Subtitle H—Pilot Programs Allowing States That Raise Their Taxes on Motor Fuels To Opt Out of the Federal Transportation Program

SEC. 1801. PILOT PROGRAM FOR STATES TO OPT OUT OF FEDERAL TRANSPORTATION FUNDING AND FEDERAL MOTOR FUEL TAXES.

(a) Establishment of Pilot Program.—Not later than 1 year after the date of the enactment of this Act, the Administrator of the Federal Highway Administration, after consultation with the Secretary of the Treasury, shall establish a pilot program that, subject to the requirements of this section, allows one or more States to opt out of Federal transportation funding and Federal motor fuels taxes.

(b) General Requirements of Pilot Program.—Notwithstanding any other provision of law (but subject to such regulations as may be prescribed by the
Administrator of the Federal Highway Administration to carry out the pilot program), the pilot program shall provide for the following:

(1) **Federal Transportation Funding.**—A State participating in the pilot program shall not receive, directly or indirectly, any Federal transportation funding which is expended from the Highway Trust Fund with respect to taxes (and earnings thereon) attributable to sections 4041 and 4081 of the Internal Revenue Code of 1986 which are received in the Treasury and appropriated to the Highway Trust Fund. Any amounts in the Highway Trust Fund not attributable to such taxes shall be apportioned to a participating State in the same manner as it would have had the State not participated in the pilot program.

(2) **Federal Motor Fuels Taxes.**—Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury, after consultation with the Administrator of the Federal Highway Administration, shall prescribe regulations under which no tax which would otherwise result in an appropriation to the Highway Trust Fund shall be imposed under section 4041 or 4081 of the Internal Revenue Code of 1986 with respect to any motor
fuel which is used (or which is likely to be used) in
a State participating in the pilot program, or if such
a tax is imposed, such tax shall be refunded.

(3) INCREASE IN STATE FUEL TAXES.—A State
shall not be eligible to participate in the pilot pro-
gram unless such State increases the amount of tax
imposed by the State on each motor fuel used in
such State by an amount equivalent to the amount
of the reduction in taxes imposed on such motor fuel
under paragraph (2).

(c) SELECTION OF STATES.—The Administrator of
the Federal Highway Administration, after consultation
with the Secretary of the Treasury, shall select one or
more States to participate in the pilot program from
among the States that file an application to participate
on the basis of such criteria as the Administrator pub-
ishes in advance of the application process.

SEC. 1802. PILOT PROGRAM TO ALLOW STATES TO ELECT
TO RECEIVE CONTRIBUTIONS TO THE HIGH-
WAY TRUST FUND IN LIEU OF PARTICIPATING
IN THE FEDERAL-AID HIGHWAY PROGRAM OR
CERTAIN PUBLIC TRANSPORTATION PRO-
GRAMS.

(a) ESTABLISHMENT OF PILOT PROGRAM.—Not
later than 1 year after the date of the enactment of this
Act, the Administrator of the Federal Highway Administration, after consultation with the Secretary of the Treasury, shall establish a pilot program that, subject to the requirements of this section, allows one or more States to receive the amount equal to that of the States’ contributions to the Federal-aid highway program and public transportation programs in lieu of amounts apportioned or allocated to it under the Federal-aid highway program and public transportation programs.

(b) General Requirements of Pilot Program.—Notwithstanding any other provision of law (but subject to such regulations as may be prescribed by the Administrator of the Federal Highway Administration to carry out the pilot program), the pilot program shall provide for the following:

(1) Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury, after consultation with the Administrator of the Federal Highway Administration and the Administrator of the Federal Transit Administration, shall prescribe regulations under which—

(A) the amount to be transferred to a State under the direct Federal-aid highway program for a fiscal year shall be the portion of the taxes appropriated to the Highway Trust
Fund under section 9503 of the Internal Revenue Code of 1986, other than for the Alternative Transportation Account, for that fiscal year that is attributable to highway users in that State during that fiscal year, reduced by a pro rata share withheld by the Secretary to fund contract authority for programs of the National Highway Traffic Safety Administration and the Federal Motor Carrier Safety Administration; and

(B) the amount to be transferred to a State shall be the portion of the taxes transferred to the Alternative Transportation Account of the Highway Trust Fund under section 9503(e) of the Internal Revenue Code of 1986 that is attributable to highway users in that State during that fiscal year.

(2) Public transportation programs covered by this section are the programs authorized under chapter 53 of title 49, United States Code, and section 3038 of the Federal Transit Act of 1998 (49 U.S.C. 5310 note).

(e) Treatment of General Revenues.—For purposes of this section, any general revenue funds appropriated to the Highway Trust Fund shall be transferred
to a State under the program in the manner described in subsection (b).

(d) SELECTION OF STATES.—The Administrator of the Federal Highway Administration, after consultation with the Secretary of the Treasury, shall select one or more States to participate in the pilot program from among the States that file an application to participate on the basis of such criteria as the Administrator publishes in advance of the application process.