d) equipment using wind energy for transportation (as well as residential) purposes (floor amendment by Senator Garn, agreed to by voice vote). Further, the Secretary, under regulations, may add to the list of qualifying property devices which rely on "renewable energy sources."	Items (1) and (2) listed in House bill are in both bills. Senate recedes on Senate bill items (a), (b), and (d). House recedes on Senate bill item (c). House recedes.
Limitation on inspections		No provision.	In determining whether an item is eligible for the credit, on-site inspections which are not already authorized in the assessment and collection of income taxes would be prohibited unless the resident claiming the credit consents to the inspection.	Senate recedes with understanding that the substance of its provision will be included in the Statement of Managers.

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
2. Solar, wind, etc.—(Cont.)		***Effective date.***—This provision is effective for allowable expenditures made on or after April 20, 1977, and on or before December 31, 1984. ***Revenue effect.***—It is estimated that the House bill provision will result in revenue losses of: Fiscal 1978 — $26 million Fiscal 1979 — 54 million Fiscal 1980 — 62 million Fiscal 1981 — 71 million Fiscal 1982 — 87 million Fiscal 1983 — 111 million Fiscal 1984 — 140 million Fiscal 1985 — 169 million TOTAL — 720 million ***Energy savings estimate.***—It is estimated that this credit would reduce oil imports by 22,000 barrels per day in 1985.	***Effective date.***—The same beginning date as in the House bill; the termination date is one year later (December 31, 1985). ***Revenue effect.***—It is estimated that the Senate bill provision will result in revenue losses of: Fiscal 1978 — $27 million Fiscal 1979 — 58 million Fiscal 1980 — 67 million Fiscal 1981 — 76 million Fiscal 1982 — 95 million Fiscal 1983 — 121 million Fiscal 1984 — 154 million Fiscal 1985 — 186 million TOTAL — [1] 784 million ***Energy savings estimate.***—It is estimated that this credit would reduce oil imports by 25,000 barrels per day.	House recedes.

[1] In addition, it is estimated that these provisions will result in a revenue loss of $224 million for fiscal year 1986.

30-727—78——4

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
3. Gas guzzler tax and use of proceeds (secs. 2021 and 2022 of House bill)	There is no excise tax on automobiles for the purpose of encouraging the manufacture of fuel efficient vehicles. [However, the Energy Policy and Conservation Act ("EPCA") provides average (or "fleetwide") fuel economy standards and civil penalties for automobile manufacturers who do not meet the standards. For passenger automobiles, the standards for each model year are as follows: Year: — MPG 1978 — 18 1979 — 19 1980 — 20 1981 — 22 1982 — 24 1983 — 26 1984 — 27 1985 — 27.5 The penalty for failure to meet the fleetwide standard in any year is $5 per one-tenth of a mile per gallon by which the manufacturer falls short of the standard for that year, multiplied by all the automobiles produced by the manufacturer in that year. The penalty is not deductible for income tax purposes.]	*Nature of tax.*—A gas guzzler tax would be imposed on a manufacturer on the sale or initial lease of automobiles whose fuel economy fails to meet certain fuel efficiency standards established by the Committee. The fuel efficiency standards below which an automobile will be taxed will generally start from 3 to 5.5 miles (depending on the year involved) below the fleetwide average standards of EPCA. *Vehicles to which applicable.*—The tax would apply to 1979 and later model year automobiles weighing 6,000 pounds or less. The tax would not apply to trucks with a cargo capacity of 1,000 pounds or more. *Rates of tax.*—Tax rates range from $339 to $553 in 1979, $245 to $1,216 in 1981, $345 to $2,134 in 1983, $371 to $2,638 in 1984, and $397 to $3,856 in 1985 and later years. *Certain exemptions and refunds not available.*—The exemption from the manufacturers excise taxes generally provided for State and local governments and non-profit educational institutions would not be available in the case of the gas guzzler tax. Also, the Secretary of the Treasury will not have the authority to waive the gas guzzler tax in the case of sales or leases to the United States. *Reduction in basis.*—Purchasers of vehicles subject to the tax must reduce the basis of the vehicles by the amount of the tax. *Use of proceeds.*—Proceeds of the gas guzzler tax would be placed in a trust fund to be used for the purpose of reducing the national debt. ***Effective date.***—This provision applies to automobile model years 1979 and thereafter, as indicated above. ***Revenue estimate.***—It is estimated that these provisions will increase budget receipts by $100 million per year in fiscal years 1979 and 1980, and $170 million in fiscal year 1985. ***Energy savings estimate.***—It is estimated that this provision will reduce oil imports by about 10,000 barrels per day in 1981, about 40,000 barrels per day in 1982, and about 175,000 barrels per day in 1985.	No provision. [However. another Senate bill (S. 2057, as passed on September 13, 1977) sets forth minimum fuel efficiency standards for new automobiles. Under this bill, each new automobile model sold in the United States after model year 1979 would have to exceed the following levels of fuel economy in the respective model years: Year: — MPG 1980 — 16 1981 — 17 1982 — 18 1983 — 19 1984 — 20 1985 — 21 The penalty for non-compliance is $10,000 per car. In addition, the fines for violating the fleet average fuel economy requirements of the Energy Policy and Conservation Act would be doubled from $5 per one-tenth of a mile per gallon per car to $10 per one-tenth of a mile per gallon per car.]	The Senate recedes with the following amendments: (1) the rates of tax are rounded to the nearest $50 and the lowest two rates of tax for model years 1979, 1980, and 1981 are reduced; (2) emergency vehicles are exempted from the tax; and (3) small manufacturers (less than 10,000 automobiles per year) would be allowed to apply to the Secretary of Treasury for special treatment, including lowering of the mileage standards and the tax rates. This provision, as amended, was adopted contingent upon the nontax energy conference deleting provisions of S. 2057 which (1) establish minimum fuel efficiency standards, and (2) double the fines imposed under present law for noncompliance with fleet average standards. *Use of proceeds.*—House recedes on its provision to place gas guzzler tax proceeds in a trust fund.

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
4. Repeal of personal deduction for State and local taxes on gasoline (sec. 2023 of House bill)	An individual who itemizes deductions may deduct State and local taxes imposed with respect to gasoline, diesel fuel, and other motor fuels purchased by him for nonbusiness use.	The bill repeals the deduction for State and local taxes imposed with respect to gasoline, diesel fuel, and other motor fuels which are purchased by a taxpayer for nonbusiness use. ***Effective date.***—This repeal applies to purchases made after December 31. 1977. ***Revenue effect.***—This provision is estimated to result in an increase in budget receipts of $115 million in fiscal year 1978, $780 million in fiscal year 1979, and $1,383 million in fiscal year 1985. ***Energy savings estimate.***—No significant energy savings.	No provision.	House recedes.
5. Extension of current rate of Federal taxes on gasoline and other motor fuels (sec. 2024 of House bill and sec. 1021(a) of Senate bill)	Under present law, a retailers excise tax of 4 cents a gallon is imposed on diesel and other special motor fuels sold for use (or used) in a highway vehicle. Also, a manufacturers excise tax of 4 cents a gallon is imposed on gasoline sold by the producer or importer. These taxes are scheduled to be reduced to 1½ cents a gallon on October 1, 1979 (as the Highway Trust Fund—to which the revenues now go—is scheduled to expire as of September 30, 1979).	The bill extends the current 4-cents-a-gallon excise taxes on gasoline, diesel fuel, and other motor fuel (which are scheduled to drop to 1½ cents per gallon on October 1, 1979) for 6 years—that is until September 30, 1985. ***Revenue effect.***—It is estimated that this provision will increase budget receipts by $3.3 billion in fiscal year 1980, $3.4 billion in fiscal year 1981, and $3.8 billion in fiscal year 1985. ***Energy savings estimate.***—It is estimated that this provision will reduce oil imports by 28,000 barrels per day in 1980, and by 26,000 barrels per day in 1985.	Same as House bill. ***Revenue effect.***—Same as House bill. ***Energy savings estimate.***—Same as House bill.	Same provision is in both bills.

B. TRANSPORTATION TAX PROVISIONS—Continued

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
6. Exemption from excise taxes on fuels for gasahol (sec. 1021(b) through (e) of Senate bill)	Federal excise taxes of 4 cents a gallon are (with certain exceptions) imposed on gasoline and on special motor fuels sold for use (or used) in highway vehicles.	No provision.	Gasahol that is at least 10 percent ethanol or methanol made from agricultural or forestry products would be exempted from the Federal excise taxes on motor fuels on or after January 1, 1978, and before October 1, 1985. Gasahol that is at least 10 percent alcohol made from other products (such as urban wastes), but not from petroleum, natural gas, or coal, is also exempted from the Federal excise taxes on fuels for this period. The Secretary of Energy is directed to make annual reports to Congress from 1979 through 1985 on the use of alcohol in fuels. (Floor amendment by Senator Percy, adopted by voice vote.) Also, the Secretary is directed to expedite the applications for permits to distill ethanol in the case of gasahol producers and to report to the Finance Committee and the Ways and Means Committee on a simplified manner of regulating the distilling operations of gasahol producers who distill ethanol. ***Effective date.***—These provisions apply to sales or use after January 1, 1978, and before October 1, 1985. ***Revenue effect.***—The provision will reduce budget receipts by less than \$5 million per fiscal year through 1982, by \$20 million in 1984, and by \$50 million in 1985. ***Energy savings estimate.***—Negligible.	
7. Exemption from agricultural set aside requirements for acreage used for commodities for production of alcohol fuels (sec. 1021(f) of Senate bill)	There is presently no specific provision regarding use of agricultural acreage for production of alcohol fuels.	No provision.	The bill authorizes the Secretary of Agriculture to use any set-aside acreage (that is, acreage that would otherwise be withheld from production) for the production of any agricultural or forestry product that is to be used or sold for primary use in the manufacture of alcohol fuels. (Floor amendment by Senator Bayh, adopted by voice vote.)	

30–727—78——7

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
8. Removal of refund or credit for excise taxes on motor fuels and lubricating oil for nonbusiness, off-highway uses (sec. 2025 of House bill and secs. 1022 and 1023 of Senate bill)	A 2-cent-a-gallon refund or credit of the 4-cent-a-gallon taxes on gasoline or special motor fuel is available if the fuel is used for off-highway purposes (although the tax on special motor fuels is imposed only if the fuel is sold or used in a highway vehicle or motorboat). The 6-cent-a-gallon tax on lubricating oil may be credited or refunded if the lubricating oil is used otherwise than in a highway motor vehicle.	The current law 2-cent reduction (or credit or refund) of the Federal excise tax on gasoline or special motor fuels used for nonhighway purposes will not be available if the gasoline or special motor fuel is used in a motorboat.	The Senate bill repeals the 2-cents-a-gallon reduction (through refund, credit, or exemption) of the excise taxes on gasoline and special motor fuels, and the refund (or credit) of the 6-cents-a-gallon tax on lubricating oil, with respect to gasoline, special fuels, and lubricating oil used (1) for nonbusiness, off-highway purposes (such as lawn mowers, snowmobiles, etc.) and (2) in motorboats (whether or not such use is business use).	House recedes.
			However, the 2-cents-a-gallon reduction in the tax on gasoline is to continue to apply to gasoline used in a commercial fishing vessel for business use. (Floor amendment by Senator Stevens, adopted by voice vote.)	House recedes.
		Effective date.—This provision is effective for gasoline or motor fuel sold after October 1, 1977.	***Effective date.***—This provision is effective for sales on or after January 1, 1978.	House recedes.
		Revenue effect.—It is estimated that this provision would increase budget receipts by $1 million in fiscal year 1978 and by $4 million per year thereafter. Additional revenues would be transferred to the Land and Water Conservation Fund (as are the present fuels taxes attributable to motorboat use).	***Revenue effect.***—It is estimated that this provision would increase budget receipts by $4 million per year beginning in fiscal year 1979. To the extent that increased revenues are attributable to fuels used in motorboats, they will be transferred to the Land and Water Conservation Fund.	
		Energy savings estimate.—Negligible.	***Energy savings estimate.***—Negligible.	
9. Repeal of excise tax on buses (sec. 2026 of House bill and sec. 1024 of Senate bill)	A 10-percent manufacturers excise tax is imposed on the sale of buses having a gross vehicle weight of more than 10,000 pounds.	The 10-percent excise tax on buses would be repealed. ***Effective date.***—Applies to sales on or after April 20, 1977. ***Revenue effect.***—It is estimated that this provision would decrease budget receipts by $13 million for fiscal year 1978, and $9 million each year thereafter. (These amounts would otherwise go into the Highway Trust Fund—through September 30, 1979.) ***Energy savings estimate.***—Negligible.	Same as House bill. ***Effective date.***—Same as House bill. ***Revenue effect.***—Same as House bill. ***Energy savings estimate.***—Negligible.	Same provision is in both bills.
10. Repeal of excise tax on bus parts (sec. 2027 of House bill and sec. 1025 of Senate bill)	An 8-percent manufacturers excise tax is imposed on parts and accessories used on buses and trucks.	The 8-percent excise tax on bus parts and accessories is repealed. ***Effective date.***—Applies to sales on or after the first day of the first calendar month beginning more than 10 days after enactment. ***Revenue effect.***—These provisions are estimated to reduce budget receipts by $3 million per year. (These amounts would otherwise go into the Highway Trust Fund—through September 30, 1979.) ***Energy savings estimate.***—Negligible.	Same as House bill. ***Effective date.***—Same as House bill. ***Revenue effect.***—Same as House bill. ***Energy savings estimate.***—Negligible.	Same provision is in both bills.

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
11. Removal of excise tax on certain items used on or in connection with intercity, local, or school buses (sec. 2028 of House bill and sec. 1026 of Senate bill)	Presently, privately owned and operated buses are subject to the manufacturers excise taxes on tires, tubes, tread rubber, gasoline, and lubricating oil, as well as the retailers excise taxes on diesel fuel and other special motor fuels. Complete exemption is provided from these excise taxes for State and local governments and for tax-exempt educational organizations. A partial exemption (2-cents-a-gallon refund or credit) is available from the tax on gasoline and other motor fuels for use by a privately owned local transit system for the portion of its total fare revenue represented by "commuter fare revenue". The revenues from these taxes now go into the Highway Trust Fund (through September 30, 1979).	(*a*) *In general.*—The bill removes the excise taxes on highway tires, inner tubes, tread rubber, gasoline, other motor fuels, and lubricating oil for private intercity, local and school bus operations.	(*a*) Same as House bill.	Same provision is in both bills.
		(*b*) *Tires, etc.*—The bill provides an exemption from (or a credit or refund of) the tax on highway tires, inner tubes and tread rubber for sales by a manufacturer, producer, or importer of such items sold for use, or used by the purchaser, in connection with an intercity, local, or school bus.	(*b*) Same as House bill.	Same provision is in both bills.
		(*c*) *Qualifying buses.*—An "intercity or local bus" means any bus which is used predominantly in furnishing passenger land transportation available to the general public if either (1) the transportation is scheduled and along regular routes, or (2) the passenger seating capacity of the bus is at least 20 adults. A "school bus" means any bus with respect to which substantially all of the use involves transporting students and employees of schools.	(*c*) Same as House bill.	Same provision is in both bills.
		(*d*) *Lubricating oil.*—The bill provides for the refund or credit of the taxes paid with respect to lubricating oil used in an intercity, local, or school bus.	(*d*) Same as House bill.	Same provision is in both bills.
		(*e*) *Fuels tax refund or credit.*—The bill provides for the refund or credit of the taxes paid on gasoline and other motor fuels, but only to the extent these fuels are used in a bus engaged in passenger land transportation available to the general public or in school bus transportation operations.	(*e*) Same as House bill.	Same provision is in both bills.
		Effective date.—These provisions are effective on the first day of the first calendar month which begins more than 10 days after the date of enactment.	***Effective date.***—Same as House bill.	Same provision is in both bills.
		Revenue effect.—These provisions are estimated to reduce budget receipts by $13 million for fiscal year 1978 and each year thereafter. These revenues would otherwise go into the Highway Trust Fund (through Sept. 30, 1979).	***Revenue effect.***—Same as House bill.	
		Energy savings estimate.—Negligible.	***Energy savings estimate.***—Negligible.	

30–727—78——9

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
12. Tax credit for vans used in van pooling (sec. 1027(a) of Senate bill)	A taxpayer who purchases a van to transport individuals to and from work may claim the regular investment credit with respect to the purchase of the van. Since these vans normally are treated as having a useful life of about 4 years, the investment credit is generally 3⅓ percent of the purchase price.	No provision.	If an employer purchases a new van with a useful life of at least 3 years, seating nine or more persons (including the driver), and substantially all the use of the van is for transporting employees to and from work, the employer is entitled to the full 10-percent investment credit and the additional 10-percent business energy investment credit. (See part E, "Business Energy Tax Credits.") ***Effective date.***—This provision applies to vans purchased after April 19, 1977, and before January 1, 1986, and placed in service by the taxpayer before January 1, 1986. ***Revenue effect.***—Loss of less than $1 million annually. ***Energy savings estimate.***—Negligible.	House recedes with certain minor amendments.
13. Exclusion from income of certain employer-furnished transportation (sec. 1027(b) of Senate bill)	There is considerable uncertainty about the inclusion in an employee's income of certain noncash benefits furnished by the employer.	No provision.	In the case of a taxpayer who is an employee, gross income does not include the value in excess of the employee's cost of transportation to or from work furnished by an employer if such transportation is in a commuter van. ***Effective date.***—Applies to transportation furnished after January 1, 1977, and before January 1, 1986. (No inference is intended for transportation furnished during other periods.) ***Revenue effect.***—Loss of less than $1 million annually. ***Energy savings estimate.***—Negligible.	Subject to review of revenue estimates, tentative agreement was reached to exclude from income the value of all public transportation provided to employees for commuting to and from work.

30–727—78——10

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
14. Tax credit for electric or hydrogen motor vehicles (sec. 2029 of House bill and sec. 1028 of Senate bill)	Under present law, there is no special income tax credit available with respect to the purchase of an electric or hydrogen-powered motor vehicle.	*Electric motor vehicles.*—A nonrefundable tax credit (i.e., the credit cannot exceed the taxpayer's tax liability) would be provided for the first $300 of the purchase price of a new 4-wheeled electric motor vehicle (manufactured primarily for use on public roads) purchased by an individual for personal use on or after April 20, 1977, and before January 1, 1983. This credit applies only to new vehicles, not to used vehicles or vehicles converted to electricity.	*Electric motor vehicles.*—The credit is generally the same as the House bill. The credit applies to electric motor vehicles even if they do not have 4 wheels (although they must be manufactured primarily for use on the public roads). (Floor amendment by Senator Schmitt, adopted by voice vote.)	House recedes.
			Hydrogen motor vehicles.—This credit also applies to new motor vehicles powered by hydrogen fuel systems and to the cost of converting gasoline powered vehicles to the use of hydrogen. (Floor amendment by Senator Garn, adopted by voice vote.)	Senate recedes with amendment authorizing Secretary, after consultation, to extend credit to vehicles using a fuel other than oil and gas.
		Effective date.—The provision is effective for acquisitions on or after April 20, 1977, and before January 1, 1983.	***Effective date.***—The provision is effective for acquisitions on or after April 20, 1977 and before January 1, 1986.	House recedes.
		Revenue effect.—This provision is estimated to reduce budget receipts by less than $500,000 per year in each of the fiscal years 1978 and 1979, by $1 million in fiscal years 1980 and 1981, by $2 million in fiscal year 1982 and by $4 million in fiscal year 1983.	***Revenue effect.***—Reduction in budget receipts of $2 million per year in fiscal years 1978 and 1979, $3 million in fiscal 1980, $4 million in fiscal 1981, $5 million in fiscal 1982, $8 million in fiscal 1983, $15 million in fiscal 1985, and $19 million in fiscal 1986.	
		Energy savings estimate.—Negligible.	***Energy savings estimate.***—Negligible.	
15. Alcohol fuels research and demonstration project (secs. 1071–1079 of Senate bill)	None.	No provision.	The Secretary of Energy is required to select a Federal agency to operate 1,000 of its passenger vehicles on alcohol fuel as a test or demonstration project; 900 of the passenger vehicles would be run on alcohol blended with gasoline, and 100 would operate on straight alcohol. This project is to be operated for a period of up to 3 years and reports (including economic, technological, and environmental information) are to be made by the Secretary of Energy to Congress for each fiscal year through the fiscal year ending September 30, 1981. (Floor amendment by Senator Percy, adopted by voice vote.) ***Budget effect.***—For the fiscal years ending September 30, 1979, September 30, 1980, and September 30, 1981 there are authorized to be appropriated sums not to exceed $3 million in the aggregate for the 3 years as may be needed to carry out this project.	

Crude Oil and Natural Gas Liquids Equalization Taxes

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
16. Crude oil equalization tax (sec. 2031 of the House bill)	The price of all domestically produced crude oil (other than oil from stripper wells) is controlled in two tiers. The quantity of old oil (currently controlled at an average price of \$5.44 per barrel) is the lesser of 1972 or 1975 production on a property, reduced by a decline factor. New oil (generally production in excess of old oil levels) is currently controlled at about \$8.50 per barrel. Uncontrolled stripper oil currently sells for about \$14.00 per barrel. DOE may adjust price controls subject to a composite price limitation (a legislatively mandated national average price limit for all nonstripper oil) which is now about \$9.60 per barrel, and is subject to an inflation adjustment not to exceed 10 percent per year. However, the actual average price of domestic crude oil is only \$9.12. Price controls are mandatory through May 1979 and may be extended by the President through September 1981.	*Imposition of tax.*—Imposes a crude oil equalization tax as follows: 1978—Imposed on "old oil" only and equal to ½ the difference between its controlled price and the price of "new oil" of the same classification. 1979—Imposed on "old oil" only and equal to the entire difference between its controlled price and the price of "new oil" of the same classification. 1980 to September 30, 1981—Imposed on all controlled oil and equal to the difference between the controlled price and the uncontrolled price of oil of the same classification. The tax is imposed on the first purchase of crude oil and, generally, the first purchaser is liable for the payment of the tax. *Exemptions.*—Exemptions from the tax are provided for crude oil used as feedstock to produce natural gas liquids and for crude oil and its products used to extract natural gas or crude oil. *Authority to suspend tax.*—Presidential authority is granted to suspend increases in the tax subject to veto by either House.	No provision.	House recedes; agreed to delete exemption for crude oil used as feedstock to produce natural gas liquids.
17. Natural gas liquids equalization tax (sec. 2031 of the House bill)	The price of all domestically produced natural gas liquids other than ethane (principally butane and propane) is controlled.	*Imposition of tax.*—Imposes a natural gas liquids equalization tax as follows: 1978—⅓ of the difference (called the "price gap") between the controlled price of the natural gas liquid and the uncontrolled price of No. 2 distillate oil adjusted for differences in Btu content and seasonal fluctuations. 1979—⅔ of the price gap. 1980 to September 30, 1981—the entire price gap. The tax is imposed on the use or sale for use, and the retailer (or user) is liable for payment of the tax. *Exemptions.*—Exemptions from the tax are provided for natural gas liquids used in a residence, hospital, church, or school and for agricultural uses. ***Effective date.***—The crude oil and natural gas liquids taxes are applicable to first purchases of crude oil and sales to end users of natural gas liquids after December 31, 1977, and before October 1, 1981. ***Revenue effect.***—The crude oil and natural gas liquids taxes are expected to produce revenue gains of \$1.6 billion in fiscal year 1978, \$5.3 billion in fiscal 1979, \$9.4 billion in fiscal 1980, and \$12.4 billion in fiscal 1981. ***Energy savings estimate.***—It is estimated that the crude oil and natural gas liquids equalization taxes will reduce the oil imports by 540,000 barrels per day in 1985. (This estimate assumes continuation of price controls in their present form and extension of the equalization taxes through 1985.)	No provision.	House recedes.

Crude Oil Equalization Tax Refunds and Rebates

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
18. Heating oil refund and other home heating tax credits (sec. 2039 of the House bill and secs. 1013, 1055(e) and 1061 of the Senate bill)	None.	Provides a refund of the crude oil equalization tax to the retailer of heating oil for oil used in a residence, hospital, church, or school if the retailer passes on the refund to the user. ***Effective date.***—The heating oil refund is effective for sales after December 31, 1977, and before October 1, 1981. ***Revenue effect.***—The refund is expected to be $0.1 billion in fiscal year 1978, $0.5 bililon in 1979 and $0.8 billion in 1980.	*Credit for heating oil and propane costs.*—Provides a refundable income tax credit equal to 25 percent of the initial $600 of expenditures on home heating oil and propane, phased out as adjusted gross income rises from $15,000 to $30,000. (Floor amendment by Senator Durkin, adopted by a vote of 48 to 27, modified to add propane by a floor amendment by Senator Anderson, adopted by a voice vote.) *Credit for electric heating and cooling costs.*—Provides a refundable tax credit up to $150 for the increase in home electric heating and cooling costs from one year to the next to the extent they result from increased prices for imported residual fuel oil, phased out as adjusted gross income rises from $15,000 to $30,000. (Floor amendment by Senator Chiles, adopted by a voice vote.) ***Effective date.***—The heating oil credit is effective for taxable years beginning after December 31, 1977, and ending before January 1, 1983. The electric heating and cooling credit is effective for taxable years ending after December 31, 1977. ***Revenue effect.***—The credit for heating and propane costs is expected to reduce budget receipts by $0.3 billion in fiscal year 1978, $1.7 billion each year in fiscal years 1979–1981, $1.6 billion in fiscal 1982, and $1.4 billion in fiscal 1983. The credit for electric heating and cooling costs is expected to reduce budget receipts by $6 million in fiscal year 1978, $37 million in fiscal 1979, $40 million in fiscal 1980, $50 million in fiscal 1983, and $57 million in fiscal 1985.	
19. Equalization tax rebates (secs. 2033–40 of the House bill and sec. 1054(a) of the Senate bill)	None.	Rebates net proceeds from the crude oil equalization taxes for 1978 only. The rebate is a fixed amount per taxpayer, with a double rebate for single heads of households. (It is estimated to be $22 per taxpayer.) The rebate, generally, would be provided as a nonrefundable tax credit for all taxpayers. Those persons who do not receive a credit for income tax purposes would receive a direct payment as part of their regular social security, SSI, railroad retirement or AFDC payments. Persons not receiving their rebate under these methods can file a claim with the Treasury (called the "roundup payment"). ***Revenue effect.***—The tax credits are expected to reduce revenues by $1.8 billion in fiscal year 1978 and $0.8 billion in 1979. The special payments will involve outlays of $0.9 billion in fiscal year 1979.	Provides generally that no new tax should be imposed under the bill unless the bill also provides adequate tax incentives for increased production and conservation of energy and for conversion to alternate sources of energy, and also contains tax mechanisms for mitigating undesirable consequences arising out of the energy crisis.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
20. Energy cost credit for the elderly (sec. 1012 of the Senate bill)	None.	No specific provision relating to tax credits for the elderly (but see above rebates).	Provides a refundable tax credit of $75 for any taxpayer who maintains a household which includes someone age 65 or over, phased out between adjusted gross incomes of $7,500 and $12,500. (Floor amendment by Senator Domenici, adopted by vote of 88–2.) ***Effective date.***—The elderly credit is effective for taxable years beginning after December 31, 1977, and ending before January 1, 1986. ***Revenue effect.***—The elderly credit is expected to reduce budget receipts about by $1.2 billion per year beginning in fiscal 1979–1986.	
21. Small refiners study (sec. 2032 of the House bill)	The entitlement system of present law contains a bias in favor of small refiners (i.e., those whose production is less than 175,000 barrels per day).	Provides that the Treasury will make a study of the effect of the imposition of the crude oil equalization tax and the entitlements program on small refiners. Results of study to be given to Congress within 90 days of enactment.	No provision.	
22. Oil pricing amendments for stripper wells (sec. 1060 of the Senate bill)	Stripper oil, which is exempt from price control, is oil produced on properties in which the average production per oil well has been 10 barrels per day or less in any 12-month period after 1972.	No provision.	The definition of stripper oil is amended to include water and other injection wells in computing the average daily production per well.	

Energy Trust Fund and Payments to States

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
23. Energy Production, Conservation, and Conversion Trust Fund (sec. 1054(b) of the Senate bill)	No trust fund for energy production, conservation, and conversion.	No trust fund for energy production, conservation, and conversion. However, receipts from gas guzzler tax (sec. 2021 of House bill) would be appropriated to a trust fund for reducing the public debt. Also, the House bill establishes a Crude Oil Equalization Taxes Trust Fund to receive the net revenues from the crude oil equalization tax and from which appropriations are to be made for the rebates, special payments and heating oil refunds (described above). The trust fund would be in existence for 1978 and 1979 only. (sec. 2033 of the House bill)	Establishes an Energy Production, Conservation, and Conversion Trust Fund. Appropriates to the Trust Fund a portion of the net revenues, not refunded to consumers and not otherwise rebated, from any new taxes (not including extended existing taxes) added by the bill as enacted. (Floor amendment by Senator Ribicoff, adopted by voice vote.) The Trust Fund consists of two separately managed and administered accounts— (1) the Energy Financing Program Account, to encourage conservation of energy, conversion to energy sources other than oil and gas and domestic production of energy (other than conventional production of oil and natural gas), and (2) the Energy-Efficient Transportation Account, to encourage energy-efficient forms of transportation. Any expenditures from either Trust Fund account would require authorization and appropriation acts.	
24. Payments to States (sec. 1056 of the Senate bill)	No similar provision; however, title 23 U.S.C. authorizes appropriation of Highway Trust Fund moneys to States for construction of Federal-aid highways.	No provision.	If there is a crude oil equalization tax, authorizes an appropriation of up to $400 million in each of the fiscal years 1978, 1979, 1980 and 1981 for payments to States for repair of Federal-aid highways. (Floor amendment by Senator Percy, adopted by voice vote.)	

30–727—78——15

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
25. Excise tax on business use of oil and natural gas (sec. 2041 of the House bill, and sec. 1065 of the Senate bill)	There is no excise tax on the business use of oil or natural gas.	The House bill imposes an excise tax on business use of oil and natural gas as follows:	Under a Senate floor amendment by Senator Metzenbaum (agreed to by a vote of 51–37), an excise tax is imposed on business use of oil and natural gas in existing coal capable facilities and in new electric powerplants and major-fuel burning installations as follows:	
a. Industrial oil tax rate		***2-Tier Tax Schedule:*** *Tier 2.*—Higher tax rates for boilers, turbines, and other internal combustion engines. Starts at $.30 per barrel in 1979; rising to $3.00 per barrel in 1985. *Tier 1.*—Lower tax rates for other industrial uses. Starts at $.30 per barrel in 1979 and rises to $1.00 per barrel in 1981 and after. Beginning in 1981, rates adjusted for inflation using 1979 as base year.	***Tax Schedule:*** *New installations.*—$6.00 per barrel beginning in 1979. *Existing installations.*—Starts at $.60 per barrel in 1979 and rises to $6.00 per barrel by 1985. Same as House bill.	
b. Utility oil tax rate		$1.50 per barrel beginning in 1983, adjusted for inflation using 1979 as base year. Utility tax applies to: (a) production of electricity for sale, or in a plant with a rated capacity of 100 megawatts or more; (b) production of steam by an electric utility; and (c) production of electricity or other useful energy in a qualifying cogeneration facility. (Ad Hoc Committee amendment, adopted on the House floor by voice vote.)	Same as Senate industrial oil tax.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
25. Business use tax (cont.) ***c. Industrial gas tax rate***		***2-Tier Tax Schedule:*** Tier classifications same as for oil tax. *Tier 2.*—Tax keyed to difference between gas and regional distillate prices (excluding users tax). Effective: 1979. Level: Tax brings cost of gas up to Btu equivalent price less $1.05/million Btu in 1979 and to Btu equivalent in 1985. *Tier 1.*—Tax rates $.30 million Btu less than Tier 2. 10% reduction in Tier 1 and 2 tax rates for natural gas acquired under interruptible contracts.	***Tax Schedule:*** Same as Tier 2 tax in House bill except (1) target price includes oil users tax, and (2) target price for gas is the full Btu equivalent for comparable facility using oil (instead of a phase-in). No provision.	
d. Utility gas tax rate		Flat tax (not keyed to distillate price). Begins 1983 at $.55/million Btu rising to $.75/million Btu in 1985. Total cost of gas cannot exceed regional residual price of oil including users tax. Inflation adjusted beginning in 1981.	Same as Senate industrial gas tax.	
e. Application to existing facilities		No special provision.	In the case of existing facilities, tax applies only to those facilities designed and constructed to use coal or an alternative fuel. Tax does not apply to existing plant which would require substantial modification or would suffer a substantial downgrading to use coal or an alternative fuel.	
f. Exemption for small users		Tax-exempt amount of use (50,000 barrel/year) provided to all firms. An additional exempt amount would be provided to plants subject to disadvantage because they compete with small firms not subject to the tax.	Tax applies only to units capable of consuming at least 100 million Btu/hour or a combination of units at the same site capable of consuming at least 250 million Btu/hour.	
g. Presidential suspension authority		Allows President to suspend or reduce taxes up to 1 year if he determined the tax has an adverse economic effect. Action may be vetoed within 15 days by Congress.	No provision.	
h. Exempt uses		(a) Transportation (aircraft/rail/water/pipeline), (b) Farming, (c) Residential facilities, (d) Commercial facilities, (e) Any facility not an integral part of manufacturing, processing or mining, (f) All uses in exploration for, development, extraction, storage, and transmission of crude oil, natural gas, and natural gas liquid, and (g) All feedstock and raw material uses.	Same as House bill.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
i. Exemption for process uses		Process use of oil or natural gas exempt if other fuels are not feasible for technical, economic, or environmental reasons.	All process uses exempt. (Amendment by Senator Danforth adopted by voice vote.)	
j. Environmental exemption		Provides exemption for oil or gas use in facility in existence on April 20, 1977, if use of coal is precluded by State regulations in effect on April 20, 1977, or by Federal regulations.	Same as House bill except (1) applies to all facilities, and (2) all State regulations are taken into account.	
k. Reclassification procedure		Provides that Secretary of Treasury prescribe a procedure by which use may be reclassified to a lower tax tier or exempted if conversion or conservation is not possible.	Provides that Secretary shall grant temporary exception for up to 5 years if, prior to adoption of the Tax Act, despite diligent good faith efforts, alternative fuel, transportation, pollution control equipment or other necessary equipment is not expected to be available.	
l. Exemption where administrative exemption granted		No provision.	Any coal-capable combustor qualifying for exception or exemption from requirement of using coal under any law or regulation is exempt.	
m. Temporary suspension of tax		No provision.	Provides that Secretary shall temporarily suspend the tax for period during which he determines that taxpayer is proceeding as expeditiously as possible to convert a power plant or MFBI from use of oil or gas. (Amendment by Senator Bumpers, adopted by voice vote.)	
n. Territorial application		50 States and District of Columbia.	48 contiguous States, Alaska and District of Columbia.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
26. Credits against oil and gas use tax (sec. 2051 of the House bill and sec. 1066 of the Senate bill)				
a. General rules		For investment in "alternative energy property" firms make a one-time election to receive either: (a) an additional 10 percent energy investment tax credit, or (b) a rebate of current year tax liability for 100 percent of the qualified investment amount.	Firms entitled to rebate for 100 percent of qualified investment. Eligibility for energy investment credits not affected by rebate.	
		Firm electing rebate is not eligible for existing investment tax credit to extent of rebate.	No provision.	
		Rebate limited to tax liability for calendar year. Excess investment may be carried forward to offset future use taxes; tax for 1979 and 1980 may be carried forward to 1980 and 1981.	Same as House bill.	Same provision is in both bills.
		Only 50 percent of rebate allowed where property is financed by tax-exempt industrial development bonds.	Same as House bill.	Same provision is in both bills.
		No provision.	Credit allowed only for conversion of existing coal capable facilities.	
b. Special rules for utilities		Same as industrial credit except: Utility credit available only for investments that replace (or phase down to 1,500 hours use or less) an existing oil or gas-fired facility. Qualified progress expenditures are allowable during last 3 calendar years of construction. If utility uses phased down boiler between 1,500 and 2,000 hours, an additional user tax is imposed; if use above 2,000 hours, new boiler treated as disposed of.	No special rules for utilities.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
26. Credits against use tax—(cont.) *c. Eligible investment*		Property must be tangible property (not including a building and its structural components) which— (1) is used by taxpayer in his trade or business (other than business of leasing), (2) is depreciable, (3) has a useful life of 3 years or more, (4) is not used predominantly outside the United States, and (5) is new.	Same as House bill.	
		Definition of "Alternative Energy Property" includes: (1) boilers primarily using an alternate substance,	Same as House bill.	Same provision is in both bills.
		(2) non-oil or gas burner for a combustor other than a boiler,	Same as House bill.	Same provision is in both bills.
		(3) equipment to convert an alternate substance to synthetic gas,	Also for equipment to convert an alternate substance to synthetic liquid fuel (Senate floor amendment by Senator Jackson, adopted by voice vote).	
		(4) nuclear, geothermal, and hydroelectric power equipment, not including turbines or generators,	No provision.	
		(5) equipment for modifying an existing boiler in an electric generating facility so that an alternate substance is at least 25 percent of the fuel. Rate of credit depends on fuel savings percentage,	No provision.	
		(6) pollution control equipment required by Federal, State, and local regulations to be installed in connection with equipment in categories (1), (2), (3), and (5),	Same as House bill.	Same provision is in both bills.
		(7) equipment used to handle, store, and prepare an alternate substance, at the point of use as a fuel in equipment in categories (1), (2), (3), (4), (5), and (6) and for use as a feedstock (other than in the production of coke),	Only for handling equipment for above equipment.	
		(8) plans and designs for above equipment.	Same as House bill.	Same provision is in both bills.
d. Other rules		The House bill includes provisions relating to recapture of credits and to treatment of controlled groups similar to current income tax provisions.	No provisions.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
26. Credits against use tax (Cont.)		***Effective date.***—The industrial tax is effective January 1, 1979; the utility tax is effective January 1, 1983. Credits are allowed for investments made after April 19, 1977, and before 1991. ***Revenue effect.***—The net effect on budget receipts of business use tax and credits against use tax is estimated to be: *Fiscal year* — ***In millions*** 1979 — $-25 1980 — 398 1981 — 88 1982 — 164 1983 — 592 1984 — 715 1985 — 784 Total 1979–1985 — $2,716 ***Energy savings estimate.***—It is estimated that 1985 oil imports would be reduced by approximately 1 million barrels per day as a result of the users tax, the credit against the users tax, *and* the business energy credits.	***Effective date.***—Tax effective January 1, 1979; starting date for credits is not specified—termination date same as House bill. ***Revenue effect.***—The net effect on budget receipts of business use tax and credits against use tax is estimated to be: *Fiscal year* — ***In millions*** 1979 — — 1980 — $21 1981 — 31 1982 — 6 1983 — 33 1984 — 62 1985 — 91 Total 1979–1985 — $244 ***Energy savings estimate.***—It is estimated that 1985 oil imports would be reduced by approximately 780,000 barrels per day as a result of the users tax, the credit against the users tax, *and* the business energy credits.	

E. BUSINESS ENERGY TAX CREDITS

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
27. Additional investment credit for alternative energy property (secs. 2061(a), (b), (d) and (e) of House bill and secs. 1031 and 1033 of Senate bill)	A 10-percent nonrefundable tax credit is allowed for investments in tangible personal property and certain other tangible property used in a trade or business or for the production of income. Structural components of buildings are generally not eligible for the credit, nor are items of otherwise qualifying property which are used in connection with apartments and other lodging facilities for permanent residents. The amount of investment credits that can be used in any one year are generally limited to $25,000 plus one-half of tax liability in excess of $25,000. Credits may be partially or entirely recaptured if the property is used less than 7 years. The provisions of the investment credit in present law are also applicable to alternative energy property (item 27), specially defined energy property (item 28) and energy property (item 29), discussed below.			
General rules		Provides for an additional 10-percent investment credit. Except for a few categories of equipment (noted below), credit is not available to taxpayers who claim credit against user tax.	Provides for an additional 15-percent investment credit. Under a floor amendment by Senator Kennedy, the rate was reduced from the 40-percent rate originally in the bill reported by the Committee on Finance.	
		Credit is limited to 100 percent of tax liability.	Credit is refundable; eligible organizations are discussed below.	
		Credit rate is 5 percent for property financed with tax-exempt industrial development bonds.	Credit rate is 7.5 percent for property financed with tax-exempt industrial bonds. Bioconversion property, however, would receive the 15 percent credit.	
		Utilities receive credit for new boilers only to the extent that an existing oil- or gas-fired boiler is phased down to less than 1,500 hours of use per year.	Utilities receive credit for new boilers only to the extent that an existing oil- or gas-fired boiler is phased down to less than 2,000 hours of use per year.	
		Credit is available only to persons engaged in a trade or business.	Credit is available to persons engaged in a trade or business, to educational, religious, charitable and scientific organizations (tax-exempt under Code sec. 501(c)(3)), to electric utility cooperatives (tax-exempt under Code sec. 501(c)(12)), and to State and local governments.	
		Credit is recaptured according to rules for regular investment credit.	Credit is recaptured if property is disposed or if converted to non-qualifying use before half its useful life has elapsed.	
		No provision.	Investment qualifying for the credit is reduced to the extent that equipment is financed with Federal grants.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
27. Alternative energy property—(Cont.)				
Qualifying property		Qualifying property includes specific categories of equipment which uses a fuel or feedstock other than oil or gas or their products, i.e., an alternate substance. Equipment must be new and must be used in connection with a building or structure located in the United States and is eligible even if considered a structural component or used in connection with lodging facilities.	Same as House bill, except equipment must meet performance standards prescribed by the Secretary.	
		Alternative energy property includes:	Alternative energy property includes:	
		(1) Boilers	(1) Same as House bill.	Same provision is in both bills.
		(2) Burners for combustors other than boilers.	(2) Same as House bill.	Same provision is in both bills.
		(3) Nuclear and hydroelectric power equipment, not including turbines or generators.	(3) Same as House bill, except includes turbines and generators used in hydroelectric facilities. Under a Senate floor amendment by Senator Hathaway, agreed to by voice vote, dams are also eligible for the credit.	
		(4) (a) Geothermal power equipment, not including turbines or generators. (b) Geothermal equipment to provide heating, cooling and electricity used in connection with an existing building and an existing commercial or industrial process.[1]	(4) The provisions in the House bill were expanded to include equipment to produce, distribute, or use geothermal energy but only, in the case of electrical generation, equipment up to the electrical transmission stage. There is no existing building or industrial process requirement.	
		(5) Equipment for producing synthetic gas.	(5) (a) Equipment for producing a synthetic gaseous, liquid, or solid fuel. (b) Equipment for producing chemicals from coal or lignite. Under a floor amendment by Senator Schweiker (agreed to by voice vote), equipment producing coke and coke gas is eligible for the credit.	
		(6) (a) Equipment for modifying existing equipment so that an alternate substance is at least 25 percent of the fuel or feedstock.[1]	(6) (a) Same as House bill.	Same provision is in both bills.
		(b) Equipment for modifying an existing boiler in an existing electric generating facility so that an alternate substance is at least 25 percent of the fuel. Rate of credit depends on fuel savings percentage.	(b) Included in (a) above. Rate of credit does not depend on fuel savings percentage.	

[1] See footnote 1 on next page.

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
27. Alternative energy property—*Qualifying property.*—(Cont.)		(7) Pollution control equipment required by Federal, State, and local regulations to be installed in connection with equipment in categories (1), (2), (5), and (6).	(7) Covers the same categories as House bill, but as they were amended in the Senate bill.	
		(8) Equipment used to handle, store, and prepare an alternate substance, at the point of use as a fuel or feedstock, for use in equipment in categories (1), (2), (3), (4)(a), (5), (6) and (7). Facilities to manufacture coke are excluded.	(8) Same as House bill, except not provided in conjunction with hydroelectric or geothermal equipment. The floor amendment by Senator Schweiker would make the credit available to handling equipment at facilities that process coal into coke and its byproducts.	
		(9) Equipment which uses solar and wind energy to provide heat, cooling or electricity in connection with an existing building and existing industrial or commercial process.[1]	(9) Same as the House bill, but includes use in connection with a new structure.	
		(10) No provision in House bill.	(10) Equipment to convert ocean thermal energy or tidal power into useful forms of energy.	
		(11) Plans and designs for equipment in the above categories.	(11) Same as House bill.	Same provision is in both bills.
		(12) No provision in House bill.	(12) Equipment used in construction of, and in research and development on, electric highway motor vehicles (floor amendment by Senator McClure, agreed to by a voice vote).	
		Effective date.—Effective for investments after April 19, 1977, and before January 1, 1983.	***Effective date.***—Effective for investments after April 19, 1977, and before January 1, 1986.	***Effective date.***—Senate recedes with an amendment for a binding contract rule similar to rule used for the investment tax credit.
		Revenue effect.—This provision (and the advanced technology property credit) are expected to reduce budget receipts by:	***Revenue effect.***—The alternative energy property credit is expected to reduce budget receipts by:	

House Bill:

Fiscal year	*In millions*
1978	$−38
1979	−40
1980	−58
1981	−92
1982	−116
1983	−71
Total	−415

Senate Bill:

Fiscal year	*In millions*
1978	$−424
1979	−508
1980	−799
1981	−984
1982	−1,189
1983	−1,345
1984	−1,547
1985	−1,837
Total	−8,633

[1] Taxpayers who elect credit against users tax (see item 26, above) also are eligible for the additional 10-percent investment tax credit for these types of alternative energy property.

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
28. Specially defined energy property tax credit (sec. 2061 (a) and (b) of House bill and secs. 1031 and 1033 of Senate bill)	See description of present law in item 27.	An additional 10-percent investment credit is provided for this category of energy property. Credit is limited to 50 percent of tax liability. (Taxpayers generally eligible for this provision are described on page 22.)	An additional 10-percent investment credit is provided for this category of energy property. Credit is refundable. (Taxpayers generally eligible for this provision are described on page 22.)	
General rules		Qualifying property must be new depreciable property, with a useful life of at least 3 years, used in connection with a structure located in the United States. All categories of qualifying property must satisfy performance and quality standards prescribed by the Secretary. The recapture rules under the regular investment credit also apply to this credit. The credit is reduced to 5 percent for property financed by industrial development bonds.	Specifications for qualifying property are the same as in the House bill.	
Eligible prope y		Eligible property includes: (1) a recuperator, (2) a heat wheel, (3) a regenerator, (4) a heat exchanger, (5) a waste heat boiler, (6) a heat pipe, (7) an automatic energy control system, (8) a turbulator, (9) a preheater, (10) a combustible gas recovery system. (11) an economizer, or (12) any other property of a kind specified by the Secretary by regulations, the principal purpose of which is reducing the amount of energy consumed in any existing industrial or commercial process and which is installed in connection with an existing industrial or commercial facility.	Property eligible for the 10-percent refundable credit includes specially defined energy property in the House bill, and industrial heat pumps have been added. In addition, the Secretary's administrative authority has been extended to equipment that reduces the amount of heat wasted, and equipment in this category of energy property may be installed in connection with utility and agricultural facilities. The following property was added by Senate floor action: (1) Energy efficient replacement electric motors (amendment by Senator Percy, agreed to by voice vote); (2) Fuel cells, gas turbines and external combustion engines with demonstrated fuel efficiencies (amendment by Senator Schmitt, agreed to by voice vote); (3) Fluorescent replacement lighting systems (amendment by Senator Danforth, agreed to by voice vote), and (4) Silicone controlled rectifier units (amendment by Senator Bellmon, agreed to by voice vote).	
		Effective date.—Applies to investments in qualifying property after April 19, 1977 and before January 1, 1983. ***Revenue effect.***—This provision is expected to reduce budget receipts by: *Fiscal year* — *In millions* 1978 — $−224 1979 — −218 1980 — −250 1981 — −306 1982 — −350 1983 — −225 Total — −1,573	***Effective date.***—Applies to investments in qualifying property after April 19, 1977 and before January 1, 1986. ***Revenue effect.***—This provision is expected to reduce budget receipts by: *Fiscal year* — *In millions* 1978 — $−486 1979 — −464 1980 — −498 1981 — −536 1982 — −581 1983 — −626 1984 — −679 1985 — −734 Total — −4,600	***Effective date.***—Senate recedes with an amendment for a binding contract rule similar to rule used for the investment tax credit.

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
29. **Energy property tax credit** (secs. 2061 (a) and (b) of House bill and sec. 1032 of Senate bill)	See description of present law in item 27.	The additional nonrefundable 10-percent investment is available for two additional types of energy property: (1) *Cogeneration property* for the production of steam, heat or other forms of useful energy and also electric energy; and (2) *Recycling equipment* which is used exclusively in the recycling of solid waste or to sort and prepare solid waste for recycling. ***Effective date.***—Applies to investments in qualifying property after April 19, 1977 and before January 1, 1983. ***Revenue effect.***— *Fiscal year* — *In millions* 1978 — $—57 1979 — —69 1980 — —110 1981 — —161 1982 — —196 1983 — —112 Total — —705 ***Energy savings estimate.***—It is estimated that 1985 oil imports would be reduced by approximately 1 million barrels per day as a result of the users tax, the credit against the users tax, *and* the business energy credits.	A 10-percent additional nonrefundable investment credit is available for additional types of energy property: (1) *Cogeneration property*—same as House bill and adds agricultural purposes to cogeneration. A floor amendment by Senator Schmitt added water purification and desalination as an eligible form of useful energy, adopted by a voice vote; (2) *Recycling equipment*—same as House bill and modifies exclusive use requirement to permit use of up to 10 percent virgin materials; in addition, Finance Committee clarified that eligible equipment includes recycling equipment to the point where a marketable product has been produced, e.g., newsprint, paperboard, metal ingots, or textile fibers; (3) *Shale oil equipment* which is used to produce oil from oil-bearing shale rock; (4) *Transportation equipment* which includes commuter vans and equipment designed to reduce energy consumption when added to existing motor vehicles of commercial carriers; (5) *Geopressurized methane equipment* which is used to produce geopressurized methane gas; (6) *On-site electrical heat processing equipment* which is replacement equipment and which uses electricity produced with an alternate substance (a floor amendment by Senator Tower, agreed to by voice vote), and (7) *Electric motor vehicles*, primarily for use on public streets, roads and highways, when purchased for use in a trade or business (a floor amendment by Senator McClure, agreed to by voice vote). ***Effective date.***—Applies to investments in qualifying property after April 19, 1977 and before January 1, 1986. ***Revenue effect.***— *Fiscal year* — *In millions* 1978 — $—122 1979 — —140 1980 — —174 1981 — —217 1982 — —275 1983 — —360 1984 — —437 1985 — —499 Total — —2,224 ***Energy savings estimate.***—It is estimated that 1985 oil imports would be reduced by approximately 780,000 barrels per day as a result of the users tax, the credit against the users tax, and the business energy credits.	***Effective date.***—Senate recedes with an amendment for a binding contract rule similar to rule used for the investment tax credit.

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
30. Investment tax credit for business insulation (sec. 2061(c) of House bill and sec. 1032(b) of Senate bill)	The existing 10-percent investment credit is generally not available for insulation which is a structural component of a building used in a trade or business or for the production of income.	The House bill makes all types of business insulation property eligible for the existing investment credit where added to existing buildings. This includes structural insulation, insulating glass, storm doors, weatherstripping and similar items which satisfy performance and quality standards prescribed by the Secretary. ***Effective date.***—Applies to qualifying property placed in service after April 19, 1977 and before January 1, 1983. ***Revenue effect.***—This provision is expected to reduce budget receipts by: *Fiscal year* — *In millions* 1978 — \$–103 1979 — –101 1980 — –113 1981 — –132 1982 — –148 1983 — –96 Total — –693	Same as House bill. ***Effective date.***—Applies to qualifying property placed in service after April 19, 1977 and before January 1, 1986. ***Revenue effect.***—This provision is expected to reduce budget receipts by: *Fiscal year* — *In millions* 1978 — \$–103 1979 — –101 1980 — –107 1981 — –113 1982 — –119 1983 — –125 1984 — –132 1985 — –141 Total — –941	Same provision is in both bills. ***Effective date.***—Senate recedes with an amendment for a binding contract rule similar to rule used for the investment tax credit.
Energy savings for business tax credits		***Energy savings estimate.***—It is estimated that 1985 oil imports would be reduced by approximately 1 million barrels per day as a result of the users tax, the credit against the users tax, and the business energy credits.	***Energy savings estimate.***—It is estimated that 1985 oil imports would be reduced by approximately 780,000 barrels per day as a result of the users tax, the credit against the users tax, and the business energy credits.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
31. Denial of investment tax credit and accelerated depreciation for certain property. (sec. 2061(f) of House bill)	No energy-oriented disincentives are provided under present law to limit the availability of the existing investment tax credit or accelerated depreciation methods for energy inefficient property.	Oil and natural gas fueled boilers and other combustors would generally be ineligible for the investment tax credit and accelerated methods of depreciation, unless either the use of another fuel was precluded by existing air pollution regulations or the taxpayer's oil or gas use would be an exempt use under the business use tax provisions of the bill. (sec. 4992(b)). Portable air conditioners and space heaters would also be ineligible to receive the investment credit. ***Effective date.***—Applies to property placed in service after June 20, 1977, except for property under a binding contract on that date. ***Revenue effect.***—These provisions are expected to increase budget receipts by: Fiscal year — In millions 1978 — $93 1979 — 111 1980 — 121 1981 — 114 1982 — 103 1983 — 99 1984 — 93 1985 — 88 Total — 822	No provision.	
32. Depreciation allowance for early retirement or replacement of oil or gas boilers. (sec. 2061(g) of House bill)	Generally, when a business or productive asset is retired or replaced, the asset may be written off in the year of the disposition. Redeterminations of useful life are also generally allowed where the taxpayer can establish a shorter useful life than originally claimed. However, in the case of assets in ADR vintage accounts, this treatment is not allowed.	Allows in all cases the use of shortened useful lives for depreciation of oil or natural gas boilers and other combustors which will either be retired or replaced with boilers or combustors using an alternate substance as a fuel. Requires recapture of excess depreciation deductions (with interest) where the retirement or replacement does not subsequently occur as scheduled. ***Effective date.***—Applies to tax years ending after date of enactment. ***Revenue effect.***—The probable revenue effect is included within the estimates for item 31, above.	No provision.	

F. TAX INCENTIVES FOR ALTERNATIVE ENERGY SOURCES

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
33. Exemption for interest on IDBs for coal gasification and liquefaction (sec. 1041 of Senate bill)	Interest on State or local obligations is generally exempt from Federal tax, except when the obligations are industrial development bonds (i.e., the proceeds are to be used by a non-exempt person). IDBs issued for certain specified purposes are exempt, but coal gasification and liquefaction are not one of the exempt purposes. An exemption is provided for bonds for facilities for the local furnishing of electric energy or gas, but not if the facilities are part of a system furnishing electricity or gas to more than two contiguous counties (or their political equivalents).	No similar provision.	Interest on IDBs for the furnishing of coal gasification and liquefaction facilities would be exempt from Federal tax. The exemption would be allowed even if the products of the facilities are furnished to more than two contiguous counties. ***Effective date.***—Applies with respect to obligations issued after December 31, 1977. ***Revenue effect.***—This provision is expected to reduce budget receipts by: $2 million in fiscal 1981, $7 million in fiscal 1982, and $39 million in fiscal 1985. Total revenue loss in fiscal years 1978–1985 is $92 million. ***Energy savings.***—Negligible.	
34. Exemption for interest on IDBs for bioconversion facilities for the conversion of wastes into energy (sec. 1041 of Senate bill)	Interest on State or local obligations is generally exempt from Federal tax, except when the obligations are industrial development bonds (i.e., the proceeds are to be used by a non-exempt person). IDBs issued for certain specified purposes are exempt, but the conversion of waste into energy generally is not one of the exempt purposes. In the case of IDBs for sewage or solid waste disposal facilities, an exemption is provided, but only if at least 65 percent of the material processed is completely worthless. An exemption is also provided for the local furnishing of electric energy or gas, but not if the facilities are part of a system furnishing electricity or gas to more than two contiguous counties (or their political equivalents).	No similar provision.	Interest on IDBs for bioconversion facilities for the conversion of municipal and agricultural wastes and other organic matter into energy or into synthetic gaseous, liquid, or solid fuels would be exempt from Federal tax. The exemption would be allowed even if less than 65 percent of the materials processed are completely worthless, and even if the products of the facilities are furnished to more than two contiguous counties. ***Effective date.***—Applies with respect to obligations issued after December 31, 1977. ***Revenue effect.***—This provision is expected to reduce budget receipts by: $1 million in fiscal 1978, $3 million in fiscal 1979, and $45 million in fiscal 1985. Total revenue loss in fiscal years 1978–1985 is $145 million. ***Energy savings.***—Negligible.	
35. Exemption for interest on IDBs for facilities for local furnishing of electricity or gas (sec. 1041 of the Senate bill; floor amendment by Sen. Javits, adopted by voice vote)	Interest on State or local obligations is generally exempt from Federal tax, except when the obligations are industrial development bonds (i.e., the proceeds are to be used by a non-exempt person). IDBs issued for certain specified purposes are exempt. An exemption is provided for bonds for the local furnishing of electric energy or gas, but not if the facilities are part of part of a system furnishing electricity or gas to more than two contiguous counties (or their political equivalents).	No similar provision.	Extends the exemption from Federal tax on interest from IDBs for facilities for local furnishing of electricity or gas to bonds issued by an authorized State agency for facilities to produce electric energy that is consumed in more than two contiguous counties within one State. ***Effective date.***—Applies with respect to obligations issued after December 31, 1977. ***Revenue effect.***—This provision is expected to reduce budget receipts by: $2 million in fiscal 1978, $10 million in fiscal 1979, and $68 million in fiscal 1982. Total revenue loss in fiscal years 1978–1985 is $295 million. ***Energy savings.***—Negligible.	

30-727—78——29

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
36. Geothermal and geopressurized methane gas tax provisions	All geothermal resources, including geopressurized methane gas, receive the same tax treatment, except that the tax treatment of geopressurized methane gas for purposes of percentage depletion is unsettled.	Geopressurized methane gas is treated the same as other geothermal resources.	Geopressurized methane gas is treated separately from other geothermal resources.	
a. Percentage depletion (sec. 2073 of the House bill and sec. 1042 of the Senate bill)	No depletion deduction is provided for geothermal resources, except to the extent that the courts determine that a geothermal deposit in the United States or its possessions is a gas well entitled to percentage depletion at 22 percent.	Provides a 10-percent allowance for percentage depletion for all geothermal resources (including geopressurized methane gas), regardless of whether the resource would qualify for depletion under present law or whether it is renewable in fact.	Provides percentage depletion for geothermal deposits (other than geopressurized methane gas) located in the United States or its possessions. The percentage is 22 percent for production in the calendar years 1978 through 1980, 20 percent for 1981, 18 percent for 1982, 16 percent for 1983, and 15 percent for all years thereafter. The allowance is available regardless of whether the deposit would qualify for depletion under present law or whether it is renewable in fact. Provides 10-percent depletion for geopressurized methane gas.	
	The excess of the allowable depletion over the adjusted basis of the property is an item of tax preference subject to the minimum tax.	The amount of depletion deductions allowable with respect to any property may not exceed the taxpayer's adjusted cost basis in that property. ***Effective date.***—Applies to taxable years beginning after December 31, 1977. ***Revenue effect.***—Loss of $1 million for fiscal 1978, $1 million for fiscal 1979, and $2 million for fiscal 1985. ***Energy savings.***—It is estimated that oil imports will be reduced by less than 10,000 barrels per day in 1985 as a result of this provision.	No limitation is imposed on the total allowable depletion. Excess depletion is subject to minimum tax, as under present law. ***Effective date.***—Applies to taxable years ending after December 31, 1977. ***Revenue effect.***—Loss with respect to geothermal deposits (other than geopressurized methane gas) will be negligible for fiscal 1978 and 1979, and $9 million for fiscal 1985. Loss with respect to geopressurized methane gas will be negligible for fiscal 1978 and 1979, and $14 million for fiscal 1985. ***Energy savings.***—It is estimated that oil imports will be reduced by 20,000 barrels per day in 1985 as a result of this provision.	

30–727—78——30

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
36b. Intangible drilling costs (1) *Option to deduct currently intangible drilling costs (IDCs)* (sec. 2072 of the House bill and sec. 1043 of the Senate bill)	Operators of oil and gas wells may elect to deduct IDCs. Generally, IDCs are expenditures for wages, fuel, repairs, hauling supplies, etc., in preparation for production from a well. The election must be uniform for all of the taxpayer's oil and gas properties. If the election is not made, IDCs must be capitalized and recovered through depletion deductions.	Provides an election to deduct currently IDCs incurred with respect to geothermal wells (including geopressurized methane gas wells). The election is separate from any election for IDCs for oil and gas wells.	Same as House provision, except that the election is to be made separately for (1) geothermal deposits generally, (2) for geopressurized methane gas, and (3) for oil and gas wells. All deposits must be located within the United States or its possessions.	
(2) *Application of the minimum tax* (sec. 2072 of the House bill and sec. 1043 of the Senate bill)	IDCs in excess of the amount which would have been allowed under either 10-year amortization or cost depletion, and which also exceed oil and gas production income, constitute a tax preference item subject to the minimum tax for individuals.	IDCs (for all geothermal resources including geopressurized methane gas) in excess of the amount which would have been allowable under 10-year amortization (but not under cost depletion) and which also exceed geothermal income (from all geothermal resources including geopressurized methane gas), constitute a tax preference item subject to the minimum tax for individuals.	Extends present law to geothermal deposits and to geopressurized methane gas. IDCs in excess of the amount which would have been allowable under either 10-year amortization or cost depletion, and which also exceed income from geothermal deposits and geopressurized methane gas, constitute a tax preference item for individuals. IDCs and income with respect to geopressurized methane gas are to be calculated separately from IDCs and income with respect to geothermal deposits and from IDCs and income with respect to oil and gas properties.	
(3) *Recapture* (sec. 2072 of the House bill and sec. 1043 of the Senate bill)	Total of IDCs deducted, reduced by the amount of IDCs which would have been deductible had they been capitalized and deducted through cost depletion, is subject to recapture upon the disposition of oil and gas properties. The amount recaptured is treated as ordinary income; it cannot exceed the gain realized or the difference between the fair market value of the property and its basis. Recapture applies on a property-by-property basis, and generally overrides any other Code provision.	Extends present law to geothermal properties. Recapture with regard to geothermal properties is to be treated separately from oil and gas properties. ***Effective date.***—Applies to wells commenced on or after April 20, 1977, in taxable years ending after that date. ***Revenue effect.***—Loss will be \$5 million in fiscal 1978, \$10 million in fiscal 1979, and \$54 million in fiscal 1985.	Extends present law to geothermal properties. Recapture with regard to geothermal properties is to be treated separately from geopressurized methane gas properties, and from oil and gas properties. ***Effective date.***—Same as House provision. ***Revenue effect.***—Loss with respect to geothermal deposits (other than geopressurized methane gas) will be \$5 million in fiscal 1978, \$12 million in fiscal 1979, and \$36 million in fiscal 1985. Loss with respect to geopressurized methane gas will be \$9 million in fiscal 1978, \$16 million in fiscal 1979, and \$23 million in fiscal 1985.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
36c. At risk limitation (sec. 2072 of the House bill, and sec. 1043 of the Senate bill)	Amount of any loss (otherwise allowable for the year) which may be deducted in connection with exploring for, or exploiting, oil and gas cannot exceed the aggregate amount with respect to which the taxpayer is at risk with regard to the property at the close of the taxable year (i.e., generally the amount of the taxpayer's basis reduced by any nonrecourse borrowing to which the property is subject). The at risk limitation applies to all taxpayers except corporations.	Extends present law to geothermal properties (including geopressurized methane gas properties), and treats developing geothermal properties as an activity separate from developing oil and gas properties. The provision treats developing geothermal properties and developing geopressurized methane gas properties as a single activity subject to the at risk rules. ***Effective date.***—Applies to wells commenced on or after April 20, 1977, in taxable years ending after that date. ***Revenue effect.***—Gain is less than $1 million annually.	Extends present law to geothermal properties and to geopressurized methane gas properties. Treats developing geothermal properties as an activity separate from developing oil and gas properties, and from developing geopressurized methane gas properties. ***Effective date.***—Same as House provision. ***Revenue effect.***—Gain is less than $1 million annually.	Same provision is in both bills.
37. Percentage depletion for peat (sec. 1042 of the Senate bill).	Peat is allowed 5 percent depletion.	No provision.	Allows 10-percent depletion for peat from U.S. deposits which is used as fuel or otherwise to produce energy. (Peat for other purposes still allowed 5 percent depletion.) ***Effective date.***—Applies to taxable years ending after December 31, 1977. ***Revenue effect.***—Loss is less than $1 million annually. ***Energy savings.***—Negligible.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
38. **Production credits for nonconventional oil and gas** (sec. 1044 of the Senate bill). *a. Oil shale credit*	No provision for production credits.	No provision.	Provides nonrefundable income tax credits for production of nonconventional oil and gas in or offshore of U.S. or possessions: (a) $3 per barrel for shale oil;	
b. Credit for oil from tar sands (sec. 1044 of the Senate bill; floor amendment by Sen. Garn, adopted by voice vote)		No provision.	(b) $3 per barrel for oil from tar sands;	
c. Credit for geopressurized methane gas		No provision.	(c) 50 cents per mcf for geopressurized methane gas;	
d. Credit for gas from tight rock formations		No provision.	(d) 50 cents per mcf for tight rock formation gas (e.g., gas from Devonian shale, coal seam methane gas, and gas from Western tight rock formations). Credit allowed according to ratio which taxpayer's gross income from property bears to total gross income from property.	
e. Reduction of production credits by Federal grants (sec. 1044 of the Senate bill; floor amendment by Sen. Hathaway, adopted by voice vote)	No provision.	No provision.	Reduces production credits according to ratio between Federal grants for equipment and facilities and total investment in equipment and facilities for nonconventional energy processes. Reduction applies on project-by-project basis.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
38. e. Production credits for nonconventional oil and gas (Cont.)			***Effective date.***—Taxable years beginning after December 31, 1977. ***Revenue effect.***—The shale oil credit will reduce revenues by $4 million in fiscal 1978, $19 million in fiscal 1979, and $327 million in fiscal 1985. The tar sands oil credit will reduce revenues by less than $5 million annually through fiscal year 1985. The geopressurized methane gas credit will have no revenue impact in fiscal 1978 and 1979; it will reduce revenues by $52 million in fiscal 1985. The tight rock formation gas credit will have no revenue impact in fiscal 1978 and 1979; it will reduce revenues by $194 million in fiscal 1985. ***Energy savings.***—It is estimated that oil imports will be reduced by 245,000 barrels per day in 1985 as a result of these provisions.	

30-727—78——34

G. LIMITATION OF PRESIDENT'S AUTHORITY TO ADJUST OIL IMPORTS; IMPORT ADJUSTMENT TAX CREDIT

(Sec. 1055 of the Senate Bill)

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
39. **Amendments to Trade Expansion Act of 1962**	President may adjust imports of petroleum or petroleum products by quotas or monetary exactions (tariffs, duties, or fees) so that such imports do not threaten national security. (Sec. 232(b) of Trade Expansion Act of 1962) License fees of 21 cents and 63 cents per barrel are imposed on crude petroleum and refined petroleum products, respectively. (Duties of 5 to 10 cents per barrel, depending on gravity of oil, are also imposed but they reduce the amount of fees.)		Nullifies President's authority to adjust imports of petroleum or petroleum products under section 232 (b) of Trade Expansion Act of 1962, except for:	
a. Restrictions on President's authority to adjust imports of crude petroleum		No provision.	(a) Military and defense emergencies involving national security; or	
b. Clarification of President's authority to adjust imports of refined petroleum products		No provision.	(b) Adjustments of imports of refined petroleum products if, after investigation, President determines that the national security necessitates adjusting such imports. Period within which national security reviews by the Secretary of the Treasury with regard to such imports must be reported to the President is reduced from 12 to 6 months.	
c. National security status of domestic refining industry	No provision.	No provision.	Expressly recognizes close relation between national security and a U.S. refining industry which is competitive with foreign refineries.	
d. Congressional veto of presidential import adjustments (Floor amendment by Sen. Javits, adopted by voice vote)	No provision.	No provision.	Presidential adjustment of imports of refined petroleum products under Trade Expansion Act of 1962 authority must be transmitted to Congress and cannot become effective, if both Houses if Congress veto adjustment within 30 days of transmittal.	
e. President refund authority relating to duties on petroleum products imported by public utilities (Floor amendment by Sen. Riegle, adopted by voice vote)	No provision.	No provision.	Requires President to establish procedure for refunding all or part of any increased tariff, fees, etc., on imported refined petroleum products to a public utility which demonstrates to the President's satisfaction that it imports such products solely because of unavailability of domestic supplies (regardless of price) of such product or of alternate domestic fuels or energy sources.	

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
40. Amendments to Trade Act of 1974	Title I of Trade Act of 1974 allows President to impose or increase duties on any imports pursuant to trade agreements with foreign countries.	No provision.	Bars presidential imposition of, or increase in, import duties on petroleum or petroleum products pursuant to trade agreements with foreign countries under authority granted the President in Title I of the Trade Act of 1974.	
	Title V of Trade Act of 1974 allows President to designate imports from a developing country as eligible articles for duty-free import treatment.	No provision.	Bars President from designating imported petroleum or petroleum products as eligible articles for duty-free import treatment under Title V of the Trade Act of 1974.	
41. Refined petroleum product import adjustment tax credit (sec. 1055(d) of Senate bill; floor amendment by Sen. Moynihan, adopted by voice vote)	No provision.	No provision.	Provides refundable tax credit to purchasers of refined petroleum products (both imported and domestic) for qualified uses, that is use in residences, hospitals, churches and schools. Tax-exempt hospitals, churches and schools are eligible for credit. Amount of credit is determined by multiplying units of such products used by an adjustment amount. The adjustment amount is determined by dividing the net revenues from any increased duty or fee imposed by the President under section 232(f) of the Trade Expansion Act of 1962 on imported refined petroleum products by number of units used for qualified uses. Advance quarterly refunds allowed taxpayer by application on an estimated basis for credits in excess of tax liability. ***Effective date.***—Taxable years beginning after December 31, 1976.	

30-727—78——36

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
42. Intangible drilling cost deductions for oil and gas wells and the minimum tax (sec. 2071 of the House bill and sec. 1051 of the Senate bill)	For taxable years beginning in 1977, excess IDC deductions over the amount which would have been allowable under either 10-year amortization or cost depletion, and which also exceed oil and gas income, constitute an item of tax preference subject to the minimum tax for individuals. (For taxable years beginning after 1977, the preference would not be reduced by oil and gas income.)	Extends present law for future years. ***Effective date.***—Effective upon enactment and applicable to taxable years ending after December 31, 1977. ***Revenue effect.***—Loss will be \$32 million in fiscal 1979, \$37 million in fiscal 1980, and \$74 million in fiscal 1985.	Same as House provision. ***Effective date.***—Same as House provision. ***Revenue effect.***—Same as House provision.	Same provision is in both bills.
43. Rerefined lubricating oil (sec. 2074 of the House bill, and sec. 1052 of the Senate bill)	A 6-cent-per-gallon manufacturers excise tax is imposed on lubricating oil (other than cutting oils) sold in the United States by a manufacturer or producer, or used anywhere by a manufacturer or producer. The sale of recycled oil is not subject to the tax unless the recycled oil is mixed with new lubricating oil. In such a case, the excise tax is imposed on the portion of the mixture which consists of new lubricating oil.	The provision exempts the sale of lubricating oil from the 6-cent-per-gallon manufacturers excise tax where the lubricating oil is sold for use in a mixture with previously used or waste lubricating oil which has been cleaned, renovated, or rerefined. For the exemption to apply, the blend of old and new oil must consist of 25 percent or more of waste or rerefined oil. All of the new oil in a mixture is to be exempt from the excise tax if the blend contains 55 percent or less new oil. If the mixture contains more than 55 percent new oil, the excise tax exemption applies only with regard to the portion of the new oil that does not exceed 55 percent of the mixture. ***Effective date.***—Effective for sales on or after the first day of the first calendar month beginning more than 10 days after enactment. ***Revenue effect.***—Loss of \$3 million annually (which would otherwise go into the Highway Trust Fund until the Fund terminates September 30, 1979).	Same as House provision. ***Effective date.***—Same as House provision. ***Revenue effect.***—Same as House provision.	Same provision is in both bills.

30-727—78——37

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
44. Annual report on energy and revenue effects of the bill (sec. 2075 of the House bill and sec. 1053 of the Senate bill.)	None.	Requires the President to submit an annual report to the Congress every August after 1977. The report is to provide estimates of the amount of revenue increases or decreases resulting from each energy tax provision, and an evaluation of the extent to which each provision has resulted in increased energy conservation and production. It also requires the President to provide such other information as he determines is relevant for an evaluation of the provisions of the bill. The President is expected to include in his report the petroleum (or natural gas) savings resulting from each provision and the extent of any shifts from petroleum and natural gas to other materials resulting from each provision. ***Effective date.***—Effective upon enactment.	Same as House Provision. ***Effective date.***—Same as House provision.	Same provision is in both bills.
45. White House Conference on Energy Conservation, and National Energy Conservation Planning and Advisory Council (sec. 1057 of the Senate bill; floor amendment by Sen. Percy, adopted by voice vote)	No provision.	No provision.	President urged to convene a White House Conference on Energy to assess problems and make recommendations relating to energy conservation, no later than December 31, 1978. National Energy Conservation Planning and Advisory Council of 15 members, appointed by the President, is established to arrange the Conference's meetings, and to review its recommendations.	
46. Suspension of import duty on insulation materials (sec. 1058 of the Senate bill; floor amendment by Sen. Hathaway, adopted by vote)	Import duties are placed upon insulation materials at the following rates:[1] (a) a duty on glass fiber and related insulation materials at 11 percent of the value (ad valorem); (b) a duty on mineral wool and related materials at 7.5 percent ad valorem; and (c) a duty on boric acid (used to make blown insulation fire-retardant) at 4/10ths of 1 cent per pound. However, no duty is placed upon imports of any of these three types of insulation if the exporting country is a less-developed country.	No provision.	Import duties on glass fiber, mineral wool and related insulation materials, and boric acid would be suspended with respect to material entered or withdrawn from warehouse for consumption. ***Effective date.***—The suspension is effective for materials entered or withdrawn from warehouse on or after the date of enactment of this act. The suspension of duty would be effective through June 30, 1979 (a period of approximately 18 months). ***Revenue effect.***—Reduction in budget of $1 million per year in fiscal years 1978 and 1979.	House recedes with an amendment that the provision apply to imports limited to insulation purposes.

[1] All rates given are "most-favored nation" rates.

Item	Present Law	House Bill	Senate Bill	Tentative Decisions
47. Energy stamp program (sec. 1059 of the Senate bill; floor amendment by Sen. Weicker, adopted by voice vote)	No provision.	No provision.	Authorizes annual appropriations of $25 million for each of fiscal years 1978, 1979, and 1980, for five pilot projects to demonstrate an energy-stamp program providing financial assistance to low- and fixed-income households (homeowners or apartment dwellers) for residential energy costs. Participants must pay one-third the value of energy stamps received. ***Effective date.***—Authorization applies for fiscal years 1978–80. ***Revenue effect.***—Authorizes appropriations of $25 million per year for fiscal years 1978–80.	
48. Expedited consideration of authorization for U.S. oil pipelines from West Coast (secs. 1081–1086 of the Senate bill; floor amendment by Sen. Melcher, adopted by voice vote)	No provision.	No provision.	Sets deadlines and otherwise expedites consideration of Federal authorizations for proposed U.S. pipeline systems to carry crude oil supplies inland from the West Coast. Also expedites judicial review of any such authorizations. ***Effective date.***—Upon enactment.	
49. Coordination of effective dates with the Congressional Budget Act (sec. 1091(b) of the Senate bill)	The Second Congressional Budget Resolution provides that the revenues for fiscal year 1978 will be $397 billion.	No similar provision.	Provides that notwithstanding any other provision of the bill, the Secretary of Treasury is to postpone (but not later than September 30, 1978) any of the effective dates of the bill to assure that revenues for the fiscal year 1978 will not be less than $397 billion.	
50. Sense of the Senate regarding revenue loss from the bill for fiscal year 1978 (sec. 1092 of the Senate bill) bill)	The Second Congressional Budget Resolution allows for reduction in budget receipts from the energy tax provisions of $1.0 billion for fiscal year 1978 (in reaching the budgeted revenue total of $397 billion).	The revenue reduction from the energy tax provisions in the House bill for fiscal year 1978 amounts to $972 million.	The Senate bill expresses the sense of the Senate that the conferees on the part of the Senate shall, to the extent practical, limit the revenue loss from this bill to $972 million for the fiscal year 1978:	

30–727—78——39

II. COMPARISON OF BUDGET EFFECTS OF THE HOUSE AND SENATE ENERGY TAX PROVISIONS

Table 1.—Estimated Budget Effects of the House Bill, Fiscal Years 1978–85

[In millions of dollars]

Item and section	1978	1979	1980	1981	1982	1983	1984	1985	Total 1978–85
Residential energy tax credits:									
Sec. 2011:									
Credit for insulation and other energy-conserving components	−361	−466	−491	−518	−546	−576	−608	−541	−4,107
Credit for solar and wind energy expenditures	−26	−54	−62	−71	−87	−111	−140	−169	−720
Subtotal	−387	−520	−553	−589	−633	−687	−748	−710	−4,827
Transportation tax provisions:									
Sec. 2021–22: Gas guzzler tax		100	100	100	135	150	160	170	915
Sec. 2023: Repeal of deduction for State and local tax on gasoline	115	780	859	944	1,039	1,143	1,257	1,383	7,520
Sec. 2024: Extension of existing tax rate on gasoline and other motor fuels			3,302	3,404	3,496	3,585	3,677	3,772	21,236
Sec. 2025: Amendment of motorboat fuel provisions	1	4	4	4	4	4	4	4	29
Sec. 2026: Repeal of excise tax on buses	−13	−9	−9	−9	−9	−9	−9	−9	−76
Sec. 2027: Repeal of excise tax on bus parts	−3	−3	−3	−3	−3	−3	−3	−3	−24
Sec. 2028: Removal of excise tax on certain items used in connection with buses	−13	−13	−13	−13	−13	−13	−13	−13	−104
Sec. 2029: Credit for qualified electric motor vehicles	(*)	(*)	−1	−1	−2	−4			−8
Subtotal	87	859	4,239	4,426	4,647	4,853	5,073	5,304	29,488

See footnotes at end of table.

Table 2.—Estimated Budget Effects of the Senate Bill, Fiscal Years 1978–85

[In millions of dollars]

Item and section	1978	1979	1980	1981	1982	1983	1984	1985	Total 1978–85
Residential energy credits:									
Sec. 1011:									
Credit for insulation and other energy-conserving components	−529	−812	−1,126	−1,414	−1,594	−1,294	−1,220	−1,285	[1] −9,274
Credit for renewable energy source equipment	−27	−58	−67	−76	−95	−121	−154	−186	[2] −784
Subtotal	−556	−870	−1,193	−1,490	−1,689	−1,415	−1,374	−1,471	[3] −10,058
Transportation tax provisions:									
Sec. 1021: Tax extension to 1985 of existing rate on gasoline and other motor fuels			3,302	3,404	3,496	3,585	3,677	3,772	21,236
Exemption or reduction of tax rate for certain blended fuels	([6])	([6])	([6])	([6])	([7])	−6	−20	−50	−76
Sec. 1022–1023: Denial of credit or refund for nonbusiness, nonhighway use of gasoline and amendment of motor boat fuel provisions		4	4	4	4	4	4	4	28
Sec. 1024: Removal of excise tax on buses	−13	−9	−9	−9	−9	−9	−9	−9	−76
Sec. 1025: Removal of excise tax on bus parts	−3	−3	−3	−3	−3	−3	−3	−3	−24
Sec. 1026: Removal of excise tax on certain items used in connection with intercity, local, and school buses	−13	−13	−13	−13	−13	−13	−13	−13	−104
Sec. 1027: Vanpooling incentives	([4])	([4])	([4])	([4])	([4])	([4])	([4])	([4])	([5])
Sec. 1028: Credit for qualified electric and hydrogen motor vehicles	−2	−2	−3	−4	−5	−8	−11	−15	[6] −50
Subtotal	−31	−23	3,278	3,379	3,470	3,550	3,625	3,686	20,934

See footnotes at end of table.

30–727—78——40

[Table 1—Cont.]

Crude oil equalization and natural gas liquids tax after rebate (secs. 2031–40) [1]	−347	3, 105	8, 638	11, 557	3, 633				26, 586
Excise tax on business use of oil and natural gas after income offset and rebate (secs. 2041 and 2051):									
Industrial		−25	398	88	164	592	715	784	2, 716
Utilities							98	94	192
Subtotal		−25	398	88	164	592	813	878	2, 908
Changes in business investment credit to encourage conservation of or conversion from oil and gas or to encourage new energy technology (sec. 2061):									
Alternative conservation and new technology credits	−409	−415	−516	−673	−789	−491			−3, 293
Investment credit disallowed on property financed with credits:									
Industrial		57	184	238	231	261	298	345	1, 614
Utilities						34	73	69	176
Investment credit denied, and depreciation limited to straight-line on oil or gas burning equipment, and air-conditioning and space heaters	93	111	121	114	103	99	93	88	822
Subtotal	−316	−247	−211	−321	−455	−97	464	502	−681
Tax incentives relating to alternative fuel sources:									
Sec. 2072: Option to deduct intangible drilling costs on geothermal deposits	−5	−10	−17	−21	−20	−20	−32	−54	−179
Sec. 2073: 10-percent depletion in case of geothermal deposits	−1	−1	−1	−2	−2	−2	−2	−2	−13
Subtotal	−6	−11	−18	−23	−22	−22	−34	−56	−192

of table.

[Table 2—Cont.]

Tax credits for home energy costs:									
Sec. 1012: Energy cost credit for the elderly		−1, 169	−1, 180	−1, 192	−1, 202	−1, 212	−1, 223	−1, 233	[7] −8,411
Sec. 1013: Tax credit for increased residential energy costs attributable to imported oil	−6	−37	−40	−44	−46	−50	−52	−57	[8] −332
Sec. 1055(e): Tax credit for home heating oil costs	−183	−1, 217	−1, 207	−1, 181	−1, 155	−954			−5, 897
Sec. 1061: Tax credit for home	−69	−462	−476	−479	−485	−411			−2, 382
Subtotal	−258	−2, 885	−2, 903	−2, 896	−2, 888	−2, 627	−1, 275	−1, 290	−17, 022
Excise tax on business use of oil and natural gas after income tax offset and rebate (Secs. 1065–67)	—	—	21	31	6	33	62	91	244
Investment credits to encourage conservation of, or conversion from, oil and gas or to encourage new energy technology:									
Sec. 1031: Additional credit for investment in certain energy related depreciable property	−856	−919	−1, 238	−1, 451	−1, 695	−1, 886	−2, 131	−2, 465	−12, 641
Sec. 1032: Additional credit for investment credit with respect to certain energy property	−225	−241	−281	−330	−394	−485	−569	−640	−3, 165
Sec. 1033: Payment in lieu of credit to tax exempt organizations	−54	−53	−59	−69	−75	−85	−95	−106	−596
Subtotal	−1, 135	−1, 213	−1, 578	−1, 850	−2, 164	−2, 456	−2, 795	−3, 211	−16, 402
Tax incentives relating to alternative fuel sources:									
Sec. 1041: Use of industrial development bonds for coal gasification and liquefaction and bioconversion facilities	−3	−13	−27	−47	−69	−97	−124	−152	−532
Sec. 1042: Percentage depletion:									
Peat	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(5)
Geothermal	(4)	(4)	(4)	−2	−4	−6	−7	−9	−28
Geopressurized methane			−1	−3	−5	−8	−10	−14	−41
Sec. 1043: Option to deduct intangible drilling costs:									
Geothermal	−14	−14	−18	−21	−26	−30	−37	−44	−204
Geopressurized methane	−9	−16	−17	−18	−20	−20	−21	−23	−144
Sec. 1044: Tax credits for production of oil and gas from nonconventional sources:									
50 cents credit per mcf of geopressurized methane gas			−7	−14	−22	−31	−40	−52	−166
50 cents credit per mcf of gas from nonconventional source			−29	−58	−90	−124	−154	−194	−649
$3 credit per barrel of shale oil and oil from tar sands	−4	−19	−48	−83	−126	−176	−240	−327	−1, 02[illegible]
Subtotal	−30	−62	−147	−246	−362	−492	−633	−815	−2, 78[illegible]

[Table 1—Cont.]

Provision and section	1978	1979	1980	1981	1982	1983	1984	1985	Total, 1978–85
Miscellaneous provisions:									
Sec. 2071: Treatment of intangible drilling costs for purposes of minimum tax		−32	−37	−42	−48	−56	−65	−74	−354
Sec. 2074: Rerefined lubricating oil	−3	−3	−3	−3	−3	−3	−3	−3	−24
Subtotal	−3	−35	−40	−45	−51	−59	−68	−77	−378
Total	−972	3, 126	12, 453	15, 093	7, 283	4, 580	5, 500	5, 841	52, 904

[1] The amounts shown are net of business income tax offset and refunds and after per taxpayer credits and special payments to rebate the tax collected from 1978 calendar year liability to the general public.

*Less than $500,000.

[Table 2—Cont.]

Provision and section	1978	1979	1980	1981	1982	1983	1984	1985	Total, 1978–85
Miscellaneous provisions:									
Sec. 1051: Treatment of intangible drilling costs for purposes of minimum tax		−32	−37	−42	−48	−56	−65	−74	−354
Sec. 1052: Rerefined lubricating oil	−3	−3	−3	−3	−3	−3	−3	−3	−24
Sec. 1058: Duty on building insulation materials and related materials	−1	−1							−2
Subtotal	−4	−36	−40	−45	−51	−59	−68	−77	−380
Total	−2, 014	−5, 089	−2, 562	−3, 117	−3, 678	−3, 466	−2, 458	−3, 087	−25, 471

[1] In addition, these provisions are estimated to decrease budget receipts by $1,054 million in fiscal year 1986.

[2] In addition, these provisions are estimated to decrease budget receipts by $224 million in fiscal year 1986.

[3] In addition, these provisions are estimated to decrease budget receipts by $1,278 million in fiscal year 1986.

[4] Less than $1,000,000.

[5] Less than $5,000,000.

[6] In addition, these provisions are estimated to decrease budget receipts by $19 million in fiscal year 1986.

[7] In addition, these provisions are estimated to decrease budget receipts by $1,243 million in fiscal year 1986.

[8] In addition, these provisions are estimated to decrease budget receipts by $61 million in fiscal year 1986 and by additional amounts thereafter.

30-727—78——42

Table 3.—Crude Oil and Natural Gas Liquids Equalization Tax Under the House Bill: Relationship of Gross Tax to the Amounts Available for Credits and Payments, Fiscal Years 1978–82

[In millions of dollars]

Item	1978	1979	1980	1981	1982	Total, 1978–82
Gross crude oil equalization tax collections	1,897	6,349	11,294	14,596	4,802	38,938
Reduction in income tax liabilities of business resulting from less than full passthrough of tax to prices	−305	−971	−1,720	−1,944	−900	−5,840
Refund for oil used to produce natural gas liquids at refineries	−29	−97	−168	−211	−68	−573
Refund for oil used to heat:						
Homes	−82	−476	−688	−793	−181	−2,220
Hospitals, schools and churches	−9	−54	−80	−91	−20	−254
Estimated per taxpayer credits	−1,819	−780				−2,599
Net effect on budget receipts	**−347**	**3,971**	**8,638**	**11,557**	**3,633**	**27,452**
Special payments to refund tax collected from 1978 liabilities to qualified recipients		−866				−866
Amount available for return to general public in future years from equalization tax liability incurred after 1978	−347	3,105	8,638	11,557	3,633	26,586

Table 4.—Estimated Budget Effect of Tax Credits Related to Home Energy Costs Under the Senate Bill, Fiscal Years 1978–85

[In millions of dollars]

Item	1978	1979	1980	1981	1982	1983	1984	1985	Total, 1978–85
Energy cost credit for the elderly		−1,169	−1,180	−1,192	−1,202	−1,212	−1,223	−1,233	[1] −8,411
Credit for increased residential energy costs attributable to imported oil	−6	−37	−40	−44	−46	−50	−52	−57	[2] −332
Credit for home heating oil costs	−183	−1,217	−1,207	−1,181	−1,155	−954			−5,897
Credit for home propane costs	−69	−462	−476	−479	−485	−411			−2,382
Total	**−258**	**−2,885**	**−2,903**	**−2,896**	**−2,888**	**−2,627**	**−1,275**	**−1,290**	**−17,022**

[1] In addition, estimated to reduce budget receipts by $1,243 million in fiscal year 1986.
[2] In addition, estimated to reduce budget receipts by $61 million in fiscal year 1986 and by additional amounts thereafter.

Table 5.—Excise Tax on Business Use [1] of Oil and Natural Gas Under the House Bill: Relationship of Gross Tax to Net Effect on Budget Receipts, Fiscal Years 1979–85

[In millions of dollars]

Item	1979	1980	1981	1982	1983	1984	1985	Total, 1978–85
Gross tax before rebate for qualified investment		1,734	2,796	3,642	4,678	5,605	6,638	25,093
Rebate for qualified investment		−1,298	−2,686	−3,421	−3,990	−4,780	−5,714	−21,889
Reduction in income tax liabilities of businesses resulting from less than full passthrough of tax to prices	−25	−38	−22	−57	−96	−110	−140	−488
Net effect on budget receipts	**−25**	**398**	**88**	**164**	**592**	**715**	**784**	**2,716**

[1] Other than utility.

Table 6.—Excise Tax on Business Use [1] of Oil and Natural Gas Under the Senate Bill: Relationship of Gross Tax to Net Effect on Budget Receipts, Fiscal Years, 1979–85

[In millions of dollars]

	1979	1980	1981	1982	1983	1984	1985	Total, 1979–85
Gross tax before rebate for qualified investment		22	44	166	307	475	646	1,660
Rebate for qualified investment			−8	−155	−269	−404	−542	−1,378
Reduction in income tax liabilities of businesses resulting from less than full passthrough of tax to prices		−1	−5	−5	−5	−9	−13	−38
Net effect on budget receipts		**21**	**31**	**6**	**33**	**62**	**91**	**244**

[1] Other than utility.

30–727—78——43

Table 7.—Business Energy Conservation, and Advanced Technology Tax Credits[2] Under the House Bill, Fiscal Years 1978–85

[In millions of dollars]

Credit provision	1978	1979	1980	1981	1982	1983	1984	1985	Total, 1978–85
Credit for nonrebate alternative energy property	−23	−21	−32	−50	−58	−34			−218
Credit for cogeneration property [1]	−28	−41	−80	−127	−159	−91			−526
Credit for advanced technology property (solar, geothermal, and wind-related equipment)[1]	−15	−19	−26	−42	−58	−37			−197
Credit for specially defined energy property (primary heat recovery equipment; also includes mixed fuel burning equipment)[1]	−224	−218	−250	−306	−350	−225			−1, 573
Credit for recycling equipment	−29	−28	−30	−34	−37	−21			−179
Credit for business insulation property[1]	−90	−88	−98	−114	−127	−83			−600
Total	**−409**	**−415**	**−516**	**−673**	**−789**	**−491**			**−3, 293**

[1] Only if applied to or within a structure in existence before April 20, 1977.
[2] Reflects a nonrefundable 10% credit rate for all items.

Table 8.—Estimated Budget Effect of Tax Credits for Business Qualified Energy Property by Type of Property[1] Under the Senate Bill, Fiscal Years 1978–85

[In millions of dollars]

Credit provision	1978	1979	1980	1981	1982	1983	1984	1985	Total, 1978–85
Alternative energy property [2, 3]	−424	−508	−799	−984	−1, 189	−1, 345	−1, 547	−1, 837	−8, 633
Specially defined energy property [4]	−486	−464	−498	−536	−581	−626	−679	−734	−4, 604
Cogeneration property [5, 6]	−28	−41	−74	−111	−156	−224	−286	−325	−1, 245
Recycling equipment [5, 6]	−32	−31	−33	−38	−41	−46	−50	−54	−325
Shale oil equipment [6]	−3	−10	−17	−24	−30	−37	−44	−57	−222
Transportation equipment[6]	−25	−20	−10	([7])	([7])	([7])	([7])	([7])	−55
Geopressurized methane equipment [6]	−4	−9	−9	−9	−10	−11	−11	−12	−75
On-site electrical heat processing equipment [5, 6]	−30	−29	−31	−35	−38	−42	−46	−51	−302
Business insulation property [5, 6]	−103	−101	−107	−113	−119	−125	−132	−141	−941
Total	**−1, 135**	**−1, 213**	**−1, 578**	**−1, 850**	**−2, 164**	**−2, 456**	**−2, 795**	**−3, 211**	**−16, 402**

[1] These classifications are by property and show the credits received by taxpayers, tax exempt organizations, and state and local governments.
[2] Includes utility property.
[3] Reflects a refundable 15% credit rate.
[4] Reflects a refundable 10% credit rate.
[5] Only if applied to or within a structure in existence before April 20, 1977.
[6] Reflects a nonrefundable 10% credit rate.
[7] Less than $5 million.

III. COMPARISON OF OIL IMPORT SAVINGS IN 1985 OF HOUSE AND SENATE ENERGY TAX PROVISIONS

House Bill	Oil Import Savings in 1985
Residential Energy Credits:	
Sec. 2011.—Credit for insulation and other energy components	270,000
Credit for solar and wind energy expenditures	22,000
Subtotal	292,000
Transportation Tax Provisions:	
Sec. 2021–2.—Gas guzzler tax	175,000
Sec. 2023.—Repeal deduction for State-local gasoline tax	negligible
Sec. 2024.—Extension of 4-cent gasoline tax	26,000
Sec. 2025–29.—Amendment of motorboat fuel provisions; repeal of excise tax on buses, bus parts; tax credit for electric motor vehicles	negligible
Subtotal	201,000
Crude Oil Equalization and Natural Gas Liquids Taxes and Rebates: (secs. 2031–40)	540,000
Industrial Use Tax and Energy Investment Tax Credits: (secs. 2041, 51, 61)	1,000,000
Tax Incentives for Alternative Fuel Sources:	
Sec. 2072–73.—Intangible drilling costs (JDCs) deductible for geothermal; 10-percent depletion for geothermal	8,000
Miscellaneous:	
Sec. 2071–72.—Oil and gas intangible drilling cost deduction and minimum tax; rerefined lubricating oil	negligible
Total	2,041,000

Senate Bill	Oil Import Savings in 1985
Residential Energy Credits:	
Sec. 1011.—Credit for insulating and other energy components	300,000
Credit for renewable energy source equipment	25,000
Subtotal	325,000
Transportation Tax Provisions:	
Sec. 1021.—Extension of 4-cent gasoline tax	26,000
Sec. 1022–28.—Denial of credit or refund for nonbusiness use; removal of excise tax on buses, bus parts; tax credit for electric and hydrogen-powered motor vehicles; vanpooling incentives	negligible
Subtotal	26,000
Investment Credits to Encourage Conservation and Conversion, Tax on Industrial Use of Oil and Gas, and Credits for New Technology; Use Tax:	
Secs. 1031–33 and 1065–67.	
Alternative Energy Property; Use Tax	550,000
Cogeneration Credit	25,000
Recycling Credit	12,000
Business Insulation Credit / Specially Defined Energy Property	160,000
Payment in Lieu of Credit, to Tax-Exempt Organizations	33,000
Subtotal	780,000
Tax Incentives for Alternative Fuels:	
Sec. 1041.—IDBs for coal gasification, etc	negligible
Sec. 1042.—Depletion for peat, geothermal and geopressurized methane gas	20,000
Sec. 1044.—Tax credits for production of oil a nd gas from nonconventional sources	245,000
Subtotal	265,000
Miscellaneous:	
Secs. 1051–52, and 1058.—Oil and gas intangible drilling cost deduction and minimum tax: rerefined lubricating oil; suspension of import duties on insulation	negligible
Total	1,396,000