

[JOINT COMMITTEE PRINT]

**SUMMARY OF H.R. 3919:
THE CRUDE OIL WINDFALL PROFIT
TAX ACT OF 1979
(AS REPORTED BY THE SENATE COMMITTEE ON
FINANCE)**

PREPARED FOR THE USE OF THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
BY THE STAFF OF THE
JOINT COMMITTEE ON TAXATION



NOVEMBER 6, 1979

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1979

53-377 O

JCS-46-79

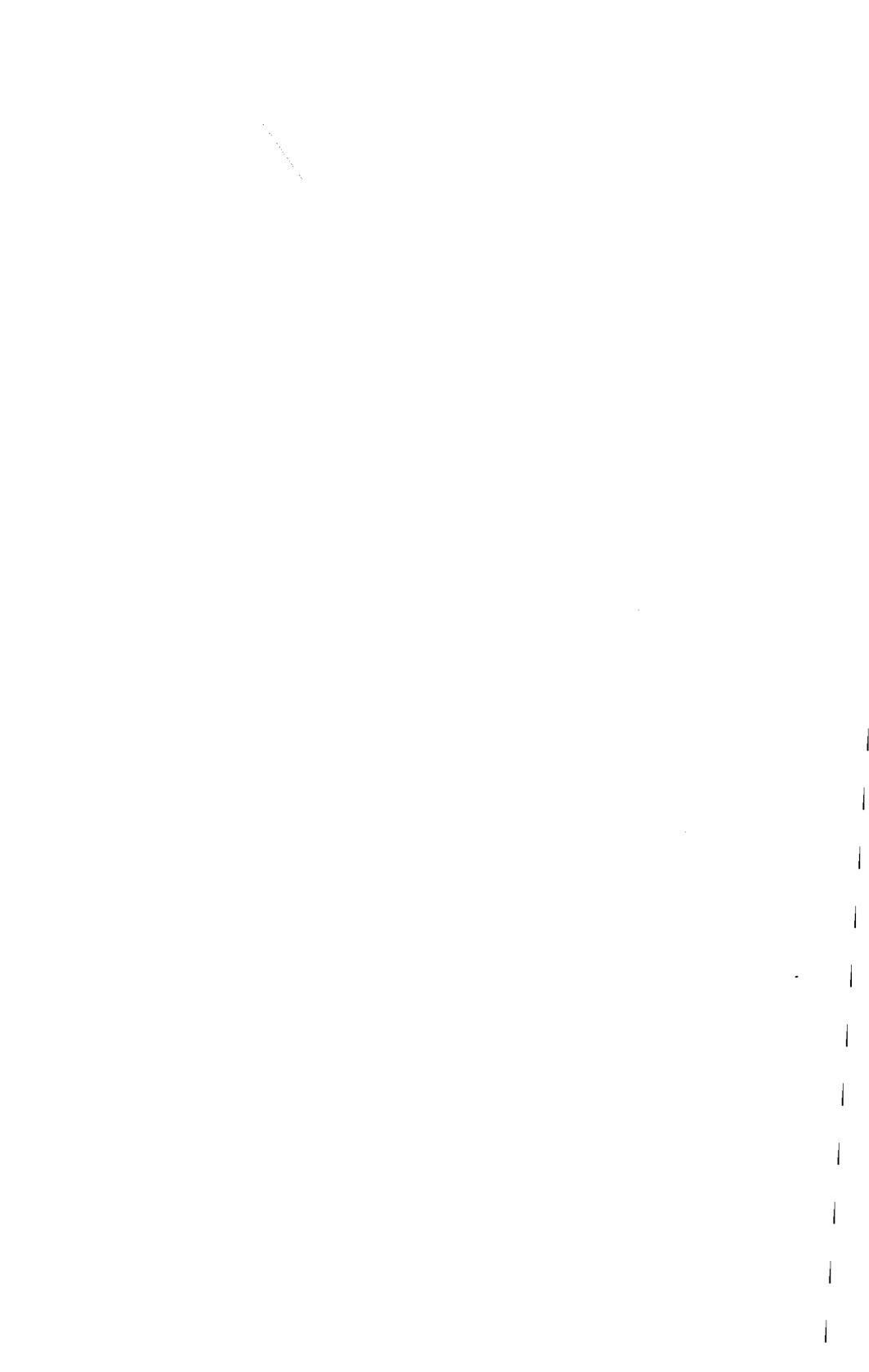
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INTRODUCTION

This pamphlet summarizes the Senate Finance Committee substitute for H.R. 3919, the Crude Oil Windfall Profit Tax Act of 1979, and compares it with the House bill. The pamphlet also presents the budget effects of the substitute.

This is intended to be a brief summary of the committee substitute. The Senate Finance Committee report (S. Rept. 96-394) is the official legislative authority.



SUMMARY OF H.R. 3919

Overview

The Senate Finance Committee substitute for H.R. 3919, the "Crude Oil Windfall Profit Tax Act of 1979," consists of six major parts. Part I imposes a windfall profit tax on domestically produced crude oil. Part II includes tax incentives to encourage residential energy conservation. Part III provides tax incentives for businesses to encourage energy conservation and production of alternative energy sources. Part IV provides aid to low-income persons and a tax credit based on increases in residential heating costs. Part V establishes a Transportation Trust Fund, a Low-Income Energy Assistance Trust Fund, and a Taxpayer Trust Fund. Part VI repeals carryover basis.

The House bill imposes a windfall profit tax and creates an energy trust fund but does not have any comparable provisions to Parts II, III, IV, or VI of the Finance Committee substitute.

Windfall profit tax

The windfall profit tax is an excise, or severance, tax on domestically produced crude oil. Taxable oil is taxed in one of three tiers. For each tier the taxable windfall profit is the difference between the selling price of the oil and a base price, minus an adjustment for the State severance tax on the windfall profit. The base price averages \$6 per barrel for tier 1, \$13 for tier 2, and \$15.30 for tier 3, each of which is adjusted for inflation. The tax rate applied to the windfall profit is 75 percent for tier 1 and 60 percent for tiers 2 and 3. Tier 1 consists of oil which would have been lower tier, or old, oil had previous price controls been continued, and it gradually phases into tier 2. Tier 2 consists of oil which would have been upper tier, or new, oil under the old price control regulations, plus some special categories like marginal and high water-cut oil. Tier 3 is stripper oil. There are exemptions from the tax for newly discovered oil, incremental tertiary oil, heavy oil, up to 1,000 barrels per day of stripper oil produced by independent producers, and interests owned by State and local governments, Indian tribes, schools and medical institutions.

Assuming a world oil price of \$30 in the fourth quarter of 1979 and oil price increases at the rate of inflation plus two percent, the Finance Committee substitute would raise \$138.2 billion between 1980 and 1990, compared to \$276.8 billion raised by the House bill.

Residential tax credits

The principal residential energy credits are:

- (1) A 15-percent home insulation credit for heat pumps, efficient replacement furnaces, and wood stoves.
- (2) A 10-percent insulation credit for landlords.
- (3) An increase in the solar energy credit to 50 percent and an extension of the credit thru 1999.

- (4) A 40-percent solar credit for landlords.
- (5) A 25-percent credit for replacement coal furnaces.

Business energy tax incentives

The principal business energy incentives are:

- (1) An increase to 20 percent and extension through 1990 for the business energy credits for solar, wind and geothermal equipment and for equipment to burn nonwood biomass or process it into a solid fuel.
- (2) Expansion of the 20-percent energy credit to ocean thermal equipment and solar equipment used for process heat.
- (3) A 10-percent energy credit for small hydroelectric projects. Liberalized depreciation and a larger ADR repair allowance for this property.
- (4) A 10-percent energy credit for non-oil cogeneration equipment, industrial heat pumps, alumina electrolytic cells, and petroleum coke and pitch equipment.
- (5) Extension of certain energy investment credits to utilities.
- (6) A transition rule for the energy credits expiring in 1982.
- (7) Replacement of the excise tax exemption for gasohol with a 40-cent-per-gallon refundable income tax credit for domestically produced alcohol (other than alcohol derived from petroleum, natural gas, or coal), and a 10-cent-per-gallon credit for alcohol made from coal, if the alcohol is used or sold for use in gasohol.
- (8) A \$3 per barrel production credit for coal liquefaction and gasification, unconventional natural gas, oil shale, tar sands, gas produced from biomass, steam produced from solid agricultural by-products and processed wood fuel.
- (9) Tax exemption for industrial development bonds for hydroelectric property and solid waste disposal facilities.
- (10) Exemption for petroleum coke and pitch from the provisions denying the investment credit and accelerated depreciation to oil or gas boilers.
- (11) Extension of the regular investment credit to all structural components eligible for the energy credit.

Lower-income assistance

The committee substitute includes two specific assistance programs:

- (1) Cash payments to SSI, AFDC, and food stamp recipients. A State, however, could elect to receive its share of these payments as a block grant.
- (2) A tax credit for individuals based on home heating costs.

Trust funds

One-half of the net revenue from the windfall profit tax is put in a Low-Income Energy Assistance Trust Fund.

One-fourth of the net revenues from the tax, up to a maximum of \$15 billion, is put into a Transportation Trust Fund.

General revenues from oil price decontrol are put into a Taxpayer Trust Fund to finance a social security payroll tax freeze in 1981 at 1980 rate and wage base levels.

The House bill puts the gross windfall profit tax revenues into an energy trust fund.

Carryover basis

The substitute repeals carryover basis.

I. Windfall Profit Tax

Overview

The windfall profit tax is an excise, or severance, tax applying to taxable crude oil produced in the United States according to its classification in one of three tiers. Essentially, the tax structure is the same for the three tiers except that each tier has a different base price above which price increases are subject to tax. The tax equals the rate times the windfall profit. The windfall profit is defined as the difference between the actual selling price of the oil and its base price (with a deduction for severance taxes on the windfall profit).

Under the committee's substitute, several categories of oil would be exempt from the tax. These include newly discovered oil, incremental tertiary oil, heavy oil, 1,000 barrels per day of stripper oil produced by independent producers, State and local oil production the proceeds from which are used for public purposes, oil production of federally recognized Indian tribes, and oil production owned by charitable medical facilities and educational institutions.

House bill.—The only specific exemptions in the House bill are oil production of State and local governments used for public education and newly discovered Alaskan North Slope oil. However, after 1990, all newly discovered oil and incremental tertiary oil are exempt.

Tier one tax

For oil in tier one the tax rate is 75 percent of the windfall profit. The windfall profit equals the difference between the actual selling price of the oil and the May 1979 lower tier, or old oil, ceiling price (which averaged just under \$6 per barrel), adjusted for inflation.

The tier one tax applies to oil that would have been controlled as lower tier oil if the pre-June 1979 price controls had been continued but receives a higher price as a result of decontrol. This tier does not include (1) oil from marginal properties which were given special treatment under the President's decontrol program, (2) high water-cut oil, i.e., oil produced with a 9:1 water to oil ratio, or (3) oil deregulated as front end financing for tertiary recovery projects. These categories of oil are taxed in tier two.

The quantity of oil on a property subject to the tier one tax is the amount of production from the property below an amount represented by a statutory decline curve. This decline curve initially equals the average daily production of lower tier oil from the property in the period October 1978–March 1979 (the base production control level). This base is reduced by 1½ percent per month beginning January 1979, which causes the tier one tax to phase out after June 1984. By July 1984, all of this oil is taxed in tier two on increases above the tier two base price.

House bill.—The House bill would apply a 60-percent tier one tax rate instead of a 75-percent tax and would include high water-cut oil in tier one.

Tier two tax

The tier two tax rate is 60 percent of the windfall profit. The windfall profit is the difference between the actual selling price and the May 1979 upper tier, or new oil, ceiling price (which averaged just over \$13 a barrel), adjusted for inflation. The tier two tax base is phased up to \$16 between November 1986 and the end of 1990.

The tier two tax applies to oil produced on a property in excess of the amount indicated by the tier one decline curve. Thus, the tier two base includes most oil that had been controlled as upper tier oil prior to the decontrol program (generally, oil discovered between 1972 and 1979) as well as oil released to tier two through the 1½ percent monthly tier one decline curve. This tier also includes production from the Sadlerochit reservoir on the Alaskan North Slope.

This tier also includes oil deregulated by DOE to provide front-end financing for tertiary recovery projects, high water-cut oil, and all production from marginal properties. High water-cut oil is oil produced on a property with an average water to oil ratio of 9 to 1. A property would qualify as being marginal if, for calendar year 1978, the average competition depth of all the property's producing wells and the average daily per well production from the property met the following limits:

<i>Average depth (in feet)</i>	<i>Average daily production (in barrels)</i>
2,000 but less than 4,000-----	20 or less.
4,000 but less than 6,000-----	25 or less.
6,000 but less than 8,000-----	30 or less.
8,000 or more-----	35 or less.

House bill.—The House bill provides for the same treatment of tier two oil except that it does not give special treatment to high water-cut oil and includes Sadlerochit (Alaskan) oil in a separate tier at a 50-percent rate and a \$7.50 base price.

Tier three tax

Tier three oil is taxable oil that is not in tiers one or two. Under the committee substitute, this is non-exempt stripper oil and oil produced from the Naval Petroleum Reserve. The tier three tax is 60 percent of the difference between the actual selling price of the oil and \$15.30,¹ adjusted for inflation and for differences in quality and location.

House bill.—The committee substitute is, in substance, the same as the House bill.

Newly discovered oil

Newly discovered oil is exempt from the tax under the committee substitute. Newly discovered oil is defined as crude oil from (1) an outer continental shelf area for which the lease was entered into on or after January 1, 1979, or (2) an onshore property from which no oil was produced in calendar year 1978. This definition is the same as that used under price controls.

¹ The \$15.30 tier 3 base price in the committee substitute has the same substantive effect as the \$16 base price in the House bill. The committee substitute begins the inflation adjustment to the tier 3 base price two quarters earlier than the House bill. The \$15.30 base price in the committee substitute together with the earlier start for the inflation adjustment leads to the exact same adjusted base price as in the House bill.

House bill.—The House bill taxes newly discovered oil to the extent the selling price exceeds \$17, adjusted for inflation. The first \$9 of windfall profit on newly discovered oil is taxed at a 50-percent rate. The windfall profit above \$9 is taxed at 60 percent. The inflation adjustment for the \$17 base price and the \$9 windfall profit eligible for the 50-percent rate is set at the actual rate of inflation plus 2 percent. The tax on newly discovered oil in the House bill terminates after 1990. The House bill applies a more restrictive definition of newly discovered oil than that used in the committee substitute.

Alaska North Slope oil

Under the committee substitute, oil produced from the Sadlerochit reservoir in Prudhoe Bay is taxed like other upper tier oil, i.e., at a 60-percent rate and with an adjustment for State severance taxes. However, the tier two base price for Sadlerochit oil (\$12.91 a barrel) is adjusted upward to reflect price changes that result from decreases in the Trans-Alaskan Pipeline System (TAPS) tariff below \$6.26. North Slope oil other than oil from the Sadlerochit reservoir is exempt from the tax.

House bill.—Under the House bill, oil from the Sadlerochit reservoir is taxed at a 50-percent rate on the difference between the well-head price and a base price of \$7.50. The base price is adjusted for inflation and for reductions in the TAPS tariff below \$6.26 adjusted for inflation. No adjustment for severance taxes is permitted in calculating the 50-percent tax on Sadlerochit oil.

Incremental tertiary oil

Under the committee substitute, incremental tertiary oil is exempt from tax. Incremental tertiary oil is the amount of production from a property on which the producer uses a qualified tertiary method in excess of a base level. The base level equals the average daily production from the property for the six-month period ending March 31, 1979, reduced by the sum of: (1) the greater of 1 percent or the property's actual decline rate for each post-1978 month before the project's beginning date and (2) 2½ percent for each month thereafter.

The committee substitute allows producers to self-certify their projects or to have DOE or another competent governmental body certify the tertiary project in advance as meeting the following criteria: (1) use of a tertiary recovery method, (2) application in accordance with sound engineering principles, (3) a reasonable expectation of increased production, and (4) compliance with Treasury regulations.

House bill.—The House bill taxes incremental tertiary oil in the same manner as newly discovered oil. In computing the decline rate, producers are not allowed to use their actual decline rate prior to the project's beginning date.

Under the House bill, there is no advance certification by a State or Federal regulatory body. In addition to the four requirements in the Finance Committee substitute, the producer's self-certification has to include the requirement that the project would be uneconomic without preferential tax treatment.

Heavy oil

The committee substitute exempts heavy oil from the tax. Heavy oil, which generally is oil with an API specific gravity of 16 degrees or less, was exempted from price controls by Executive Order 12153.

House bill.—The House bill contains no special provision for heavy oil.

Stripper oil

The committee substitute taxes nonexempt stripper production in tier three on the difference between the actual selling price of the oil and \$15.30 a barrel, adjusted for inflation and for differences in quality and location.

An exemption from the tax is provided for production from qualified stripper properties not owned by integrated oil companies. A qualified stripper property is a stripper property on which independent producers owned more than 50 percent of the working (i.e., nonroyalty) interests both on October 24, 1979, and in the taxable period in question. To qualify as a stripper property, a property would have to produce less than 10 barrels per well per day for a 12-month period while operating at the maximum feasible rate of production which is consistent with recognized conservation practices. This exemption from tax would be available to independent producers and royalty owners on the first 1,000 barrels of production per day.

Independent producers who are actively engaged in the trade or business of producing oil and gas also are eligible for the 1,000 barrel per day stripper exemption for their interests in oil produced on properties where 50 percent or more of the working interests are owned by major oil companies. On these non-qualified stripper properties, royalty owners and passive investors are not exempt. In the case of properties where exactly one-half of the working interests are owned by major oil companies, one-half the production is treated as being from qualified stripper property so that passive investors and royalty owners receive an exemption for one-half their oil.

House bill.—The House bill taxes all stripper oil in tier 3 in a manner which is, in substance, the same as the tax in the committee substitute for nonexempt stripper oil.

State and local governments

The committee substitute exempts from tax oil production of State and local governments if the proceeds are used for public purposes. The House bill exempted this oil only if the proceeds were used for public education.

Indian oil

The committee substitute expressly exempts from tax (1) oil produced from tribal trust lands, (2) oil produced from mineral interests held subject to a federally imposed restriction against alienation by an Indian tribe eligible for services provided by the Secretary of the Interior to Indians (or individual members of such a tribe), and (3) oil from which the proceeds are paid into tribal or native trust funds in the U.S. Treasury. However, the exemption does not apply to production received by non-Indian lessees of Indian mineral interests.

House bill.—The House bill does not provide a special rule for Indian oil production. Under various court decisions and IRS rulings, it is unclear whether the House-passed bill imposes a tax on Indian oil production.

Medical and educational charities

Oil produced from properties owned by charitable medical facilities and educational institutions is exempt from the windfall profit tax if the properties were owned by the charity on October 24, 1979, or if the charity received the property as a bequest after October 24, 1979.

House bill.—The House bill does not exempt oil owned by medical and educational charities.

Severance taxes

The committee substitute provides for a reduction in the windfall profit subject to tax by the amount of State severance taxes on the windfall profit. Increases in the rate of State severance tax after March 31, 1979, are taken into account only if the increase applied to the entire price of the barrel of oil. The deduction is also allowed for severance taxes properly imposed by federally recognized Indian tribes.

House bill.—The House bill does not allow a severance tax deduction for taxable North Slope oil or for the first \$9 of windfall profit on newly discovered and incremental tertiary oil. Also, no deduction is allowed for tribal severance taxes. The House bill does not allow a deduction for any increases in the severance tax rate after March 31, 1979.

Net income limitation

The committee substitute limits the windfall profit subject to tax to 90 percent of the net income from a property.

House bill.—The House bill contains a 100-percent limitation.

Interaction with income tax and percentage depletion

The windfall profit tax is a deductible business expense under the income tax under both the House bill and the committee substitute.

House bill.—For purposes of computing percentage depletion, gross income is reduced by the windfall profit.

Administrative provisions

Under the committee substitute, the first purchaser of domestic crude oil has the principal responsibility for collecting the tax and filing quarterly tax returns. The operator of the property gives the purchaser the information needed to compute the tax liability.

The principal differences in the administrative provisions between the Finance Committee substitute and the House bill are the following:

(1) The committee substitute eliminates some of the exchanges of information specifically required by the House bill. Instead these matters would be under the Secretary of the Treasury's regulatory authority.

(2) Instead of the semimonthly deposits of tax required by the House bill, the committee substitute has separate rules for integrated oil companies, independent refiners and other first purchasers. Integrated oil companies make semimonthly estimated tax payments. Non-integrated oil companies are exempt from these estimated tax obligations but make deposits of tax within 45 days after the month of purchase. Independent refiners make tax deposits within 60 days after the end of the month of purchase if they purchase the oil pursuant to a delayed payment contract.

(3) The committee substitute provides for quickie refunds of windfall profit tax overpayments attributable to the net income limitation or to an exemption, if they exceed \$1,000.

(4) The committee substitute grants exclusive trial jurisdiction over civil controversies related to the windfall profit tax to the Tax Court. Normal appellate procedures are available after Tax Court litigation. Three judges are added to the Tax Court.

Phaseout

The tax imposed by the committee substitute phases out after \$127.1 billion of net revenue has been received by the Treasury. The phaseout is accomplished by exempting 3 percent of production in the first month following the month for which the Secretary estimates that the \$127.1 billion level had been reached and by exempting an additional 3 percent of production from the tax in each succeeding month. Thus, the tax will be entirely phased out 34 months after the \$127.1 billion level is reached.

House bill.—Under the House bill, the tier three tax is a permanent tax. The tax on newly discovered oil and incremental tertiary oil, however, terminates after 1990.

Effective date and study

The windfall profit tax is effective January 1, 1980. By January 1, 1983, the President is required to submit to Congress a study of the effects of both oil price decontrol and the windfall profit tax.

II. Residential Energy Credits

Present Law

Insulation and other energy-conserving items

A 15-percent credit is available on the first \$2,000 of qualifying expenditures, for a maximum credit of \$300. It is available for installations made after April 19, 1977, and before January 1, 1986, with respect to a taxpayer's principal residence (whether homeowner or a renter), if the residence was substantially completed before April 20, 1977.

The credit is allowed on expenditures to install (1) insulation, (2) a replacement burner for oil and gas-fired furnaces, (3) a device to modify flue openings, (4) an electrical or mechanical furnace ignition system, (5) an exterior storm or thermal door or window, (6) an automatic energy-saving thermostat, (7) caulking or weatherstripping for an exterior door or window, and (8) an energy usage display meter.

Renewable energy source equipment

A credit is allowed on 30 percent on the first \$2,000 and 20 percent on the next \$8,000 of expenditures, for a maximum credit of \$2,200, for installations of solar, wind, or geothermal energy equipment in connection with a principal residence. The credits apply to expenditures made after April 19, 1977, and before January 1, 1986, for both existing and new residences. The credit is available to homeowners and renters.

Eligible equipment includes solar and geothermal property to heat, cool or provide hot water to a dwelling or wind energy for residential purposes.

Finance Committee Substitute

Energy conservation items

The committee substitute makes the following items eligible for the current energy conservation credits, as of October 1, 1979 (all new credits expire after 1985 unless another date is stated) :

Heat pumps.—A heat pump (including a water-source heat pump) which replaces an electric resistance space or water heating system will be eligible for the credit. In addition, a heat pump hot water heater which is installed as a back-up unit for a solar hot water heater will be eligible for the credit.

Airtight wood stoves.—The credit will be extended to expenditures for an airtight woodburning stove through 1982. This will not include expenditures made for flue connections and chimneys.

Replacement oil and gas furnaces.—Expenditures for a replacement oil and gas furnace or boiler will be eligible. A replacement furnace will have to have an efficiency rating of at least 80 percent of AFUE (Average Fuel Utilization Efficiency) and a gas furnace a rating of at least 75 percent AFUE.

Replacement coal furnaces and boilers.—Expenditures to install a coal furnace or boiler and associated equipment to replace an existing central heating unit will be eligible for the credit. In this case, the credit will be 25 percent of qualified expenditures through December 31, 1982.

Renewable energy source expenditures

Increased credit and termination date.—The credit for renewable source energy expenditures will be increased from the present two-step structure to 50 percent on the first \$10,000 of qualified expenditures, and the credit will be available through 1999.

Electrical energy production.—The credit will be available for equipment to produce electrical energy from renewable energy source property installed with respect to a residence.

Geothermal drilling costs.—On-site drilling costs for a geothermal well will be included in the expenditures for a renewable energy source eligible for the credit, but the taxpayer may not claim the credit if the deduction for intangible drilling costs has been elected.

Structural component rule.—The cost of a structural component will be eligible for the credit to the extent that its cost, owing to its use as a renewable energy source, exceeds the cost of an ordinary structural component.

General provisions relating to residential energy credits

Repeal of principal residence rule.—Expenditures to install renewable energy source property on residences other than a principal residence will be eligible for the credit. The limitation on the amount of expenditures eligible for the credit will apply to each residence.

Credit for landlords.—A reduced credit will be extended to residential energy expenditures made by a landlord with respect to each unit. For landlords, the rate would be 10 percent for insulation and energy conservation expenditures and 40 percent for renewable energy source expenditures. The maximum expenditure limits, \$2,000 and \$10,000 respectively, will apply for each of the two categories of expenditures for each rental dwelling unit.

Joint purchases.—Each joint owner of residential energy credit property may take the credit for a proportionate share of the expenditures.

Repeal of discretionary authority.—The committee repealed the authority given to the Secretary of the Treasury in the Energy Tax Act of 1978 to exercise statutory discretion to add to the statutory list of insulation, energy conserving components and renewable energy source property.

Effective date.—The amendments to residential energy credits apply to expenditures made after September 30, 1979.

III. Business Tax Incentives

Solar or wind property

The present 10-percent refundable energy credit for equipment which uses solar or wind energy to generate electricity or to provide heating, cooling or hot water in a structure, is increased to a 20-percent credit, and the effective period of the credit for this property is extended from 1982 through 1990. In addition, equipment which uses solar energy to provide industrial, agricultural, or commercial process heat is added as eligible solar energy property.

Geothermal equipment

The present 10-percent nonrefundable energy credit for equipment to produce, distribute or use geothermal energy (including the generation of electricity) is expanded to a 20-percent credit under the committee substitute. In addition, the termination date for this credit is extended from 1982 through 1990.

Ocean thermal equipment

Ocean thermal equipment is provided a nonrefundable energy credit of 20 percent through 1990. Ocean thermal equipment is defined as equipment used to convert ocean thermal energy into electrical energy or another form of useful energy.

Small-scale hydroelectric facilities

The committee substitute provides a 10-percent nonrefundable credit through 1990 for property used in the production of electrical energy by hydroelectric power where the generating equipment has an installed capacity of 25 megawatts or less and is installed either at the site of an existing dam or at a site which does not involve the use of a dam or other water impoundment structure.

Qualifying items of hydroelectric property for purposes of this credit are generating equipment, powerhouses and similar structures, penstocks, and fish passageways. Qualifying property also includes costs to rehabilitate or reconstruct existing dams where these costs are incurred in connection with the installation of qualifying generating equipment.

In addition, the committee substitute provides liberalized depreciation treatment for qualifying small-scale hydroelectric property under which this property may be depreciated with a 20-year useful life under the Asset Depreciation Range (ADR) system. Similarly, the annual repair allowance under the ADR system is increased to 4.0 percent from the 1.5 percent allowance generally allowed this property under existing law.

Finally, the bill specifies that accelerated methods of depreciation will be allowed for small-scale hydroelectric property regardless of whether this property is treated as public utility property.

Cogeneration equipment

Another category of property made eligible for an energy investment credit under the committee substitute is cogeneration property, for which a 10-percent nonrefundable credit is provided through 1982. To qualify, cogeneration equipment must be installed in connection with an existing non-oil-burning boiler or burner at an existing facility and must result in an expansion in the facility's cogenerating capacity (including the start of cogenerating activity). Cogeneration equipment means property which produces steam, heat, or some other form of useful energy (other than electricity) for industrial, utility, agricultural, commercial, or space heating purposes, and which also produces electricity.

Specially defined energy property

Several changes are made under the committee substitute to provisions of present law which provide a 10-percent nonrefundable credit through 1982 for specially defined energy property used to increase the efficiency of energy consumption in existing processes at existing agricultural, industrial and commercial facilities. A new category of property, modifications to alumina electrolytic cells, is added where these modifications are for the principal purpose or reducing the amount of energy consumed or heat wasted and the costs of these modifications are incurred after September 30, 1978.

A second new category of specially defined energy property is industrial heat pumps (including water source heat pumps) placed in service after December 31, 1979, and added to industrial facilities in existence on that date.

The third change made to these specially defined energy property provisions involves elimination of the authority delegated to the Secretary of the Treasury under the Energy Tax Act of 1978 (and not yet exercised) to specify similar items of qualifying property under regulations.

Petroleum coke and pitch

The committee substitute extends the 10-percent energy investment credit to equipment to use petroleum coke and petroleum pitch as fuel. In addition, these materials will not be considered as petroleum products for purposes of the provisions in present law which deny the regular 10-percent investment credit and accelerated methods of depreciation to certain boilers fueled by oil, natural gas or their products.

Biomass property

Under the committee substitute, the energy investment credit is expanded to 20 percent and extended through 1990 for alternative energy property (as defined under present law) which is used to burn nonwood biomass or to process nonwood biomass into a solid fuel.

In addition, the present 10-percent credit is extended through 1990 for alternative energy property used to produce a solid fuel from biomass, or to burn wood biomass or a solid fuel derived from wood biomass. The present 10-percent credit will continue to be available through 1982 for energy property used to process biomass into a liquid or gaseous fuel.

Regular investment credit for energy property

There are situations where energy property does not qualify for the regular 10-percent credit. The committee substitute specifically makes energy property eligible for the regular investment credit for the period beginning January 1, 1980, and ending when the energy credit terminates for a specific category of energy property.

Public utility property

Under the committee substitute, exceptions are made to the present law rules under which public utility property is ineligible for the energy investment credit. Under these exceptions, public utility property which is solar, wind, geothermal, ocean thermal, small-scale hydroelectric, biomass or cogeneration energy property will qualify for an energy credit.

Vanpooling

A modification is also made to the present law rules which allow a full 10-percent regular investment credit for employer-owned vans used for vanpooling purposes. This provision is expanded so that vans owned by either employees or third parties will also qualify for the full regular credit where the vans are used for vanpooling purposes.

Affirmative commitments

Many categories of energy property investments under present law involve complicated licensing procedures, lengthy design and construction periods, and corresponding long-term commitments of funds. Because under present law there is a period of only slightly more than three years before some of these credits expire on December 31, 1982, the committee substitute sets forth a rule under which energy credits which otherwise expire in 1982 may be claimed for qualifying investments which occur after that date and before January 1, 1991, where certain tests are satisfied to manifest an affirmative commitment to acquire or construct qualifying energy property which involves long-term projects, such as large boiler and electrical generating systems and gasification and synthetic fuel plants.

Effective dates of credit provisions

These provisions generally are effective for property placed in service after December 31, 1979, to the extent of expenditures incurred after that date and before the relevant expiration date for the specific provisions, either January 1, 1983, or January 1, 1991. The amendment concerning vanpooling vehicles will be effective for qualifying vans which are acquired on or after January 1, 1980. In addition, the provision which relates to the qualification of modifications to alumina electrolytic cells will be retroactive to apply to expenditures incurred after September 30, 1978, for qualifying modifications placed in service after that date.

Tertiary injectants

The committee substitute clarifies the income tax treatment of tertiary injectants by providing that expenditures for injectants, other than hydrocarbon injectants, will be deductible in the year in which they are injected.

Alternative fuel production credit

There is a nonrefundable tax credit for the production of certain alternative energy sources. The credit equals \$3.00 per barrel of oil-equivalent. Energy sources are converted to oil-equivalents based on their energy content, measured in Btu's, relative to that of a barrel of crude oil. The \$3.00 amount is adjusted for inflation occurring after 1979, as measured by the GNP deflator.

The credit is allowed only for energy produced for sale to other persons. Generally it is allowed only for production from domestic facilities placed in service between October 1, 1979, and December 31, 1989, if the sale occurs after December 31, 1979, and before January 1, 2001. The credit for production from any particular facility is reduced to the extent the facility was financed with Federal grants or tax-exempt financing.

The credit phases out as the average refiner acquisition cost of imported crude oil, including any applicable import duties or fees, rises from \$23.50 per barrel to \$29.50. These amounts are adjusted for inflation occurring after 1979.

The following energy sources would be eligible for the credit:

- (1) oil from shale;
- (2) oil from tar sands;
- (3) liquid, gaseous or synthetic solid fuel (other than alcohol) produced from coal liquefaction or gasification facilities;
- (4) natural gas from geopressured brine, coal seams, or Devonian shale;
- (5) gas produced from biomass;
- (6) steam produced from solid agricultural products;¹ and
- (7) solid fuel produced from wood if the energy content, per unit of volume, of the processed wood exceeds that of the raw wood by at least 40 percent.²

Alcohol fuel tax credit

Under present law there is an exemption from the 4-cent-per gallon federal excise taxes on gasoline, diesel fuel, or other motor fuels, for gasohol which is at least 10 percent alcohol (other than alcohol derived from petroleum, natural gas or coal). The exemption expires on October 1, 1984.

The committee substitute provides a refundable income tax credit to the producer of 40 cents a gallon on domestically produced alcohol (other than alcohol produced from petroleum, natural gas, or coal) used or sold for use in motor fuels and 10 cents a gallon on alcohol made from coal and used or sold for use in motor fuels. An advance refund is available once during each of the first 3 quarters of the taxpayer's taxable year if the amount payable is at least \$1,000.

The credit referred to above is in lieu of the current Federal excise tax exemption for gasohol which is repealed as of January 1, 1980. The committee substitute also provides a special rule to take care of a technical problem in current law. This rule provides that with

¹ The credit for steam produced from solid agricultural products would be available for post-1979 production from facilities placed in service after September 30, 1978, and would expire at the end of 1984. This credit would be available for steam used in the taxpayer's trade or business.

² The processed wood fuel credit would apply to facilities placed in service after April 21, 1977, and would expire at the end of 1984.

respect to gasohol which is exempt from Federal excise taxes on motor fuels under current law, the person who mixes alcohol and tax-paid gasoline may obtain a direct refund of the Federal excise taxes paid on the gasoline.

The credit would generally apply to alcohol sold or used by the producer after 1979.

Exemption from distilled spirits rules for alcohol fuel facilities

The committee substitute encourages the production of alcohol for fuel purposes by providing for the establishment of distilled spirits plants solely to produce alcohol for fuel purposes. In addition, the Secretary of the Treasury is authorized to relax the existing regulatory rules for these special distilled spirits plants.

Industrial development bonds

Present law

Interest on State and local government obligations generally is exempt from Federal income taxation. However, with certain exceptions, interest on industrial development bonds is not exempt from Federal income taxation.

Solid waste disposal facilities.—One exception provides that interest on industrial development bonds used to provide solid waste disposal facilities is exempt from Federal income tax. A solid waste disposal facility, in general, includes property used to recover materials or heat from solid waste and to put it into a marketable form, such as steam. However, where solid waste is converted into a fuel before burning, it is unclear whether property used to burn the fuel and to convert the heat into steam constitutes qualifying property.

In addition, a tax-exempt obligation may be used to finance property used to convert the steam into electric energy if (1) the obligation is not treated as an industrial development bond (2) or the obligation is an industrial development bond used to provide facilities for the local furnishing of electric energy. However, if the Federal Government purchases all the electric energy, the Internal Revenue Service has taken the position that the interest on the obligation is not exempt from Federal income tax.

Hydroelectric power facilities.—Interest on industrial development bonds used to provide (1) facilities for the furnishing of water, and (2) facilities for the local furnishing of electric energy is exempt from Federal income tax.

Facilities for the furnishing of water include property used for the collection, treatment, or distribution of water, but such facilities do not include property used for the production of electric energy.

However, a tax exempt obligation may be used to finance property used for the production of electric energy if (1) the obligation is not treated as an industrial development bond (2) or the obligation is an industrial development bond used to provide facilities for the local furnishing of electric energy.

Finance Committee substitute

Solid waste disposal facilities.—The committee substitute provides that solid waste disposal facilities would include property used to convert material, including refuse derived fuel, or heat recovered from solid waste into steam.

In addition, the committee substitute provides that facilities which produce electric energy from solid waste and which are owned and operated by or on behalf of a State or local governmental unit would be treated as solid waste disposal facilities where all the electric energy and steam produced by the facility is sold to a governmental unit and is not resold. In addition, the substitute provides that an obligation used to provide such a facility will be treated as a tax exempt State or local government obligation notwithstanding the fact that the Federal Government purchases all or a portion of the electric energy or steam.

This provision applies to obligations issued after October 18, 1979.

Hydroelectric power facilities.—Interest on industrial development bonds used to provide small hydroelectric facilities at existing or new dam sites will be exempt from Federal income tax. Hydroelectric facilities qualifying under the substitute are facilities with a generating capacity of 25 megawatts or less. In addition, tax exempt industrial development bonds may be used to finance hydroelectric facilities with a generating capacity of more than 25 megawatts, but only where construction on the facility was commenced after October 24, 1979.

Property qualifying for tax-exempt financing under the substitute includes electrical generation equipment, powerhouses, electrical transmission lines, and fish passageways. New dam structures also qualify, if the primary function of the dam is for the generation of hydroelectric power. However, the portions of a hydroelectric facility which are used for the collection, treatment, or distribution of water are eligible for tax-exempt financing only if they qualify as facilities for the furnishing of water.

This provision applies to obligations issued after October 24, 1979.

Residential energy efficiency program

A refundable tax credit will be available to public utility companies participating in a Federally contracted residential energy efficiency program where the utility can reasonably demonstrate that, because of the adoption of residential energy efficiency measures, it has suffered a net revenue loss. The amount of the credit may not exceed the amount of revenue loss that causes a decline in the rate of return.

IV. Low-Income Energy Assistance

Energy-related assistance to low-income households

Direct cash payments will be made by the Social Security Administration to SSI recipients and by State welfare agencies to AFDC recipients. State welfare agencies will also make direct cash payments to food stamp households which do not receive AFDC or SSI benefits. The SSI and AFDC payments will be made as an addition to each household's monthly benefit check. Payments to food stamp recipients will be made at least twice a year. States will be expected, insofar as practicable, to avoid making duplicate payments to food stamp households which are also receiving payments on the basis of AFDC or SSI eligibility, and any such duplicate payments made after October 1, 1980, will be subject to recovery.

Benefit amounts will be determined on a uniform basis within each State, taking into account the amount of the State's allocation and the number of recipient households.

States will be permitted the option of receiving a block grant in place of any or all of the three categorical payment elements described above, i.e., AFDC households, SSI households, and food stamp households not receiving AFDC or SSI benefits. States electing to receive funds on such a block-grant basis will utilize them to provide energy-related assistance to lower income households according to a State-devised plan. States electing this option will be specifically permitted to use these funds for a program of State tax credits to suppliers of residential energy for a portion of the cost of this energy consumed by lower income households; another option is a vendor payment program on behalf of these households.

The amount of funding available for payments to welfare recipients (or for the optional State block-grant programs) will be \$1.2 billion in fiscal year 1980 and \$3 billion in fiscal years 1981 and 1982 and will be allocated among the States under a formula which reflects household residential energy expenditures, heating degree days, and number of low-income persons. Beginning with fiscal year 1981, the residential energy expenditure factor in the allocation formula will be replaced by the factor of total energy use by the low-income population in each State. This factor is not currently available but would be developed by the Department of Health, Education, and Welfare over the next several months.

The benefits payable under this provision will not be counted for purposes of determining eligibility for or amount of benefits under any Federal or State program which is based on need.

Tax credit for residential energy users

Taxpayers are allowed a nonrefundable tax credit equal to a percentage of the amount spent during the year for heating a principal residence. The percentage, called the "relative energy price percentage" (REPP), is different for each heating source and is determined by the

Secretary of the Treasury according to a formula set forth in the bill. The credit is subject to a minimum of \$30 per household (\$20 in 1979).

The Secretary determines the REPP as follows: For each heating source he determines the amount by which its price exceeds what the price would have been had it increased at the overall rate of inflation since 1978, expressed as a percentage of the current price. These percentages are multiplied by 25 percent to determine the REPP for each heating source.

Renters who do not pay separately for heating compute their credit as a percentage of their rent. A renter's credit percentage is the Treasury's estimate of the percentage of rent used by landlords to purchase heating energy multiplied by the REPP for the energy source used to heat the taxpayer's rental unit.

The maximum amount of the credit is \$200 per household. The maximum is reduced by 10 cents for each dollar by which adjusted gross income exceeds \$20,000 (\$18,000 for 1979), so that no credit is allowed for taxpayers with incomes of \$22,000 or more (\$20,000 or more in 1979).

The credit is available for 1979, 1980 and 1981.

V. Establishment of Trust Funds

Present law

There is no trust fund in present law from which expenditures can be made to ameliorate the effect of increased energy costs on the poor.

The Secretary of Transportation may use discretionary authority to transfer funds from the Highway Trust Fund for urban mass transportation purposes. If another form of assured funding or an urban mass transportation trust fund is enacted, the Secretary may not make any further transfers from the Highway Trust Fund. There is no additional standing authority to finance urban mass transportation or public transit.

At the start of 1981, the social security payroll tax rate will rise to 6.65 percent each for employers and employees, and the wage base for the tax will rise to \$29,700. These increases in payroll tax rates and wage base alone will increase budget receipts by \$16.6 billion in calendar year 1981.

Finance Committee substitute

Three-quarters of the net receipts from the windfall profit tax will be deposited in two trust funds.

One-half of the net receipts will be deposited in the Low Income Energy Assistance Trust Fund. Deposits will be made to the trust fund each month. Six months after the end of each fiscal year, the trust fund will reimburse the general fund for the revenue loss from the home heating credit in the previous fiscal year. Expenditures from this trust fund will be made for the low-income energy assistance provision contained in this bill.

The Transportation Trust Fund will receive one-quarter of the net receipts from the windfall profit tax. The sum of deposits to the trust fund for all fiscal years may not exceed \$15 billion. Expenditures may be made from the Transportation Trust Fund as approved by law.

The Taxpayer Trust Fund will receive deposits from general funds that are equal to the increased income tax receipts attributable to the decontrol of oil prices. The deposits are to be limited to the amount needed to offset for 1981 the increases in social security taxes scheduled for that year. Establishment of the Taxpayer Trust Fund is to assure that adequate revenues have been set aside for whatever action the committee may recommend next year.

VI. Repeal of Carryover Basis

Under present law, the basis of property acquired from a decedent dying after December 31, 1979, will be the basis in the hands of the decedent increased by certain adjustments for death taxes attributable to appreciation and for the fair market value at the end of 1976.

The committee substitute repeals carryover basis. However, for property passing from decedents dying after 1976 and before November 6, 1978, an executor could elect to have the carryover basis provisions apply.

BUDGET EFFECTS

Table 1 summarizes the revenue effect of the committee substitute for calendar years 1979 to 1990. In 1980, the windfall profit tax will raise \$4.6 billion, and the various tax reductions in the bill will reduce revenues by \$2.5 billion. The overall revenue gain, then, will be \$2.1 billion. Over the entire 12-year period 1979 to 1990, the tax will raise \$138.2 billion, and the tax reductions will lose \$32.4 billion, for a net revenue gain of \$105.8 billion.

Table 2 summarizes the revenue effects of the bill for fiscal years 1980 to 1985. In fiscal year 1980, the windfall profit tax raises \$2.3 billion, and the tax reductions lose \$1.4 billion. Thus, the net tax increase in fiscal year 1980 is \$0.9 billion.

Tables 3 and 4 present the gross and net revenues raised by the windfall profit tax for calendar years 1980-90 and fiscal years 1980-85, respectively. The gross windfall profit tax is the actual receipts from the tax itself. However, the imposition of the tax affects corporate and individual income tax receipts because it is deductible, because it reduces deductible State income taxes, and because it affects oil drilling. The net windfall profit tax is the gross windfall profit tax minus the reduction in corporate and individual income taxes expected to result from imposition of the windfall profit tax.

These revenue estimates assume that the price of uncontrolled oil equals \$30 per barrel in the fourth quarter of 1979 and grows at the rate of inflation plus two percent per year. The \$30 starting point is approximately the mid-point of expert estimates of the oil price in the fourth quarter which were given to the committee.

Table 5 reconciles the revenue effects of the windfall profit tax in the committee substitute with the tax in the House bill by showing the revenue effects of each of the significant changes to the House bill made by the committee.

Tables 6 and 7 show the revenue effects of each of the individual residential energy tax incentives for calendar years 1979-90 and fiscal years 1980-85, respectively.

Tables 8 and 9 show the revenue effects of the various business tax incentives for calendar years 1980-90 and fiscal years 1980-85, respectively.

Table 10 shows the revenue effects of the residential heating tax credit and the outlays expected from the low-income energy assistance program for fiscal years 1979-82, the years for which these programs are included in the committee substitute.

Table 1.—Summary of Estimated Revenue Effects of the Crude Oil Windfall Profit Tax Act of 1979 as Reported by the Committee, Calendar Years 1979-90

[In millions of dollars]

Item	Calendar year liabilities						1985
	1979	1980	1981	1982	1983	1984	
Net gain from windfall profit tax.....		4, 567	11, 816	15, 150	15, 014	14, 609	14, 234
Residential energy credits.....	-69	-408	-500	-610	-606	-728	-899
Business energy incentives ¹	-4	-174	-257	-364	-1, 174	-1, 323	-1, 401
Heating fuel credit.....	-947	-1, 901	-1, 997				
Repeal carryover basis.....		(²)	-36	-95	-163	-238	-330
Total.....	-1, 020	2, 084	9, 026	14, 081	13, 071	12, 320	11, 604

Item	Calendar year liabilities					Total 1979-90
	1986	1987	1988	1989	1990	
Net gain from windfall profit tax.....	13, 794	13, 492	12, 972	12, 761	9, 835	138, 244
Residential energy credits.....	-600	-719	-867	-1, 034	-1, 243	-8, 283
Business energy incentives ¹	-1, 460	-1, 667	-1, 973	-2, 349	-2, 828	³ -14, 976
Heating fuel credit.....						-4, 845
Repeal carryover basis.....	-440	-560	-680	-810	-950	-4, 302
Total.....	11, 294	10, 546	9, 452	8, 568	4, 814	³ 105, 838

¹ Includes outlay portion of refundable tax credits which are treated as a tax cut for purposes of this table, although not in the committee substitute itself.

² Less than \$1 million.

³ This total includes \$2 million in calendar year liability reductions from 1978.

Table 2.—Summary of Estimated Revenue Effects of the Crude Oil Windfall Profit Tax Act of 1979 as Reported by the Committee, Fiscal Years 1980–85

[In millions of dollars]

Item	Fiscal year receipts					
	1980	1981	1982	1983	1984	1985
Net gain from windfall profit tax.....	2,317	10,222	16,199	15,106	14,673	14,399
Residential energy credits.....	—131	—420	—516	—608	—625	—756
Business energy incentives ¹	—78	—206	—290	—694	—1,183	—1,281
Heating fuel credit.....	—1,232	—1,916	—1,697
Repeal carryover basis.....	(²)	(²)	—36	—95	—163	—238
Total.....	876	7,680	13,660	13,709	12,702	12,124

¹ In addition to the energy credits shown here, the outlays associated with the refundable credits are estimated to be \$8 million in 1981, \$11 million in 1982, \$19 million in 1983, \$44 million in 1984, and \$69 million in 1985.

² Less than \$1 million.

Table 3.—Estimated Revenue Effects of the Crude Oil Windfall Profit Tax as Reported by the Committee, Calendar Years 1980–90

[In millions of dollars]

Item	Calendar year liabilities					
	1980	1981	1982	1983	1984	1985
Gross windfall profit tax.....	7,885	20,704	26,714	26,492	25,797	25,161
Change in income taxes.....	-3,318	-8,888	-11,564	-11,478	-11,188	-10,927
Net windfall profit tax.....	4,567	11,816	15,150	15,014	14,609	14,234

Item	Calendar year liabilities					Total
	1986	1987	1988	1989	1990	1979-90
Gross windfall profit tax.....	24,396	23,868	22,939	22,563	17,424	243,942
Change in income taxes.....	-10,602	-10,376	-9,966	-9,802	-7,589	-105,698
Net windfall profit tax.....	13,794	13,492	12,972	12,761	9,835	138,244

Note: Details may not add to totals because of rounding.

Table 4.—Estimated Revenue Effects of the Crude Oil Windfall Profit Tax as Reported by the Committee, Fiscal Years 1980–85

[In millions of dollars]

Item	Fiscal year receipts					
	1980	1981	1982	1983	1984	1985
Gross windfall profit tax.....	3,785	16,005	26,272	26,632	26,023	25,472
Change in income taxes.....	-1,468	-5,783	-10,072	-11,526	-11,350	-11,073
Net windfall profit tax.....	2,317	10,222	16,199	15,106	14,673	14,399

Note: Details may not add to totals because of rounding.

Table 5.—Comparison of Estimated Revenue Effects of the Crude Oil Windfall Profit Tax as Passed by the House and as Amended by the Committee, Calendar Years 1979–90

[In millions of dollars]

Item	Calendar year liabilities						
	1979	1980	1981	1982	1983	1984	1985
<i>Net gain from windfall profit tax:</i>							
Under the House bill	1 59	7, 986	16, 202	20, 673	22, 163	23, 868	26, 093
(1) Exemption for new oil.....	-59	-723	-1, 328	-2, 108	-3, 087	-4, 260	-5, 702
(2) Exemption for heavy oil.....		-430	-530	-624	-722	-868	-1, 034
(3) Exemption for tertiary production.....		-262	-451	-730	-1, 145	-1, 779	-2, 758
(4) Tier 2 treatment for certain Alaskan oil.....		-671	-620	-594	-567	-537	-507
(5) 75-percent rate on tier 1 oil.....		+87	+480	+661	+356	+48	-----
(6) Tier 2 treatment for high water-cut oil.....		-38	-153	-200	-109	-15	-----
(7) Exemption for 1st 1,000 barrels per day of stripper oil production.....		-1, 202	-1, 244	-1, 286	-1, 326	-1, 374	-1, 435
(8) No denial of percentage depletion.....		-160	-480	-568	-481	-414	-367
(9) Exemption for oil income of Indian tribes.....		-15	-43	-53	-48	-43	-39
(10) Exemption for oil income of charitable schools and hospitals.....		-5	-17	-21	-20	-17	-17
(11) Phaseout of the tax.....							
As reported by the Committee		4, 567	11, 816	15, 150	15, 014	14, 609	14, 234

See footnotes at end of table.

Table 5.—Comparison of Estimated Revenue Effects of the Crude Oil Windfall Profit Tax as Passed by the House and as Amended by the Committee, Calendar Years 1979-90—Continued

[In millions of dollars]

Item	Calendar year liabilities					Total 1979-90
	1986	1987	1988	1989	1990	
Net gain from windfall profit tax:						
Under the House bill -----	27, 941	29, 740	31, 654	33, 994	36, 449	276, 821
(1) Exemption for new oil-----	-7, 169	-8, 796	-10, 708	-12, 615	-14, 466	-71, 018
(2) Exemption for heavy oil-----	-1, 193	-1, 376	-1, 589	-1, 837	-2, 124	-12, 329
(3) Exemption for tertiary production-----	-3, 467	-3, 708	-3, 965	-4, 231	-4, 507	-27, 004
(4) Tier 2 treatment for certain Alaskan oil-----	-447	-466	-475	-516	-549	-5, 948
(5) 75-percent rate on tier 1 oil-----						+1, 632
(6) Tier 2 treatment for high water-cut oil-----						-515
(7) Exemption for 1st 1,000 barrels per day stripper oil production-----	-1, 499	-1, 573	-1, 657	-1, 752	-1, 861	-16, 210
(8) No denial of percentage depletion-----	-321	-282	-245	-211	-180	-3, 708
(9) Exemption for oil income of Indian tribes-----	-37	-33	-30	-28	-25	-395
(10) Exemption for oil income of charitable schools and hospitals-----	-14	-14	-13	-11	-10	-158
(11) Phaseout of the tax-----				-32	-2, 892	-2, 924
As reported by the Committee -----	13, 794	13, 492	12, 972	12, 761	9, 835	138, 244

¹ The House bill would raise a small amount of income tax revenue in 1979 because the estimates assume that the tax on newly discovered oil reduces intangible drilling deductions in that year.

Note: Details may not add to totals because of rounding.

Table 6.—Estimated Revenue Effects of Residential Tax Credits Contained in the Crude Oil Windfall Profit Tax Act of 1979 as Reported by the Committee, Calendar Years 1979-90

[In millions of dollars]

Item ¹	Calendar year liabilities						
	1979	1980	1981	1982	1983	1984	1985
Conservation credits:							
Credit for heat pumps.....	-7	-32	-37	-51	-66	-88	-123
Credit to landlords (10 percent).....	-14	-51	-54	-57	-61	-67	-78
Eliminate principal residence requirement.....	-1	-5	-6	-6	-6	-7	-8
Credit for airtight wood stoves.....	-13	-57	-53	-57	-----	-----	-----
Credit for coal furnaces (25 percent).....	-7	-32	-42	-52	-----	-----	-----
Credit for replacement oil and gas furnaces and boilers.....	-9	-136	-186	-229	-274	-325	-402
Solar, wind and geothermal credits:							
Raise credit rate to 50 percent and extend to the year 2000.....	-14	-72	-92	-119	-150	-181	-217
Credit to landlords (40 percent).....	-4	-21	-28	-36	-45	-55	-66
Eliminate principal residence requirement.....	(²)	-2	-2	-3	-4	-5	-5
Total	-69	-408	-500	-610	-606	-728	-899

Table 6.—Estimated Revenue Effects of Residential Tax Credits Contained in the Crude Oil Windfall Profit Tax Act of 1979 as Reported by the Committee, Calendar Years 1979-90—Continued

[In millions of dollars]

Item ¹	Calendar year liabilities					Total 1979-90
	1986	1987	1988	1989	1990	
Conservation credits:						
Credit for heat pumps.....						-404
Credit to landlords (10 percent).....						-382
Eliminate principal residence requirement.....						-39
Credit for airtight wood stoves.....						-180
Credit for coal furnaces (25 percent).....						-133
Credit for replacement oil and gas furnaces and boilers.....						-1,561
Solar, wind and geothermal credits:						
Raise credit rate to 50 percent and extend to the year 2000.....	-514	-616	-740	-887	-1,065	-4,667
Credit to landlords (40 percent).....	-79	-95	-117	-136	-164	-846
Eliminate principal residence requirement.....	-7	-8	-10	-11	-14	-71
Total.....	-600	-719	-867	-1,034	-1,243	-8,283

¹ The table contains only items of the committee substitute which involve significant revenue changes.

² Less than \$1 million.

Table 7.—Estimated Revenue Effects of Residential Tax Credits Contained in the Crude Oil Windfall Profit Tax Act of 1979 as Reported by the Committee, Fiscal Years 1980–85

[In millions of dollars]

Item ¹	Fiscal year receipts					
	1980	1981	1982	1983	1984	1985
Conservation credits:						
Credit for heat pumps.....	-11	-33	-39	-53	-69	-94
Credit to landlords (10 percent).....	-22	-51	-54	-58	-62	-69
Eliminate principal residence requirement.....	-2	-5	-6	-6	-6	-7
Credit for airtight wood stoves.....	-22	-56	-54	-48	-----	-----
Credit for coal furnaces (25 percent).....	-12	-33	-44	-44	-----	-----
Credit for replacement oil and gas furnaces and boilers.....	-30	-143	-192	-236	-282	-337
Solar, wind and geothermal credits:						
Raise credit rate to 50 percent and extend to the year 2000.....	-24	-75	-96	-123	-155	-187
Credit to landlords (40 percent).....	-7	-22	-29	-37	-47	-57
Eliminate principal residence requirement.....	-1	-2	-2	-3	-4	-5
Total.....	-131	-420	-516	-608	-625	-756

¹ The table contains only items of the committee substitute which involve significant revenue changes.

Table 8.—Estimated Revenue Effects of Business Tax Incentives Contained in the Crude Oil Windfall Profit Tax Act of 1979 as Reported by the Committee, Calendar Years 1980-85

[In millions of dollars]

Item	Calendar year liabilities					
	1980	1981	1982	1983	1984	1985
1. Business energy investment credits:¹						
Solar and wind property ²	-30	-57	-94	-221	-344	-449
Geothermal equipment.....	-24	-28	-31	-34	-37	-40
Ocean thermal equipment.....				(³)	-3	-3
Small-scale hydroelectric facilities ⁴	-5 ⁵	-10	-15	-19	-23	-29
Cogeneration equipment.....	-37	-62	-92	-97	-77	-42
Modifications to alumina electrolytic cells.....	-1	-1	-1	-1	-1	-1
Industrial heat pumps.....	-5	-7	-9	-10	-8	-5
Petroleum coke and pitch ⁴	-43	-50	-56	-60	-58	-53
Biomass equipment.....	-6	-10	-15	-207	-249	-285
Affirmative commitments.....			(⁵)	-448	-358	-202
Total, investment credits.....	-151	-225	-313	-1,097	-1,158	-1,109

2. Alternative energy production credits -----	-4	(6)	(6)	(6)	(6)	(6)
3. Production incentives for alcohol used in motor fuels ² -----	(3)	(3)	-4	-7	-69	-168
4. Exemption from distilled spirits rules for alcohol fuel -----	(7)	(7)	(7)	(7)	(7)	(7)
5. Deduction for tertiary injectants -----	-13	-10	-8	-7	-6	-5
6. Industrial development bonds:						
Hydroelectric facilities-----	-5	-19	-34	-54	-76	-100
Solid waste disposal facilities-----	-1	-3	-5	-9	-14	-19
 Total, industrial development bonds ---	-6	-22	-39	-63	-90	-119
 Total, noncredit provisions -----	-19	-32	-51	-77	-165	-292
 Total, Business Tax Incentives -----	-174	-257	-364	-1,174	-1,323	-1,401

See footnotes at end of table

Table 8.—Estimated Revenue Effects of Business Tax Incentives Contained in the Crude Oil Windfall Profit Tax Act of 1979 as Reported by the Committee, Calendar Years 1986-90—Continued

[In millions of dollars]

Item	Calendar year liabilities					Total 1980-90
	1986	1987	1988	1989	1990	
1. Business energy investment credits:¹						
Solar and wind property ² -----	-495	-548	-605	-669	-739	-4,251
Geothermal equipment-----	-43	-46	-49	-53	-57	-442
Ocean thermal equipment-----	-25	-30	-63	-73	-114	-311
Small-scale hydroelectric facilities ⁴ -----	-55	-114	-207	-343	-508	-1,328
Cogeneration equipment-----	-13	-6	-1	(³)-----		-427
Modifications to alumina electrolytic cells (³)-----						-12 ⁸
Industrial heat pumps-----	-1	-1	(²)-----			-46
Petroleum coke and pitch ⁴ -----	-52	-58	-63	-68	-74	-635
Biomass equipment-----	-327	-361	-398	-433	-470	-2,761
Affirmative commitments-----	-90	-42	-12	(⁵)	(³)	-1,152
Total, investment credits-----	-1,101	-1,206	-1,398	-1,639	-1,962	-11,365⁸
2. Alternative energy production credits-----	(⁶)	(⁶)	(⁶)	(⁶)	(⁶)	-4

3. Production incentives for alcohol used in motor fuels ² -----	-204	-262	-324	-384	-445	-1,867
4. Exemption from distilled spirits rules for alcohol fuel -----	(7)	(7)	(7)	(7)	(7)	(7)
5. Deduction for tertiary injectants -----	-5	-6	-6	-6	-7	-79
6. Industrial development bonds:						
Hydroelectric facilities-----	-126	-163	-208	-274	-361	-1,420
Solid waste disposal facilities-----	-24	-30	-37	-46	-53	-241
 Total, industrial development bonds ---	-150	-193	-245	-320	-414	-1,661
Total, noncredit provisions -----	-359	-461	-575	-710	-866	-3,607
Total, Business Tax Incentives -----	-1,460	-1,667	-1,973	-2,349	-2,828	-14,976 ⁸

¹ Neither the regular investment credit changes nor the changes for eligible public utility property are listed as separate items but rather are included in the estimates for the type of property involved.

² Includes outlay portion of refundable tax credits, which is treated as a tax cut for the purposes of this table, although not in the bill itself.

³ Less than \$1 million.

⁴ This item includes the revenue loss from the business energy credit, changes in depreciation, and changes in the regular investment tax credit.

⁵ Less than \$5 million.

⁶ Based on oil price assumptions used for calculating the windfall profits tax, the average refiners' acquisition price for imported oil will exceed the credit phaseout amount. Without the phaseout the revenue loss for these production credits would be \$18 million in 1980, \$45 million in 1981, \$78 million in 1982, \$125 million in 1983, \$223 million in 1984, \$354 million in 1985, \$1,239 million in 1990 and \$4,941 million for the period 1980 through 1990.

⁷ The revenue loss for this item is included in the estimate of production incentives for alcohol used in motor fuels.

⁸ This total includes \$6 million in calendar year liability reductions from 1978 and 1979.

Table 9.—Estimated Revenue Effects of Business Tax Incentives Contained in the Crude Oil Windfall Profit Tax Act of 1979 as Reported by the Committee, Fiscal Years 1980–85

[In millions of dollars]

Item	Fiscal year receipts					
	1980	1981	1982	1983	1984	1985
1. Business energy investment credits: ¹						
Solar and wind property ² -----	-11	-34	-59	-121	-221	-313
Geothermal equipment-----	-11	-26	-29	-32	-35	-38
Ocean thermal equipment-----				(³)	-1	-3
Small-scale hydroelectric facilities ⁴ -----	-2	-7	-12	-16	-20	-26
Cogeneration equipment-----	-17	-48	-75	-94	-88	-61
Modifications to alumina electrolytic cells-----	-6	-2	-1	-1	-1	-1
Industrial heat pumps-----	-2	-6	-8	-9	-9	-7
Petroleum coke and pitch ⁴ -----	-19	-46	-53	-58	-59	-56
Biomass equipment-----	-3	-8	-12	-101	-226	-265
Affirmative commitments-----		(⁵)	(⁵)	-202	-407	-288
Total, investment credits-----	-71	-177	-249	-634	-1,067	-1,058
2. Alternative energy production credits-----	(³)	-4	(⁶)	(⁶)	(⁶)	(⁶)

3. Production incentives for alcohol used in motor fuels ² -----	(²)	(³)	-2	-5	-35	-114
4. Exemption from distilled spirits rules for alcohol fuel -----	(⁷)					
5. Deduction for tertiary injectants -----	-5	-12	-9	-8	-6	-6
6. Industrial development bonds:						
Hydroelectric facilities-----	-2	-11	-26	-43	-64	-87
Solid waste disposal facilities-----	(³)	-2	-4	-7	-11	-16
 Total, industrial development bonds ---	-2	-13	-30	-50	-75	-103
Total, noncredit provisions -----	-7	-25	-41	-63	-116	-223
Total, business tax incentives -----	-78	-206	-290	-697	-1,183	-1,281

¹ Neither the regular investment credit changes nor the changes for eligible public utility property are listed as separate items but rather are included in the estimates for the type of property involved.

² In addition to the credits shown here, the outlays associated with all refundable credits are estimated to be \$8 million in 1981, \$11 million in 1982, \$19 million in 1983, \$44 million in 1984, and \$69 million in 1985.

³ Less than \$1 million.

⁴ This item includes the revenue loss from the business energy credit, changes in depreciation, and changes in the regular investment tax credit.

⁵ Less than \$5 million.

⁶ Based on oil price assumptions used for calculating the windfall profits tax, the average refiners' acquisition price for imported oil will exceed the credit phaseout amount. Without the phaseout the revenue loss for these production credits would be \$8 million in 1980, \$30 million in 1981, \$60 million in 1982, \$99 million in 1983, \$169 million in 1984, and \$282 million in 1985.

⁷ The revenue loss for this item is included in the estimate of production incentives for alcohol used in motor fuels.

Table 10.—Estimated Budget Effects of Energy Assistance Program for Lower Income Users of Residential Energy

[In millions of dollars]

	Fiscal year		
	1980	1981	1982
Budget outlays for low-income energy assistance.....	-1, 200	-3, 000	-3, 000
Heating fuel tax credit for lower-income users of residential energy.....	-1, 232	-1, 916	-1, 697
Total.....	-2, 432	-4, 916	-4, 697

Note: Minus signs indicate revenue reductions and increases in budget outlays.

