JOINT COMMITTEE ON TAXATION November 18, 2003 JCX-101-03

ESTIMATED BUDGET EFFECTS OF THE CONFERENCE AGREEMENT FOR THE "ENERGY TAX POLICY ACT OF 2003"

Fiscal Years 2004 - 2013

[Millions of Dollars]

Provision	Effective	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-08	2004-13
 Conservation Provisions A. Residential and Business Property 1. Credit for residential energy efficient property - 15% credit for residential solar hot water and wind 													
(through 12/31/06) and photovoltaics (through 12/31/08), \$2,000 maximum; election for credit or depreciation	tyea 12/31/03	-3	-15	-21	-25	-23	-22					-88	-110
certain sources (facilities placed in service through 12/31/06)	esfqfa DOE	-77	-175	-304	-413	-446	-388	-328	-310	-316	-283	-1,414	-3,038
 Tax incentives for fuel cells - 20% credit for non-business and business installation of qualifying 	ea 12/31/03 &												
 fuel cells (sunset 12/31/06) 4. Energy efficient improvements to existing homes - 20% credit, \$2,000 maximum; no carryforward 	ppisa 12/31/03	-3	-9	-10	-6	-1	-1	[1]	[1]	[1]	[1]	-30	-29
(sunset 12/31/06)	pia 12/31/03	-23	-117	-117	-94							-352	-352
\$1,000 maximum (10% from envelope) and 50% efficiency/\$2,000 maximum (10% from envelope) (sunset 12/31/06)	hpa 12/31/03	-46	-96	-139	-90	-31	-6					-402	-409
 6. 10% credit for combined heat and power system property - system maximum 15Mw or 2,000 hp, prorated for bagasse systems (sunset 12/31/06) 	ppisa 12/31/03	-8	-13	-14	-9	-4	-2	[2]	[1]	1	1	-48	-46
7. Credit for energy efficient appliances (sunset 12/31/07)	apa 12/31/03	-40	-73	-63	-46	-23	-8	-2	[2]			-245	-255
 Energy efficient commercial building deduction - \$1.50/sq ft deduction (sunset 12/31/07) Three user explicitly recovery period for 	tyba DOE	-18	-47	-69	-86	-29	5	4	4	3	3	-250	-230
 Three-year applicable recovery period for depreciation of qualified energy management devices (sunset 12/31/07) 	ppisa DOE	-8	-28	-51	-65	-46	-4	18	24	19	12	-198	-130
10. Credit for electricity produced from advanced nuclear power facilities (facilities placed in service													
through 12/31/20) B. Fuels and Alternative Motor Vehicles 1. Repeal of the 4.3 cent tax on rail diesel fuel and	tyba 12/31/03									-55	-112		-167
 Repeat of the 4.5 cent tax of rail dieser der and inland waterway barge fuels [3] Reduced motor fuel excise tax rate for diesel fuel 	1/1/04	-107	-156	-161	-166	-171	-176	-182	-187	-192	-197	-761	-1,695
blended with water	1/1/04	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]

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Provision	Effective	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-08	2004-13
 Modifications to small ethanol producer credit Provide income tax credits for biodiesel fuel and biodiesel used to produce a qualified fuel mixture 	tyba 12/31/03	-9	-17	-19	-20	-21	-22	-23	-14	-4		-85	-148
(\$1.00/gallon for agribiodiesel and \$0.50/gallon for biodiesel) (sunset 12/31/05) [5]	fpasoua 12/31/03					- Revenue	e Effects I	ncluded in	ltem #5.c				
 Alcohol and biodiesel excise tax credit and extension of alcohol fuels income tax credit Extension of section 40 alcohol fuels income tax 													
credit (sunset 12/31/10) b. Provide excise tax credit to certain blenders of alcohol fuel mixtures (52 cents per gallon of alcohol in 2004, 51 cents per gallon of alcohol after 2004)	fsuora 12/31/03					-6	-13	-15	-10	-3		-6	-4
 (sunset 12/31/10) c. Provide excise tax credit for biodiesel used to produce a qualified fuel mixture (\$1.00/gallon for agribiodiesel and \$0.50/gallon for biodiesel) (sunset 	fsuora 12/31/03					Ne	egligible h	levenue El	1ect				
12/31/05) [5] 6. Nonapplication of export exemption to delivery of fuel	fsuora 12/31/03	-26	-41	-12								-79	-7
to motor vehicles removed from the United States7. Modification of credit for electric vehicles - repeal phasedown of the credit under section 30 (sunset	soda DOE					Ne	egligible R	Revenue Ef	fect				
12/31/06)	ppisa DOE							Included ir					
 Alternative motor vehicle credit [6] Modification and extension of deduction for refueling property through 2008 (through 2011 for hydrogen 	ppisa DOE	-190	-462	-714	-439	-256	-174	41	10	-20	-23	-2,061	-2,22
property)	ppisa DOE					Revenı	ie Effects	Included ir	n Item #8				
Total of Conservation Provisions		-558	-1,249	-1,694	-1,459	-1,057	-811	-487	-483	-567	-599	-6,019	-8,96
Reliability Provisions													
 Natural gas gathering pipelines treated as 7-year property Natural gas distribution pipelines treated as 15-year 	ppisa DOE		-2	-3	-2	-2	-2	-1	-1	-1	-1	-9	-1
3. New electricity transmission property rated 69kV or	ppisa DOE	-11	-34	-57	-87	-117	-143	-169	-197	-226	-240	-306	-1,28
 4. Expensing of capital costs incurred for production of diesel fuel in complying with Environmental Protection 	ppisa DOE	-9	-24	-51	-90	-131	-165	-196	-229	-264	-303	-306	-1,46
Agency sulfur regulations for small refiners (sunset one year after EPA regulation or 12/31/09) 5. Credit for small refiners for production of diesel fuel	epoia 12/31/02	-7	-5	-6	-10	-21	-41	-16	2	3	4	-49	-9
in compliance with Environmental Protection Agency sulfur regulations for small refiners	encia 12/31/02					Rovonu	o Effocts	Included in	Item #4				
 Determination of small refiner exception to oil depletion deduction - modify definition of independent refiner from daily maximum run less 	epoia 12/31/02					Nevenu	e Liieus i	nciudeu III	nem #4				
than 50,000 barrels to average daily run less than 67,500 barrels	tyea DOE	-9	-12	-12	-13	-13	-13	-14	-14	-14	-15	-57	-12

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Provision	Effective	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-08	2004-13
 Sales or dispositions of transmission property to implement Federal Energy Regulatory Commission or State restructuring policy - election to recognize gain from an electric transmission transaction ratably over 8-year period subject to qualified 													
 reinvestment (sunset 12/31/06) 8. Modification to special rules for nuclear decommissioning costs - permits transfer of pre-1984 decommissioning costs to qualified fund (seller gets deduction on sale); eliminate cost of service requirement, permit full funding in qualified fund, and clarify treatment of fund transfers; modify 	ta DOE	-1,691	-1,717	-1,313	184	952	969	980	955	706	380	-3,536	403
for fund transfer by tax-exempt entities	tyba 12/31/03 tyba DOE	-86 -8	-181 -18	-198 -21	-186 -23	-167 -25	-151 -27	-139 -30	-129 -33	-117 -35	-108 -38	-818 -95	-1,462 -258
10. Exempt certain prepayments for natural gas from tax-exempt bond arbitrage rules	oia DOE	[2]	-1	-2	-3	-4	-4	-5	-7	-8	-9	-10	-43
Total of Reliability Provisions		1,821	-1,994	-1,663	-230	472	423	410	347	44	-330	-5,186	-4,344
 Production Provisions A. Oil and Gas Provisions 1. Credit for marginal domestic oil and natural gas well production - 5-year carryback 2. Net income limitation on percentage depletion for oil and gas property and suspension of limitation based on 65% of taxable income: a. Tampagaran of limitation based on 65% 	pi tyba 12/31/03						- No Reve	nue Effect	·				
 a. Temporary suspension of limitation based on 65% of taxable income (through 12/31/04) b. Extension of suspension of 100% of taxable income limit with respect to marginal production 	tyba 12/31/03	-112	-60									-172	-172
(through 12/31/04) 3. Amortize all delay rental payments over 2 years	tyba 12/31/03 apoii tyba DOE	-22 85	-12 11	 -64	 -62	 -35	 -9	 -1	 -1	 -1	 -1	-34 -65	-34 -77
 Amortize all geological and geophysical expenditures over 2 years Extension and modification of section 29 credit for producing fuel from a non-conventional source 	apoii tyba DOE	234	-212	-449	-428	-320	-261	-226	-194	-188	-194	-1,175	-2,238
(placed in service through 12/31/06) [8]B. Alternative Minimum Tax Provisions1. Allow personal energy credits against the alternative	fsfqfa 12/31/03	-101	-306	-605	-852	-806	-374	-80	-10	17	29	-2,670	-3,089
 minimum tax 2. Increase tax limitation on use of business energy credits [9]: a. Credits for new energy efficient homes, energy efficient appliances, low sulfur diesel fuel, and oil 	tyba 12/31/03	-1	-6	-9	-11	-6	-6					-33	-39
and gas from marginal wells b. Enhanced oil recovery credit (for 2004 and 2005)	tyea DOE tyba 12/31/03	-47 -88	-32 -137	-8 -40	26 13	33 13	19 12	8 11	2 11	 10	 10	-28 -239	 -185
 c. All section 40 credits	tyba 12/31/03			•••		-			rvation, Ite	-			
intangible drilling costs preference (sunset 12/31/05)	tyba 12/31/03	-33	-49	-10	9	8	7	7	6	5	5	-75	-44

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Provision	Effective	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-08	2004
C. Clean Coal Incentives													
1. 15% investment tax credit for clean coal facilities													
subject to 4,000Mw allocation cap (sunset 12/31/13)	ppisa DOE	-10	-21	-15	-7	1	5	5	5	3	2	-52	
2. Investment credit for advanced clean coal		10		10			0	Ũ	Ŭ	Ũ	-	02	
technology - 17.5% investment tax credit for													
advanced clean coal facilities subject to 6,000Mw													
allocation cap (sunset 12/31/16)	ppisa DOE	-8	-93	-191	-145	-78	-460	-218	25	23	22	-515	-
3. Amortization of pollution control facilities:	ppiou 2 0 2	Ũ							_0	_0		0.0	
a. 60-month amortization of gualified pollution													
control devices installed in post-1975 plants	ppisa DOE	-13	-22	-38	-59	-77	-90	-98	-103	-105	-108	-208	
b. 36-month amortization of qualified pollution		10	~~~	00	00		00	00	100	100	100	200	
control devices installed in pre-1976 plants	ppisa DOE	-16	-29	-42	-43	-36	-24	-13	-10	-16	-22	-165	
4. Integrated gasification combined-cycle advanced		10	20	74	40	00	24	10	10	10	~~~	100	
clean coal facilities eligible for 5-year MACRS													
property limited to facilities that receive investment													
tax credit	ppisa DOE		-1	-8	-28	-45	-45	-68	-102	-75	-31	-81	
D. High Volume Natural Gas Provisions			- 1	-0	-20	-+0		-00	102	-15	-01	-01	
1. New high volume natural gas pipelines treated as													
7-year property	ppisa DOE	-3	-11	-21	-29	-34	-37	-40	-133	-338	-429	-98	
 2. Enhanced oil recovery credit for certain 	ppisa DOL	-3	-11	-21	-29	-34	-37	-40	-155	-330	-429	-90	
gas processing facilities	opoji tubo 12/21/02					-32	-91	-101	-61	-23	1	-32	
						-	-	-			-	-	
Total of Production Provisions		-135	-980	-1,500	-1,616	-1,414	-1,354	-814	-565	-688	-716	-5,642	-!
Additional Provisions													
 Extension of tax incentives for energy-related 													
business on Indian reservations (through 12/31/05)	DOE	1	-65	-117	-45	8	30	47	38	21	2	-218	
Payment of dividends on stock of cooperatives													
without reducing patronage dividends	dmi tyea DOE	[4]	[4]	-1	-1	-1	-1	-2	-2	-3	-4	-3	
Distributions from publicly traded partnerships													
treated as qualifying income for regulated													
investment companies	tyba DOE	-1	-3	-4	-5	-6	-6	-6	-7	-8	-8	-19	
Suspension of duties on ceiling fans													
(sunset 12/31/05) [10]	DOE	-18	-23	-6								-48	
Suspension of duties on nuclear steam generators													
(sunset 12/31/08) and nuclear reactor vessel													
heads (sunset 12/31/07) [10]	DOE		-1	-1	-3	-3	-1					-7	
6. Brownfields demonstration program for qualified													
green building and sustainable design projects (\$2													
billion allocation) (sunset 9/30/09)	oia DOE	-3	-8	-14	-19	-24	-29	-32	-33	-33	-33	-68	
Total of Additional Provisions		-21	-100	-143	-73	-26	-7	7	-4	-23	-43	-363	
TOTAL		-2,535	-4,323	-5.000	-3,378	-2.025	-1.749	-884	-705	-1.234	-1,688	-17,210	-2

NOTE: Details may not add to totals due to rounding. Date of enactment is assumed to be December 1, 2003.

[Legend and Footnotes for JCX-101-03 appear on the following page]

Legend and Footnotes for JCX-101-03:

- Legend for "Effective" column: apoii = amounts paid or incurred in apa = appliances produced after cpoii = costs paid or incurred in dmi = distributions made in DOE = date of enactment ea = expenditures after epoia = expenses paid or incurred after
- [1] Gain of less than \$1 million.
- [2] Loss of less than \$1 million.
- [3] The Leaking Underground Storage Tank excise tax of 0.1 cents per gallon is retained.
- [4] Loss of less than \$500,000.
- [5] This provision may also have indirect effects on Federal outlays for certain farm programs. Outlay effects are estimated by the Congressional Budget Office.
- [6] Estimate includes AMT relief for alternative motor vehicles.
- [7] Estimates include the interaction with non-tax Conference provisions that are intended to increase investment in electric transmission property.
- [8] Qualified facilities are given credit for four years of production (five years in the case of refined coal). Placed in service before 1/1/08 for refined coal.
- [9] Estimates of changes related to the section 45 credit and the AMT are reflected in the provision in the table relating to the section 45 credit.
- [10] Estimate is provided by the Congressional Budget Office.

esfqfa = electricity sold from qualifying facilities after fpasoua = fuel produced and sold or used after fsuora = fuel sold, used, or removed after fsfqfa = fuel sold from qualifying facilities after hpa = homes purchased after

pi = production in pia = property installed after ppisa = property placed in service after soda = sales or deliveries after ta = transactions after tyba = taxable years beginning after tyea = taxable years ending after

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oia = obligation issued after

pa = production after