

113TH CONGRESS  
1ST SESSION

# S. 1762

To eliminate certain subsidies for fossil-fuel production.

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IN THE SENATE OF THE UNITED STATES

NOVEMBER 21, 2013

Mr. SANDERS introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To eliminate certain subsidies for fossil-fuel production.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “End Polluter Welfare  
5 Act of 2013”.

6 **SEC. 2. FINDINGS.**

7 Congress finds that—

8 (1) President Obama joined other world leaders  
9 from the Group of Twenty in pledging to phase out  
10 wasteful fossil-fuel subsidies;

11 (2) the Environmental Law Institute found that  
12 from 2002 through 2008, Federal fossil-fuel sub-

1 subsidies in the United States totaled over  
2 \$72,000,000,000, while Federal renewable-energy in-  
3 vestments totaled \$12,200,000,000;

4 (3) according to Taxpayers for Common Sense,  
5 the 5 largest oil corporations have made more than  
6 \$1,000,000,000,000 in profits during the past dec-  
7 ade;

8 (4) according to the Center for American  
9 Progress, the 5 largest oil corporations posted more  
10 than \$70,000,000,000 in profits in just the first 3  
11 quarters of 2013;

12 (5) according to the Center for Responsive Poli-  
13 tics, the entire oil and gas industry spent  
14 \$105,000,000 on lobbying in the first 3 quarters of  
15 2013, which was an effective investment in pro-  
16 tecting their extraordinary tax loopholes and sub-  
17 sidies; and

18 (6) taxpayers in the United States should not  
19 be subsidizing fossil fuel companies in a period of  
20 record debt.

21 **SEC. 3. DEFINITION OF FOSSIL FUEL.**

22 In this Act, the term “fossil fuel” means coal, petro-  
23 leum, natural gas, or any derivative of coal, petroleum,  
24 or natural gas that is used for fuel.

1 **SEC. 4. ROYALTY RELIEF.**

2 (a) IN GENERAL.—

3 (1) OUTER CONTINENTAL SHELF LANDS ACT.—

4 Section 8(a)(3) of the Outer Continental Shelf  
5 Lands Act (43 U.S.C. 1337(a)(3)) is amended—

6 (A) by striking subparagraph (B); and

7 (B) by redesignating subparagraph (C) as  
8 subparagraph (B).

9 (2) ENERGY POLICY ACT OF 2005.—

10 (A) INCENTIVES FOR NATURAL GAS PRO-  
11 Duction FROM DEEP WELLS IN THE SHALLOW  
12 WATERS OF THE GULF OF MEXICO.—Section  
13 344 of the Energy Policy Act of 2005 (42  
14 U.S.C. 15904) is repealed.

15 (B) DEEP WATER PRODUCTION.—Section  
16 345 of the Energy Policy Act of 2005 (42  
17 U.S.C. 15905) is repealed.

18 (b) FUTURE PROVISIONS.—Notwithstanding any  
19 other provision of law (including regulations), royalty re-  
20 lief shall not be permitted under a lease issued under sec-  
21 tion 8 of the Outer Continental Shelf Lands Act (43  
22 U.S.C. 1337).

23 **SEC. 5. ROYALTIES UNDER MINERAL LEASING ACT.**

24 (a) COAL LEASES.—Section 7(a) of the Mineral  
25 Leasing Act (30 U.S.C. 207(a)) is amended by striking  
26 “12½” and inserting “18¾”.

1 (b) LEASES ON LAND ON WHICH OIL OR NATURAL  
 2 GAS IS DISCOVERED.—Section 14 of the Mineral Leasing  
 3 Act (30 U.S.C. 223) is amended by striking “12½” and  
 4 inserting “18¾”.

5 (c) LEASES ON LAND KNOWN OR BELIEVED TO  
 6 CONTAIN OIL OR NATURAL GAS.—Section 17 of the Min-  
 7 eral Leasing Act (30 U.S.C. 226) is amended—

8 (1) in subsection (b)—

9 (A) in paragraph (1)(A), by striking  
 10 “12.5” and inserting “18¾”; and

11 (B) in paragraph (2)(A)(ii), by striking  
 12 “12½” and inserting “18¾”;

13 (2) in subsection (c)(1), by striking “12.5” and  
 14 inserting “18¾”;

15 (3) in subsection (l), by striking “12½” each  
 16 time it appears and inserting “18¾”; and

17 (4) in subsection (n)(1)(C), by striking “12½”  
 18 and inserting “18¾”.

19 **SEC. 6. ULTRA-DEEPWATER AND UNCONVENTIONAL NAT-**  
 20 **URAL GAS AND OTHER PETROLEUM RE-**  
 21 **SOURCES.**

22 Subtitle J of title IX of the Energy Policy Act of  
 23 2005 (42 U.S.C. 16371 et seq.) is repealed.

1 **SEC. 7. REMOVAL OF LIMITS ON LIABILITY FOR OFFSHORE**  
2 **FACILITIES AND PIPELINE OPERATORS.**

3 Section 1004(a) of the Oil Pollution Act of 1990 (33  
4 U.S.C. 2704(a)) is amended—

5 (1) in paragraph (3), by striking “plus  
6 \$75,000,000; and” and inserting “and the liability  
7 of the responsible party under section 1002;”;

8 (2) in paragraph (4)—

9 (A) by inserting “(except an onshore pipe-  
10 line transporting diluted bitumen, bituminous  
11 mixtures, or any oil manufactured from bitu-  
12 men)” after “for any onshore facility”; and

13 (B) by striking the period at the end and  
14 inserting “; and”; and

15 (3) by adding at the end the following:

16 “(5) for any onshore facility transporting di-  
17 luted bitumen, bituminous mixtures, or any oil man-  
18 ufactured from bitumen, the liability of the respon-  
19 sible party under section 1002.”.

20 **SEC. 8. FUNDS TO WORLD BANK FOR FINANCING**  
21 **PROJECTS THAT SUPPORT FOSSIL FUEL.**

22 (a) **RESCISSION OF FUNDS.**—Effective on the date  
23 of enactment of this Act, there are rescinded all unobli-  
24 gated balances of the amounts made available to the Inter-  
25 national Bank for Reconstruction and Development and  
26 the International Development Association (commonly

1 known as the “World Bank”), and each other similar  
2 international financing entity that has received amounts  
3 from the United States, as determined by the Secretary  
4 of the Treasury, to carry out any project that supports  
5 fossil fuel.

6 (b) **FUTURE FUNDS.**—Notwithstanding any other  
7 provision of law, any amounts made available to the World  
8 Bank or any other international financing entity shall not  
9 be used to carry out any project that supports fossil fuel.

10 **SEC. 9. OFFICE OF FOSSIL ENERGY RESEARCH AND DEVEL-**  
11 **OPMENT.**

12 (a) **IN GENERAL.**—Section 203(a)(2) of the Depart-  
13 ment of Energy Organization Act (42 U.S.C. 7133(a)(2))  
14 is amended—

15 (1) in subparagraph (C), by inserting “and”  
16 after the semicolon at the end;

17 (2) by striking subparagraph (D); and

18 (3) by redesignating subparagraph (E) as sub-  
19 paragraph (D).

20 (b) **TERMINATION.**—Notwithstanding any other pro-  
21 vision of law, the Office of Fossil Energy Research and  
22 Development and the authority to carry out any program  
23 or activity of the Office (as in existence on the day before  
24 the date of enactment of this Act) is terminated.

1 **SEC. 10. ADVANCED RESEARCH PROJECTS AGENCY—EN-**  
2 **ERGY.**

3 None of the funds made available to the Advanced  
4 Research Projects Agency—Energy shall be used to carry  
5 out any project that supports fossil fuel.

6 **SEC. 11. INCENTIVES FOR INNOVATIVE TECHNOLOGIES.**

7 (a) IN GENERAL.—Section 1703 of the Energy Policy  
8 Act of 2005 (42 U.S.C. 16513) is amended—

9 (1) in subsection (b)—

10 (A) by striking paragraph (2);

11 (B) by striking paragraph (10); and

12 (C) by redesignating paragraphs (3)  
13 through (9) as paragraphs (2) through (8) re-  
14 spectively;

15 (2) by striking subsection (c); and

16 (3) by redesignating subsections (d) and (e) as  
17 paragraphs (c) and (d) respectively.

18 (b) CONFORMING AMENDMENT.—Section 1704 of the  
19 Energy Policy Act of 2005 (42 U.S.C. 16514) is amend-  
20 ed—

21 (1) in subsection (a), by striking “(a) IN GEN-  
22 ERAL.—”; and

23 (2) by striking subsection (b).

24 **SEC. 12. RURAL UTILITY SERVICE LOAN GUARANTEES.**

25 The Secretary of Agriculture shall not make a loan  
26 under title III of the Rural Electrification Act of 1936

1 (7 U.S.C. 931 et seq.) to an applicant for the purpose  
2 of carrying out any project that will use fossil fuel.

3 **SEC. 13. FUNDS TO THE OVERSEAS PRIVATE INVESTMENT**  
4 **CORPORATION OR THE EXPORT-IMPORT**  
5 **BANK OF THE UNITED STATES FOR FINANC-**  
6 **ING PROJECTS, TRANSACTIONS, OR OTHER**  
7 **ACTIVITIES THAT SUPPORT FOSSIL FUEL.**

8 (a) **RESCISSION OF FUNDS.**—Effective on the date  
9 of enactment of this Act, there are rescinded all unobli-  
10 gated balances of the amounts made available to the Over-  
11 seas Private Investment Corporation or the Export-Import  
12 Bank of the United States to carry out any project, trans-  
13 action, or other activity that supports fossil-fuel produc-  
14 tion.

15 (b) **FUTURE FUNDS.**—Notwithstanding any other  
16 provision of law, any amounts made available to the Over-  
17 seas Private Investment Corporation or the Export-Import  
18 Bank of the United States shall not be used to carry out  
19 any project, transaction, or other activity that supports  
20 fossil-fuel production.

21 **SEC. 14. TRANSPORTATION FUNDS FOR GRANTS, LOANS,**  
22 **LOAN GUARANTEES, AND OTHER DIRECT AS-**  
23 **SISTANCE.**

24 Notwithstanding any other provision of law, any  
25 amounts made available to the Department of Transpor-



1 tation (including the Federal Railroad Administration)  
2 shall not be used to award any grant, loan, loan guarantee,  
3 or provide any other direct assistance to any rail or port  
4 project that transports fossil fuel.

5 **SEC. 15. TERMINATION OF VARIOUS TAX EXPENDITURES**  
6 **RELATING TO FOSSIL FUELS.**

7 (a) IN GENERAL.—Subchapter C of chapter 80 of the  
8 Internal Revenue Code of 1986 is amended by adding at  
9 the end the following new section:

10 **“SEC. 7875. TERMINATION OF CERTAIN PROVISIONS RELAT-**  
11 **ING TO FOSSIL FUEL INCENTIVES.**

12 “(a) IN GENERAL.—The following provisions shall  
13 not apply to taxable years beginning after the date of the  
14 enactment of the End Polluter Welfare Act of 2013:

15 “(1) Section 43 (relating to enhanced oil recov-  
16 ery credit).

17 “(2) Section 45I (relating to credit for pro-  
18 ducing oil and natural gas from marginal wells).

19 “(3) Section 45K (relating to credit for pro-  
20 ducing fuel from a nonconventional source).

21 “(4) Section 193 (relating to tertiary  
22 injectants).

23 “(5) Section 199(d)(9) (relating to special rule  
24 for taxpayers with oil related qualified production  
25 activities income).

1           “(6) Section 461(i)(2) (relating to special rule  
2 for spudding of oil or natural gas wells).

3           “(7) Section 469(c)(3) (relating to working in-  
4 terests in oil and natural gas property).

5           “(8) Section 613A (relating to limitations on  
6 percentage depletion in case of oil and natural gas  
7 wells).

8           “(9) Section 617 (relating to deduction and re-  
9 capture of certain mining exploration expenditures).

10           “(10) Section 7704(d)(1)(E) (relating to quali-  
11 fying income).

12           “(b) PROVISIONS RELATING TO PROPERTY.—The  
13 following provisions shall not apply to property placed in  
14 service after the date of the enactment of the End Polluter  
15 Welfare Act of 2013:

16           “(1) Subparagraphs (C)(iii) and (E)(viii) of  
17 section 168(e)(3) (relating to classification of certain  
18 property).

19           “(2) Section 169 (relating to amortization of  
20 pollution control facilities) with respect to any at-  
21 mospheric pollution control facility.

22           “(3) Section 179C (relating to election to ex-  
23 pense certain refineries).

24           “(c) PROVISIONS RELATING TO COSTS AND EX-  
25 PENSES.—The following provisions shall not apply to costs

1 or expenses paid or incurred after the date of the enact-  
2 ment of the End Polluter Welfare Act of 2013:

3 “(1) Section 179B (relating to deduction for  
4 capital costs incurred in complying with Environ-  
5 mental Protection Agency sulfur regulations).

6 “(2) Section 263(c) (relating to intangible drill-  
7 ing and development costs) with respect to costs in  
8 the case of oil and natural gas wells.

9 “(3) Section 468 (relating to special rules for  
10 mining and solid waste reclamation and closing  
11 costs).

12 “(d) 5-YEAR CARRYBACK FOR MARGINAL OIL AND  
13 NATURAL GAS WELL PRODUCTION CREDIT.—Section  
14 39(a)(3) (relating to 5-year carryback for marginal oil and  
15 natural gas well production credit) shall not apply to cred-  
16 its determined in taxable years beginning after the date  
17 of the enactment of the End Polluter Welfare Act of 2013.

18 “(e) CREDIT FOR CARBON DIOXIDE SEQUESTRA-  
19 TION.—Section 45Q (relating to credit for carbon dioxide  
20 sequestration) shall not apply to carbon dioxide captured  
21 after the date of the enactment of the End Polluter Wel-  
22 fare Act of 2013.

23 “(f) ALLOCATED CREDITS.—No new credits shall be  
24 certified under section 48A (relating to qualifying ad-  
25 vanced coal project credit) or section 48B (relating to

1 qualifying gasification project credit) after the date of the  
2 enactment of the End Polluter Welfare Act of 2013.

3 “(g) **ARBITRAGE BONDS.**—Section 148(b)(4) (relat-  
4 ing to safe harbor for prepaid natural gas) shall not apply  
5 to obligations issued after the date of the enactment of  
6 the End Polluter Welfare Act of 2013.”.

7 (b) **CONFORMING AMENDMENT.**—The table of sec-  
8 tions for subchapter C of chapter 90 is amended by adding  
9 at the end the following new item:

“Sec. 7875. Termination of certain provisions.”.

10 **SEC. 16. TERMINATION OF ALTERNATIVE FUEL VEHICLE**  
11 **REFUELING PROPERTY CREDIT WITH RE-**  
12 **SPECT TO FOSSIL FUELS.**

13 (a) **IN GENERAL.**—Paragraph (2) of section 30C(c)  
14 of the Internal Revenue Code of 1986 is amended—

15 (1) by striking “, natural gas, compressed nat-  
16 ural gas, liquefied natural gas, liquefied petroleum  
17 gas,” in subparagraph (A),

18 (2) by striking subparagraph (B), and

19 (3) by redesignating subparagraph (C) as sub-  
20 paragraph (B).

21 (b) **EFFECTIVE DATE.**—The amendments made by  
22 this section shall apply to property placed in service after  
23 the date of enactment of this Act.

1 **SEC. 17. UNIFORM SEVEN-YEAR AMORTIZATION FOR GEO-**  
2 **LOGICAL AND GEOPHYSICAL EXPENDITURES.**

3 (a) **IN GENERAL.**—Section 167(h) of the Internal  
4 Revenue Code of 1986 is amended—

5 (1) by striking “24-month period” each place it  
6 appears in paragraphs (1) and (4) and inserting “7-  
7 year period”, and

8 (2) by striking paragraph (5).

9 (b) **EFFECTIVE DATE.**—The amendments made by  
10 this section shall apply to amounts paid or incurred after  
11 the date of the enactment of this Act.

12 **SEC. 18. NATURAL GAS GATHERING LINES TREATED AS 15-**  
13 **YEAR PROPERTY.**

14 (a) **IN GENERAL.**—Subparagraph (E) of section  
15 168(e)(3) of the Internal Revenue Code of 1986 is amend-  
16 ed by striking “and” at the end of clause (viii), by striking  
17 the period at the end of clause (ix) and inserting “, and”,  
18 and by adding at the end the following new clause:

19 “(x) any natural gas gathering line  
20 the original use of which commences with  
21 the taxpayer after the date of the enact-  
22 ment of this clause.”.

23 (b) **ALTERNATIVE SYSTEM.**—The table contained in  
24 section 168(g)(3)(B) of the Internal Revenue Code of

1 1986 is amended by inserting after the item relating to  
 2 subparagraph (E)(ix) the following new item:

“(E)(x) ..... 22”.

3 (c) CONFORMING AMENDMENT.—Clause (iv) of sec-  
 4 tion 168(e)(3)(C) of the Internal Revenue Code of 1986  
 5 is amended by inserting “and on or before the date of the  
 6 enactment of the End Polluter Welfare Act of 2013” after  
 7 “April 11, 2005”.

8 (d) EFFECTIVE DATE.—

9 (1) IN GENERAL.—The amendments made by  
 10 this section shall apply to property placed in service  
 11 on and after the date of the enactment of this Act.

12 (2) EXCEPTION.—The amendments made by  
 13 this section shall not apply to any property with re-  
 14 spect to which the taxpayer or a related party has  
 15 entered into a binding contract for the construction  
 16 thereof on or before the date of the enactment of  
 17 this Act, or, in the case of self-constructed property,  
 18 has started construction on or before such date.

19 **SEC. 19. REPEAL OF DOMESTIC MANUFACTURING DEDUC-**  
 20 **TION FOR HARD MINERAL MINING.**

21 (a) IN GENERAL.—Subparagraph (B) of section  
 22 199(e)(4) of the Internal Revenue Code of 1986 is amend-  
 23 ed by striking “or” at the end of clause (ii), by striking  
 24 the period at the end of clause (iii) and inserting “, or”,  
 25 and by adding at the end the following new clause:

1                   “(iv) the mining of any hard min-  
2                   eral.”.

3           (b) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 the date of the enactment of this Act.

6 **SEC. 20. LIMITATION ON DEDUCTION FOR INCOME ATTRIB-**  
7                   **UTABLE TO DOMESTIC PRODUCTION OF OIL,**  
8                   **NATURAL GAS, OR PRIMARY PRODUCTS**  
9                   **THEREOF.**

10           (a) DENIAL OF DEDUCTION.—Paragraph (4) of sec-  
11 tion 199(c) of the Internal Revenue Code of 1986 is  
12 amended by adding at the end the following new subpara-  
13 graph:

14                   “(E) SPECIAL RULE FOR OIL, NATURAL  
15                   GAS, AND COAL INCOME.—The term ‘domestic  
16                   production gross receipts’ shall not include  
17                   gross receipts from the production, refining,  
18                   processing, transportation, or distribution of oil,  
19                   natural gas, or coal, or any primary product  
20                   (within the meaning of subsection (d)(9)) there-  
21                   of.”.

22           (b) EFFECTIVE DATE.—The amendment made by  
23 this section shall apply to taxable years beginning after  
24 the date of the enactment of this Act.

1 **SEC. 21. TERMINATION OF LAST-IN, FIRST-OUT METHOD OF**  
2 **INVENTORY FOR OIL, NATURAL GAS, AND**  
3 **COAL COMPANIES.**

4 (a) IN GENERAL.—Section 472 of the Internal Rev-  
5 enue Code of 1986 is amended by adding at the end the  
6 following new subsection:

7 “(h) TERMINATION FOR OIL, NATURAL GAS, AND  
8 COAL COMPANIES.—Subsection (a) shall not apply to any  
9 taxpayer that is in the trade or business of the production,  
10 refining, processing, transportation, or distribution of oil,  
11 natural gas, or coal for any taxable year beginning after  
12 the date of enactment of the End Polluter Welfare Act  
13 of 2013.”.

14 (b) ADDITIONAL TERMINATION.—Section 473 of the  
15 Internal Revenue Code of 1986 is amended by adding at  
16 the end the following new subsection:

17 “(h) TERMINATION FOR OIL, NATURAL GAS, AND  
18 COAL COMPANIES.—This section shall not apply to any  
19 taxpayer that is in the trade or business of the production,  
20 refining, processing, transportation, or distribution of oil,  
21 natural gas, or coal for any taxable year beginning after  
22 the date of enactment of the End Polluter Welfare Act  
23 of 2013.”.

24 (c) EFFECTIVE DATE.—The amendments made by  
25 this section shall apply to taxable years beginning after  
26 the date of enactment of this Act.



1 **SEC. 22. REPEAL OF PERCENTAGE DEPLETION FOR COAL**  
2 **AND HARD MINERAL FOSSIL FUELS.**

3 (a) **IN GENERAL.**—Section 613 of the Internal Rev-  
4 enue Code of 1986 is amended by adding at the end the  
5 following new subsection:

6 “(f) **TERMINATION WITH RESPECT TO COAL AND**  
7 **HARD MINERAL FOSSIL FUELS.**—In the case of coal, lig-  
8 nite, and oil shale (other than oil shale described in sub-  
9 section (b)(5)), the allowance for depletion shall be com-  
10 puted without reference to this section for any taxable  
11 year beginning after the date of the enactment of the End  
12 Polluter Welfare Act of 2013.”.

13 (b) **CONFORMING AMENDMENTS.**—

14 (1) **COAL AND LIGNITE.**—Section 613(b)(4) of  
15 the Internal Revenue Code of 1986 is amended by  
16 striking “coal, lignite,”.

17 (2) **OIL SHALE.**—Section 613(b)(2) of such  
18 Code is amended to read as follows:

19 “(2) **15 PERCENT.**—If, from deposits in the  
20 United States, gold, silver, copper, and iron ore.”.

21 (c) **EFFECTIVE DATE.**—The amendments made by  
22 this section shall apply to taxable years beginning after  
23 the date of the enactment of this Act.

1 **SEC. 23. TERMINATION OF CAPITAL GAINS TREATMENT**  
 2 **FOR ROYALTIES FROM COAL.**

3 (a) IN GENERAL.—Subsection (c) of section 631 of  
 4 the Internal Revenue Code of 1986 is amended—

5 (1) by striking “coal (including lignite), or iron  
 6 ore” and inserting “iron ore”,

7 (2) by striking “coal or iron ore” each place it  
 8 appears and inserting “iron ore”,

9 (3) by striking “iron ore or coal” each place it  
 10 appears and inserting “iron ore”, and

11 (4) by striking “COAL OR” in the heading.

12 (b) CONFORMING AMENDMENT.—The heading of sec-  
 13 tion 631 of the Internal Revenue Code of 1986 is amended  
 14 by striking “, **COAL,**”.

15 (c) EFFECTIVE DATE.—The amendments made by  
 16 this section shall apply to dispositions after the date of  
 17 the enactment of this Act.

18 **SEC. 24. MODIFICATIONS OF FOREIGN TAX CREDIT RULES**  
 19 **APPLICABLE TO OIL, NATURAL GAS, AND**  
 20 **COAL COMPANIES WHICH ARE DUAL CAPAC-**  
 21 **ITY TAXPAYERS.**

22 (a) IN GENERAL.—Section 901 of the Internal Rev-  
 23 enue Code of 1986 is amended by redesignating subsection  
 24 (n) as subsection (o) and by inserting after subsection (m)  
 25 the following new subsection:

1       “(n) SPECIAL RULES RELATING TO OIL, NATURAL  
2 GAS, AND COAL COMPANIES WHICH ARE DUAL CAPACITY  
3 TAXPAYERS.—

4           “(1) GENERAL RULE.—Notwithstanding any  
5 other provision of this chapter, any amount paid or  
6 accrued to a foreign country or possession of the  
7 United States for any period by a dual capacity tax-  
8 payer which is in the trade or business of the pro-  
9 duction, refining, processing, transportation, or dis-  
10 tribution of oil, natural gas, or coal shall not be con-  
11 sidered a tax—

12           “(A) if, for such period, the foreign coun-  
13 try or possession does not impose a generally  
14 applicable income tax, or

15           “(B) to the extent such amount exceeds  
16 the amount (determined in accordance with reg-  
17 ulations) which—

18           “(i) is paid by such dual capacity tax-  
19 payer pursuant to the generally applicable  
20 income tax imposed by the country or pos-  
21 session, or

22           “(ii) would be paid if the generally ap-  
23 plicable income tax imposed by the country  
24 or possession were applicable to such dual  
25 capacity taxpayer.

1 Nothing in this paragraph shall be construed to  
2 imply the proper treatment of any such amount not  
3 in excess of the amount determined under subpara-  
4 graph (B).

5 “(2) DUAL CAPACITY TAXPAYER.—For pur-  
6 poses of this subsection, the term ‘dual capacity tax-  
7 payer’ means, with respect to any foreign country or  
8 possession of the United States, a person who—

9 “(A) is subject to a levy of such country or  
10 possession, and

11 “(B) receives (or will receive) directly or  
12 indirectly a specific economic benefit (as deter-  
13 mined in accordance with regulations) from  
14 such country or possession.

15 “(3) GENERALLY APPLICABLE INCOME TAX.—  
16 For purposes of this subsection—

17 “(A) IN GENERAL.—The term ‘generally  
18 applicable income tax’ means an income tax (or  
19 a series of income taxes) which is generally im-  
20 posed under the laws of a foreign country or  
21 possession on income derived from the conduct  
22 of a trade or business within such country or  
23 possession.

1           “(B) EXCEPTIONS.—Such term shall not  
2           include a tax unless it has substantial applica-  
3           tion, by its terms and in practice, to—

4                   “(i) persons who are not dual capacity  
5                   taxpayers, and

6                   “(ii) persons who are citizens or resi-  
7                   dents of the foreign country or posses-  
8                   sion.”.

9           (b) EFFECTIVE DATE.—

10           (1) IN GENERAL.—The amendments made by  
11           this section shall apply to taxes paid or accrued in  
12           taxable years beginning after the date of the enact-  
13           ment of this Act.

14           (2) CONTRARY TREATY OBLIGATIONS  
15           UPHELD.—The amendments made by this section  
16           shall not apply to the extent contrary to any treaty  
17           obligation of the United States.

18 **SEC. 25. INCREASE IN OIL SPILL LIABILITY TRUST FUND FI-**  
19 **NANCING RATE.**

20           (a) IN GENERAL.—Subparagraph (B) of section  
21 4611(c)(2) of the Internal Revenue Code of 1986 is  
22 amended to read as follows:

23                   “(B) the Oil Spill Liability Trust Fund fi-  
24                   nancing rate is—

1           “(i) in the case of crude oil received  
2           or petroleum products entered before Jan-  
3           uary 1, 2013, 8 cents a barrel,

4           “(ii) in the case of crude oil received  
5           or petroleum products entered after De-  
6           cember 31, 2013, and before January 1,  
7           2017, 9 cents a barrel, and

8           “(iii) in the case of crude oil received  
9           or petroleum products entered after De-  
10          cember 31, 2016, 10 cents a barrel.”.

11          (b) **EFFECTIVE DATE.**—The amendment made by  
12 this section shall apply to crude oil received and petroleum  
13 products entered after the date of the enactment of this  
14 Act.

15 **SEC. 26. APPLICATION OF CERTAIN ENVIRONMENTAL**  
16 **TAXES TO SYNTHETIC CRUDE OIL.**

17          (a) **IN GENERAL.**—Paragraph (1) of section 4612(a)  
18 of the Internal Revenue Code of 1986 is amended to read  
19 as follows:

20           “(1) **CRUDE OIL.**—

21           “(A) **IN GENERAL.**—The term ‘crude oil’  
22 includes crude oil condensates, natural gasoline,  
23 and synthetic crude oil.

24           “(B) **SYNTHETIC CRUDE OIL.**—For pur-  
25 poses of subparagraph (A), the term ‘synthetic

1           crude oil’ means any bitumen and bituminous  
2           mixtures, any oil manufactured from bitumen  
3           and bituminous mixtures, and any liquid fuel  
4           manufactured from coal.”.

5           (b) EFFECTIVE DATE.—The amendment made by  
6 this section shall apply to oil and petroleum products re-  
7 ceived or entered during calendar quarters beginning more  
8 than 60 days after the date of the enactment of this Act.

9   **SEC. 27. DENIAL OF DEDUCTION FOR REMOVAL COSTS AND**  
10                           **DAMAGES FOR CERTAIN OIL SPILLS.**

11           (a) IN GENERAL.—Part IX of subchapter B of chap-  
12 ter 1 of the Internal Revenue Code of 1986 is amended  
13 by adding at the end the following new section:

14   **“SEC. 280I. EXPENSES FOR REMOVAL COSTS AND DAMAGES**  
15                           **RELATING TO CERTAIN OIL SPILL LIABILITY.**

16           “No deduction shall be allowed under this chapter for  
17 any amount paid or incurred with respect to any costs or  
18 damages for which the taxpayer is liable under section  
19 1002 of the Oil Pollution Act of 1990 (33 U.S.C. 2702).”.

20           (b) CLERICAL AMENDMENT.—The table of sections  
21 for part IX of subchapter B of chapter 1 of such Code  
22 is amended by adding at the end the following new item:

          “Sec. 280I. Expenses for removal costs and damages relating to certain oil spill  
                          liability.”.

23           (c) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply with respect to any liability arising

1 in taxable years ending after the date of the enactment  
2 of this Act.

3 **SEC. 28. TAX ON CRUDE OIL AND NATURAL GAS PRODUCED**  
4 **FROM THE OUTER CONTINENTAL SHELF IN**  
5 **THE GULF OF MEXICO.**

6 (a) IN GENERAL.—Subtitle E of the Internal Rev-  
7 enue Code of 1986 is amended by adding at the end the  
8 following new chapter:

9 **“CHAPTER 56—TAX ON SEVERANCE OF**  
10 **CRUDE OIL AND NATURAL GAS FROM**  
11 **THE OUTER CONTINENTAL SHELF IN**  
12 **THE GULF OF MEXICO**

“Sec. 5901. Imposition of tax.

“Sec. 5902. Taxable crude oil or natural gas and removal price.

“Sec. 5903. Special rules and definitions.

13 **“SEC. 5901. IMPOSITION OF TAX.**

14 “(a) IN GENERAL.—In addition to any other tax im-  
15 posed under this title, there is hereby imposed a tax equal  
16 to 13 percent of the removal price of any taxable crude  
17 oil or natural gas removed from the premises during any  
18 taxable period.

19 “(b) CREDIT FOR FEDERAL ROYALTIES PAID.—

20 “(1) IN GENERAL.—There shall be allowed as a  
21 credit against the tax imposed by subsection (a) with  
22 respect to the production of any taxable crude oil or  
23 natural gas an amount equal to the aggregate



1 amount of royalties paid under Federal law with re-  
2 spect to such production.

3 “(2) LIMITATION.—The aggregate amount of  
4 credits allowed under paragraph (1) to any taxpayer  
5 for any taxable period shall not exceed the amount  
6 of tax imposed by subsection (a) for such taxable pe-  
7 riod.

8 “(c) TAX PAID BY PRODUCER.—The tax imposed by  
9 this section shall be paid by the producer of the taxable  
10 crude oil or natural gas.

11 **“SEC. 5902. TAXABLE CRUDE OIL OR NATURAL GAS AND RE-**  
12 **MOVAL PRICE.**

13 “(a) TAXABLE CRUDE OIL OR NATURAL GAS.—For  
14 purposes of this chapter, the term ‘taxable crude oil or  
15 natural gas’ means crude oil or natural gas which is pro-  
16 duced from Federal submerged lands on the outer Conti-  
17 nental Shelf in the Gulf of Mexico pursuant to a lease  
18 entered into with the United States which authorizes the  
19 production.

20 “(b) REMOVAL PRICE.—For purposes of this chap-  
21 ter—

22 “(1) IN GENERAL.—Except as otherwise pro-  
23 vided in this subsection, the term ‘removal price’  
24 means—

1           “(A) in the case of taxable crude oil, the  
2           amount for which a barrel of such crude oil is  
3           sold, and

4           “(B) in the case of taxable natural gas, the  
5           amount per 1,000 cubic feet for which such  
6           natural gas is sold.

7           “(2) SALES BETWEEN RELATED PERSONS.—In  
8           the case of a sale between related persons, the re-  
9           moval price shall not be less than the constructive  
10          sales price for purposes of determining gross income  
11          from the property under section 613.

12          “(3) OIL OR NATURAL GAS REMOVED FROM  
13          PROPERTY BEFORE SALE.—If crude oil or natural  
14          gas is removed from the property before it is sold,  
15          the removal price shall be the constructive sales  
16          price for purposes of determining gross income from  
17          the property under section 613.

18          “(4) REFINING BEGUN ON PROPERTY.—If the  
19          manufacture or conversion of crude oil into refined  
20          products begins before such oil is removed from the  
21          property—

22                 “(A) such oil shall be treated as removed  
23                 on the day such manufacture or conversion be-  
24                 gins, and

1           “(B) the removal price shall be the con-  
2           structive sales price for purposes of determining  
3           gross income from the property under section  
4           613.

5           “(5) PROPERTY.—The term ‘property’ has the  
6           meaning given such term by section 614.

7   **“SEC. 5903. SPECIAL RULES AND DEFINITIONS.**

8           “(a) ADMINISTRATIVE REQUIREMENTS.—

9           “(1) WITHHOLDING AND DEPOSIT OF TAX.—  
10          The Secretary shall provide for the withholding and  
11          deposit of the tax imposed under section 5901 on a  
12          quarterly basis.

13          “(2) RECORDS AND INFORMATION.—Each tax-  
14          payer liable for tax under section 5901 shall keep  
15          such records, make such returns, and furnish such  
16          information (to the Secretary and to other persons  
17          having an interest in the taxable crude oil or natural  
18          gas) with respect to such oil as the Secretary may  
19          by regulations prescribe.

20          “(3) TAXABLE PERIODS; RETURN OF TAX.—

21                  “(A) TAXABLE PERIOD.—Except as pro-  
22                  vided by the Secretary, each calendar year shall  
23                  constitute a taxable period.

1           “(B) RETURNS.—The Secretary shall pro-  
2           vide for the filing, and the time for filing, of the  
3           return of the tax imposed under section 5901.

4           “(b) DEFINITIONS.—For purposes of this chapter—

5           “(1) PRODUCER.—The term ‘producer’ means  
6           the holder of the economic interest with respect to  
7           the crude oil or natural gas.

8           “(2) CRUDE OIL.—The term ‘crude oil’ includes  
9           crude oil condensates and natural gasoline.

10          “(3) PREMISES AND CRUDE OIL PRODUCT.—  
11          The terms ‘premises’ and ‘crude oil product’ have  
12          the same meanings as when used for purposes of de-  
13          termining gross income from the property under sec-  
14          tion 613.

15          “(c) ADJUSTMENT OF REMOVAL PRICE.—In deter-  
16          mining the removal price of oil or natural gas from a prop-  
17          erty in the case of any transaction, the Secretary may ad-  
18          just the removal price to reflect clearly the fair market  
19          value of oil or natural gas removed.

20          “(d) REGULATIONS.—The Secretary shall prescribe  
21          such regulations as may be necessary or appropriate to  
22          carry out the purposes of this chapter.”.

23          (b) DEDUCTIBILITY OF TAX.—The first sentence of  
24          section 164(a) is amended by inserting after paragraph  
25          (6) the following new paragraph:



1           (2) any policy recommendations to capture the  
2           future market value of the coal leases in the Powder  
3           River Basin.

4 **SEC. 30. REPORTS.**

5           (a) DEFINITION OF FOSSIL-FUEL-PRODUCTION SUB-  
6           SIDY.—In this section, the term “subsidy for fossil-fuel  
7           production” means any direct funding, tax treatment or  
8           incentive, risk-reduction benefit, financing assistance or  
9           guarantee, royalty relief, or other provision that provides  
10          a financial benefit to a fossil fuel company for the produc-  
11          tion of fossil fuels.

12          (b) REPORT TO CONGRESS.—Not later than 1 year  
13          after the date of enactment of this Act, the Secretary of  
14          the Treasury, in coordination with the Secretary of En-  
15          ergy, shall submit to Congress a report detailing each Fed-  
16          eral law (including regulations), other than those amended  
17          by this Act, as in effect on the date on which the report  
18          is submitted, that includes a subsidy for fossil-fuel produc-  
19          tion.

20          (c) REPORT ON MODIFIED RECOVERY PERIOD.—

21                 (1) IN GENERAL.—Not later than 1 year after  
22                 the date of enactment of this Act, the Secretary, in  
23                 coordination with the Commissioner of Internal Rev-  
24                 enue, shall submit to Congress a report on the appli-  
25                 cable recovery period under the accelerated cost re-

1       covery system provided in section 168 of the Inter-  
2       nal Revenue Code of 1986 for each type of property  
3       involved in fossil-fuel production, including pipelines,  
4       power generation property, refineries, and drilling  
5       equipment, to determine if any assets are receiving  
6       a subsidy for fossil-fuel production.

7               (2) ELIMINATION OF SUBSIDY.—In the case of  
8       any type of property that the Commissioner of Inter-  
9       nal Revenue determines is receiving a subsidy for  
10      fossil-fuel production under such section 168, for  
11      property placed in service in taxable years beginning  
12      after the date of such determination, such section  
13      168 shall not apply. The preceding sentence shall  
14      not apply to any property with respect to a taxable  
15      year unless such determination is published before  
16      the first day of such taxable year.

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