

**Table 2. Current Energy Tax Incentives and Taxes:
Estimated Revenue Effects FY2005 and FY2005-FY2009**
(in millions of dollars)

Category	Provision	Major Limitations	Revenue Effects FY2006
CONVENTIONAL FOSSIL FUELS SUPPLY (bpd = barrels per day; < indicates less than)			
Targeted Tax Subsidies			
disposition of elec. trans. property to implement FERC policy	capital gain recognized evenly over 8 years	proceeds must be reinvested in other elec. assets	- 2,800
% depletion — oil, -gas, and coal	15% of sales (higher for marginal wells); 10% for coal	only for independents, up to 1,000 or equiv. bpd	- \$500
enhanced oil recovery credit	15% of the costs	only for specific tertiary methods	- 400
expensing and amortization of exploration and development costs — oil/gas & other fuels	100% deductible IDCs in first year/ 2 year amortization of geological and geophysical costs	corporations expense only 70% of IDCs	- 235
nuclear decommissioning	liberalizes tax deductible contributions to a fund in advance of actual decommissioning	in general, the IRS sets limits on the annual amounts made to a nuclear decommissioning fund	- 120
electric utilities	allows net-operating losses (NOLs) to be carried back 5 years, as compared with 2 years	only 20% of the NOLs in 2003-2005 qualify	-72
incentives for small refiners to comply with EPA sulfur regulations	\$2.10 credit per barrel of low-sulfur diesel, + expensing of 75% of capital costs	credit limited to 25% of capital costs; expensing phases out for refining capacity of 155,000-205,000 barrels per day.	- < 50
credit for clean-coal technologies	20% for IGCC systems; 15% for other advanced coal tech.	each system has maximum aggregate dollar limits	- 26
Targeted Taxes			
black-lung coal excise taxes and AML fees (2003)	\$1.25/ton for underground coal (\$0.90 for surface coal)	coal tax not to exceed 4.4% of sales price (2.2% for the AML fee)	789
oil spill liability trust fund excise tax	\$0.05/barrel tax on every barrel of crude oil refined	moneys are allocated into a fund for cleaning up oil spills	150
ALTERNATIVE, UNCONVENTIONAL, AND RENEWABLE FUELS			
Targeted Tax Subsidies			
§29, production tax credit	\$6.40/bar. of oil or (\$1.13/mcf of gas)	biogas, coal syngases, coalbed methane, etc.	- 1,400
credits for fuel ethanol	\$0.51 blender's credit, + \$0.10/gal small producer credit	for biomass ethanol only (e.g., from corn)	- 1,510
§45 credit for renewable electricity	1.8¢/kWh. (0.9¢ in some cases; \$4.375/ton of refined coal)	wind, closed-loop biomass, poultry waste, solar, geothermal, etc.	- 300

Category	Provision	Major Limitations	Revenue Effects FY2006
alternative motor vehicle tax credits	\$400-\$40,000 credit for each fuel cell, hybrid, lean burn and other AFVs	tax credit is function of vehicle weight, fuel economy, and lifetime fuel savings	- 283
exclusion of interest on S&L bonds	interest income exempt from tax	for hydroelectric or biomass facilities used to produce electricity	- 200
credits for biodiesel	\$0.50/gal. of recycled biodiesel; \$1.00/gal. for virgin biodiesel	sold at retail or used in a trade or business; applies to oils from vegetables or animal fats	- 122
credit for solar & geothermal tech.	10% investment tax credit for businesses	utilities excluded	- < 50
ENERGY CONSERVATION			
Targeted Subsidies			
mass trans. subsidies	exclusion of \$105/month		- 192
manufacturer's credit for energy efficient appliances	max credit is \$50 for dishwashers, \$175 for refrigerators, and \$200 for clothes washers	amount of credit depends on energy efficiency, energy savings, and varies by year; total annual credit is also limited	- 117
deduction for the cost of energy efficient property in commercial buildings	tax deduction of cost of envelope components, heating cooling systems, and lighting	total deductions cannot exceed \$1.80/sq.ft.	- 81
credit for energy efficiency improvements to existing homes	10% tax credit (\$500/home) on up to \$5,000 of costs; \$50-\$300 credit for other items	max credit on windows is \$200	- 55
Targeted Taxes			
fuels taxes (FY2003) ^a	18.4¢/gal. on gasoline	4.4¢-24.4¢ for other fuels	39,078
gas-guzzler tax (FY2003)	\$1,000-\$7,700/ vehicle weighing 6,000 lbs. or less	trucks and SUVs are exempt	127
exclusion for utility conservation subsidies	subsidies not taxable as income	any energy conservation measure	< - 50

Source: Joint Tax Committee estimates and Internal Revenue Service data.

Note: A negative sign indicates a tax subsidy or incentive; no negative sign indicates an energy tax. NA denotes not available.

- a. This category includes revenue from excise taxes on tires, a heavy vehicle use tax, and retail sales tax on trucks and tractors, which also go into the Highway Trust Fund (HTF). No separate breakdown of revenue losses for fuels is available for FY2005-FY2009, but revenues from motor fuel taxes generally represent about 90% of the total HTF taxes.