



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 7, 2005

H.R. 996
Highway Reauthorization Tax Act of 2005

As ordered reported by the Committee on Ways and Means on March 3, 2005

SUMMARY

H.R. 996 would amend the Internal Revenue Code to extend certain expiring highway taxes through September 30, 2011. Under current law, excise taxes are imposed on motor fuels, certain vehicles, and tires. Most of those taxes are set to expire on September 30, 2005. Among these levies is a tax of 18.3 cents per gallon that is imposed on gasoline and special motor fuels used in motorboats and certain small engines. H.R. 996 would distribute all revenues collected from the tax on those fuels to the Aquatic Resources Trust Fund (ARTF). ARTF deposits may be spent without further appropriation for state grants and conservation activities. Under current law, only 13.5 cents per gallon is deposited in the ARTF; the balance of 4.8 cents per gallon remains in the general fund.

H.R. 996 also would extend expenditure authority for the Highway Trust Fund and the ARTF through September 30, 2009.

CBO and the Joint Committee on Taxation (JCT) estimate that the bill would not affect revenues, relative to the current baseline, because CBO's baseline already assumes extension of the taxes under laws governing the baseline construction. CBO estimates that, by increasing the amount of revenue allocated to the ARTF, the bill would result in additional direct spending of \$29 million in 2007 and about \$1.1 billion over the 2007-2015 period.

CBO and JCT have determined that H.R. 996 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The budgetary impact of H.R. 996 over the 2005-2015 period is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN REVENUES											
Estimated Revenues	0	0	0	0	0	0	0	0	0	0	0
CHANGES IN DIRECT SPENDING											
Estimated Budget Authority	0	0	123	131	138	144	149	152	156	161	163
Estimated Outlays	0	0	29	69	104	125	137	143	147	151	156

SOURCES: Joint Committee on Taxation and CBO.

BASIS OF ESTIMATE

Revenues

JCT estimates that extending the expiring tax provisions would have no effect on federal revenues because the baseline already includes those revenues. Under section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, excise taxes dedicated to trust funds, if set to expire, are assumed to be extended in CBO's baseline at the current rates in place just before scheduled expiration.

Direct Spending

Enacting H.R. 996 would increase direct spending beginning in 2007 because the bill would allocate the 18.3 cents per gallon collected from taxes on fuels used in motorboats and certain small engines to the ARTF, rather than the 13.5 cents per gallon currently deposited in that fund. All amounts deposited into the ARTF are available in the following year without further appropriation. CBO estimates that this change would increase direct spending by \$29 million in 2007 and by about \$1.1 billion over the 2007-2015 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

CBO and JCT have determined that H.R. 996 contains no intergovernmental or private-sector mandates and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Revenues: Laura Hanlon
Federal Costs: Deborah Reis

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis