Overview

This bill allows both individuals and corporations to claim a income tax subtraction for the federal alcohol fuel credit.

Section

1 Subtraction, individuals. Allows individuals to claim a subtraction for the federal alcohol fuel credit.

2 Subtraction, corporations. Allows corporations to claim a subtraction for the federal alcohol fuel credit.

Background on the federal alcohol credit. The federal alcohol credit consists of three separate credits: (1) the alcohol mixture credit (60 cents for each gallon of 190 proof alcohol and gasoline or special fuel; the credit rate is lower for lower proof levels), (2) alcohol credit (applies to alcohol sold directly, not in mixture for use in fuel at the same rates as apply to the mixture credit), and (3) small ethanol producer credit (10 cents per gallon). Alcohol includes both methanol and ethanol, but does not include alcohol produced from petroleum. (Methanol does not qualify for the small ethanol producers credit.) The credit is reduced by the amount of the exemption from the federal excise tax on motor fuels. This reduction largely limits the credit's application to sales that are exempt from the federal excise tax. Exempt uses include state and local government purchases, school bus use, mass transit use, and off highway use (e.g., by farmers).

3 Effective date. Retroactive to tax year 1999.