

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 2689

To amend the Internal Revenue Code of 1986 to increase certain alternative fuel and vehicle tax incentives and to eliminate certain tax incentives for major integrated oil companies, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MAY 1, 2006

Ms. COLLINS introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to increase certain alternative fuel and vehicle tax incentives and to eliminate certain tax incentives for major integrated oil companies, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. INCREASE IN CERTAIN ALTERNATIVE FUEL**  
4                               **AND VEHICLE TAX INCENTIVES.**

5               (a) INCENTIVES FOR ALCOHOL FUELS.—

6                       (1) INCOME TAX CREDIT.—Section 40 of the  
7       Internal Revenue Code of 1986 (relating to alcohol  
8       used as fuel) is amended—

1 (A) by striking “60 cents” each place it  
2 appears and inserting “\$1.20”,

3 (B) by striking “45 cents” each place it  
4 appears and inserting “90 cents”,

5 (C) by striking “2010” in the table con-  
6 tained in subsection (h)(2) and inserting  
7 “2006”, and

8 (D) by adding at the end of such table the  
9 following new item:

“2007 through 2010 ..... \$1.02 ..... 75.56 cents”.

10 (2) EXCISE TAX CREDIT.—Section 6426(b) of  
11 such Code (relating to alcohol fuel mixture credit) is  
12 amended—

13 (A) by striking “51 cents” in paragraph  
14 (2)(A) and inserting “\$1.02”, and

15 (B) by striking “60 cents” in paragraph  
16 (2)(B) and inserting “\$1.20”.

17 (b) INCENTIVES FOR BIODIESEL AND RENEWABLE  
18 DIESEL FUELS.—

19 (1) INCOME TAX CREDIT.—Section 40A of the  
20 Internal Revenue Code of 1986 (relating to biodiesel  
21 and renewable diesel used as fuel) is amended—

22 (A) by striking “\$1.00” each place it ap-  
23 pears and inserting “\$2.00”,

1 (B) by striking “50 cents” each place it  
2 appears and inserting “\$1.00”, and

3 (C) by striking “10 cents” in subsection  
4 (b)(5)(A) and inserting “20 cents”.

5 (2) EXCISE TAX CREDIT.—Section 6426(c) of  
6 such Code (relating to biodiesel mixture credit) is  
7 amended—

8 (A) by striking “50 cents” in paragraph  
9 (2)(A) and inserting “\$1.00”, and

10 (B) by striking “\$1.00” in paragraph  
11 (2)(B) and inserting “\$2.00”.

12 (c) INCENTIVES FOR ALTERNATIVE FUELS.—Sub-  
13 sections (d)(1) and (e)(1) of section 6426 of such the In-  
14 ternal Revenue Code of 1986 (credit for alcohol fuel, bio-  
15 diesel, and alternative fuel mixtures) are each amended  
16 by striking “50 cents” and inserting “\$1.00”.

17 (d) ALTERNATIVE MOTOR VEHICLE CREDIT.—

18 (1) NEW QUALIFIED FUEL CELL MOTOR VEHI-  
19 CLE CREDIT.—Section 30B(b) of the Internal Rev-  
20 enue Code of 1986 is amended—

21 (A) by striking “\$8,000”, “\$4,000”,  
22 “\$10,000”, “\$20,000”, and “\$40,000” in para-  
23 graph (1) and inserting “\$16,000”, “\$8,000”,  
24 “\$20,000”, “\$40,000”, and “\$80,000”, respec-  
25 tively, and

1 (B) by striking “\$1,000”, “\$1,500”,  
2 “\$2,000”, “\$2,500”, “\$3,000”, “\$3,500”, and  
3 “\$4,000” in paragraph (2) and inserting  
4 “\$2,000”, “\$3,000”, “\$4,000”, “\$5,000”,  
5 “\$6,000”, “\$7,000”, and “\$8,000”, respec-  
6 tively.

7 (2) NEW ADVANCED LEAN BURN TECHNOLOGY  
8 MOTOR VEHICLE CREDIT.—Section 30B(c) of such  
9 Code is amended—

10 (A) by striking “\$400”, “\$800”,  
11 “\$1,200”, “\$1,600”, “\$2,000”, and “\$2,400”  
12 in the table contained in paragraph (2)(A)(i)  
13 and inserting “\$800”, “\$1,600”, “\$2,400”,  
14 “\$3,200”, “\$4,000”, and “\$4,800”, respec-  
15 tively, and

16 (B) by striking “\$250”, “\$500”, “\$750”,  
17 and “\$1,000” in the table contained in para-  
18 graph (2)(B) and inserting “\$500”, “\$1,000”,  
19 “\$1,500”, and “\$2,000”, respectively.

20 (3) NEW QUALIFIED HYBRID MOTOR VEHICLE  
21 CREDIT.—Section 30B(d)(2)(B)(iii) of such Code  
22 (relating to qualified incremental hybrid cost) is  
23 amended by striking by striking “\$7,500”,  
24 “\$15,000”, and “\$30,000” and inserting  
25 “\$15,000”, “\$30,000”, and “\$60,000”, respectively.

1           (4) NEW QUALIFIED ALTERNATIVE FUEL  
2 MOTOR VEHICLE CREDIT.—Section 30B(e)(3) of  
3 such Code (relating to incremental cost) is amended  
4 by striking by striking “\$5,000”, “\$10,000”,  
5 “\$25,000”, and “\$40,000” and inserting  
6 “\$10,000”, “\$20,000”, “\$50,000”, and “\$80,000”,  
7 respectively.

8           (e) ALTERNATIVE FUEL VEHICLE REFUELING PROP-  
9 erty CREDIT.—Section 30C(b) of the Internal Revenue  
10 Code of 1986 (relating to limitation) is amended—

11           (1) by striking “\$30,000” in paragraph (1) and  
12 inserting “\$60,000”, and

13           (2) by striking “\$1,000” in paragraph (2) and  
14 inserting “\$2,000”.

15           (f) EFFECTIVE DATES.—

16           (1) FUELS.—The amendments made by sub-  
17 sections (a), (b), and (c) shall apply to any sale, use,  
18 or removal for any period after the date of the en-  
19 actment of this Act.

20           (2) VEHICLES AND REFUELING PROPERTY.—  
21 The amendments made by subsections (d) and (e)  
22 shall apply to property placed in service after the  
23 date of the enactment of this Act.

1 **SEC. 2. ELIMINATION OF CERTAIN TAX INCENTIVES FOR**  
 2 **MAJOR INTEGRATED OIL COMPANIES.**

3 (a) AMORTIZATION OF GEOLOGICAL AND GEO-  
 4 PHYSICAL EXPENDITURES.—

5 (1) IN GENERAL.—Section 167(h) of the Inter-  
 6 nal Revenue Code of 1986 (relating to amortization  
 7 of geological and geophysical expenditures) is  
 8 amended by adding at the end the following new  
 9 paragraph:

10 “(5) NONAPPLICATION TO MAJOR INTEGRATED  
 11 OIL COMPANIES.—This subsection shall not apply to  
 12 any sale during any taxable year by a taxpayer  
 13 which is—

14 “(A) an integrated oil company (as defined  
 15 in section 291(b)(4)) which has an average  
 16 daily worldwide production of crude oil of at  
 17 least 500,000 barrels for such taxable year, or  
 18 “(B) a related person to such company.”.

19 (2) EFFECTIVE DATE.—The amendment made  
 20 by this subsection shall apply to amounts paid or in-  
 21 curred in taxable years beginning after the date of  
 22 the enactment of this Act.

23 (b) PERCENTAGE DEPLETION ALLOWANCE FOR OIL  
 24 AND GAS PROPERTIES.—

25 (1) IN GENERAL.—Section 613A is amended by  
 26 adding at the end the following new subsection:

1       “(f) NONAPPLICATION TO MAJOR INTEGRATED OIL  
2 COMPANIES.—The allowance for percentage depletion  
3 shall be zero during any taxable year with respect to a  
4 taxpayer which is—

5               “(1) an integrated oil company (as defined in  
6 section 291(b)(4)) which has an average daily world-  
7 wide production of crude oil of at least 500,000 bar-  
8 rels for such taxable year, or

9               “(2) a related person to such company.”.

10              (2) EFFECTIVE DATE.—The amendment made  
11 by this subsection shall apply to taxable years begin-  
12 ning after the date of the enactment of this Act.

13       (c) DEDUCTION FOR INTANGIBLE DRILLING AND  
14 DEVELOPMENT COSTS.—

15              (1) IN GENERAL.—Section 263(c) of the Inter-  
16 nal Revenue Code of 1986 is amended by adding at  
17 the end the following new sentence: “This subsection  
18 shall not apply during any taxable year with respect  
19 to a taxpayer which is an integrated oil company (as  
20 defined in section 291(b)(4)) which has an average  
21 daily worldwide production of crude oil of at least  
22 500,000 barrels for such taxable year or a related  
23 person to such company.”.

24              (2) EFFECTIVE DATE.—The amendment made  
25 by this subsection shall apply to amounts paid or in-

1 curred in taxable years beginning after the date of  
2 the enactment of this Act.

3 **SEC. 3. PROHIBITION OF FUNDS FOR OIL AND NATURAL**  
4 **GAS ROYALTY RELIEF.**

5 (a) IN GENERAL.—No funds made available under  
6 any Act for any fiscal year for royalty and offshore min-  
7 erals management may be used by the Secretary of the  
8 Interior to provide relief from a requirement to pay a roy-  
9 alty for the production of oil or natural gas from Federal  
10 land during any period in which—

11 (1) for the production of oil, the average price  
12 of crude oil in the United States is greater than \$55  
13 a barrel; and

14 (2) for the production of natural gas, the aver-  
15 age price of natural gas in the United States is \$10  
16 per 1,000 cubic feet of natural gas.

17 (b) EXCEPTION.—In administering funds made avail-  
18 able for royalty or offshore minerals management, the Sec-  
19 retary of the Interior may waive or specify alternative re-  
20 quirements if the Secretary of the Interior determines that  
21 royalty relief is necessary to avoid oil or natural gas supply  
22 disruptions as a consequence of hurricanes or other nat-  
23 ural disasters.

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