

110TH CONGRESS  
1ST SESSION

# H. R. 3416

To amend the Internal Revenue Code of 1986 to reduce carbon dioxide emissions in the United States domestic energy supply.

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IN THE HOUSE OF REPRESENTATIVES

AUGUST 3, 2007

Mr. LARSON of Connecticut introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to reduce carbon dioxide emissions in the United States domestic energy supply.

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 “America’s Energy Se-  
5 curity Trust Fund Act of 2007”.

6 **SEC. 2. TAX ON CARBON DIOXIDE CONTENT OF CERTAIN**  
7 **SUBSTANCES.**

8 (a) IN GENERAL.—Chapter 38 of the Internal Rev-  
9 enue Code of 1986 (relating to environmental taxes) is

1 amended by adding at the end thereof the following new  
2 subchapter:

3       **“Subchapter E—Tax on Carbon Dioxide**  
4               **Content of Certain Substances**

“Sec. 4691. Imposition of tax.

“Sec. 4692. Refunds or credits.

“Sec. 4693. Definitions and special rules.

5       **“SEC. 4691. IMPOSITION OF TAX.**

6               “(a) IN GENERAL.—There is hereby imposed a tax  
7 on any taxable carbon substance sold by the manufacturer,  
8 producer, or importer thereof.

9               “(b) AMOUNT OF TAX.—

10                       “(1) IN GENERAL.—The amount of tax imposed  
11 by subsection (a) on any taxable carbon substance  
12 shall be the applicable amount per ton of carbon di-  
13 oxide content of such substance, as determined by  
14 the Secretary in consultation with the Secretary of  
15 Energy.

16                       “(2) FRACTIONAL PART OF TON.—In the case  
17 of a fraction of a ton, the tax imposed by subsection  
18 (a) shall be the same fraction of the amount of such  
19 tax imposed on a whole ton.

20                       “(3) APPLICABLE AMOUNT.—For purposes of  
21 paragraph (1)—

22                               “(A) CALENDAR YEAR 2008.—The applica-  
23 ble amount for calender year 2008 is \$15.

1           “(B) YEARS AFTER 2008.—For a calendar  
2           year after 2008, the applicable amount is the  
3           product of—

4                   “(i) the amount in effect under this  
5                   paragraph for the preceding calendar year,

6                   “(ii) 1.1, and

7                   “(iii) 1 plus the cost of living adjust-  
8                   ment determined under section 1(f)(3) for  
9                   such calendar year, determined by sub-  
10                  stituting ‘calendar year 2007’ for ‘calendar  
11                  year 1992’ in subparagraph (B) thereof.

12          “(c) SUBSTANCE TAXED ONLY ONCE.—No tax shall  
13          be imposed by subsection (a) with respect to a taxable car-  
14          bon substance if the person who would be liable for such  
15          tax establishes that a prior tax imposed by such section  
16          has been imposed with respect to such product.

17          **“SEC. 4692. REFUNDS OR CREDITS.**

18          “(a) SEQUESTERED CARBON.—Under regulations  
19          prescribed by the Secretary, if a person uses a taxable car-  
20          bon substance as a feedstock so that the carbon associated  
21          with such substance will not be emitted, then an amount  
22          equal to the amount of tax in effect under section 4691(b)  
23          with respect to such substance for the calendar year in  
24          which such use begins shall be allowed as a credit or re-  
25          fund (without interest) to such person in the same manner

1 as if it were an overpayment of tax imposed by section  
2 4691.

3 “(b) OFFSET PROJECTS.—

4 “(1) IN GENERAL.—Under regulations pre-  
5 scribed by the Secretary, if a person carries out a  
6 qualified offset project, then an amount equal to the  
7 amount of tax in effect under section 4691(b) with  
8 respect to such substance for the calendar year in  
9 which such project is completed shall be allowed as  
10 a credit or refund (without interest) to such person  
11 in the same manner as if it were an overpayment of  
12 tax imposed by section 4691.

13 “(2) QUALIFIED OFFSET PROJECT.—For pur-  
14 poses of paragraph (1), the term ‘qualified offset  
15 project’ means a project carried out in the United  
16 States that—

17 “(A) reduces greenhouse gas emissions,

18 “(B) sequesters a greenhouse gas, or

19 “(C) destroys hydrofluorocarbons.

20 “(3) EXCEPTION.—Such term does not include  
21 a project that involves enhanced oil recovery.

22 “(c) PREVIOUSLY TAXED CARBON SUBSTANCES  
23 USED TO MAKE ANOTHER TAXABLE CARBON SUB-  
24 STANCE.—Under regulations prescribed by the Secretary,  
25 if—

1           “(1) a tax under section 4691 was paid with re-  
2           spect to any taxable carbon substance, and

3           “(2) such substance was used by any person in  
4           the manufacture or production of any other sub-  
5           stance which is a taxable carbon substance,

6 then an amount equal to the tax so paid shall be allowed  
7 as a credit or refund (without interest) to such person in  
8 the same manner as if it were an overpayment of tax im-  
9 posed by subsection (a). In any case to which this para-  
10 graph applies, the amount of any such credit or refund  
11 shall not exceed the amount of tax imposed by subsection  
12 (a) on the other taxable fuel manufactured or produced  
13 (or which would have been imposed by such subsection on  
14 such other fuel but for subsection (c)).

15           “(d) EXEMPTION FOR EXPORTS.—

16           “(1) TAX-FREE SALES.—

17           “(A) IN GENERAL.—No tax shall be im-  
18           posed under subsection (a) on the sale by the  
19           manufacturer or producer of any taxable carbon  
20           substance for export or for resale by the pur-  
21           chaser to a second purchaser for export.

22           “(B) PROOF OF EXPORT REQUIRED.—

23           Rules similar to the rules of section 4221(b)  
24           shall apply for purposes of subparagraph (A).

25           “(2) CREDIT OR REFUND WHERE TAX PAID.—

1           “(A) IN GENERAL.—Except as provided in  
2           subparagraph (B), if—

3                   “(i) tax under subsection (a) was paid  
4                   with respect to any taxable carbon sub-  
5                   stance, and

6                   “(ii)(I) such substance was exported  
7                   by any person, or

8                   “(II) such substance was used as a  
9                   material in the manufacture or production  
10                  of a taxable carbon substance which was  
11                  exported by any person and which, at the  
12                  time of export, was a taxable carbon sub-  
13                  stance,

14           credit or refund (without interest) of such tax  
15           shall be allowed or made to the person who paid  
16           such tax.

17           “(B) CONDITION TO ALLOWANCE.—No  
18           credit or refund shall be allowed or made under  
19           subparagraph (A) unless the person who paid  
20           the tax establishes that he—

21                   “(i) has repaid or agreed to repay the  
22                   amount of the tax to the person who ex-  
23                   ported the taxable carbon substance, or

1           “(ii) has obtained the written consent  
2           of such exporter to the allowance of the  
3           credit or the making of the refund.

4           “(C) REFUNDS DIRECTLY TO EX-  
5           PORTER.—The Secretary shall provide, in regu-  
6           lations, the circumstances under which a credit  
7           or refund (without interest) of the tax under  
8           subsection (a) shall be allowed or made to the  
9           person who exported the taxable carbon sub-  
10          stance, where—

11                  “(i) the person who paid the tax  
12                  waives his claim to the amount of such  
13                  credit or refund, and

14                  “(ii) the person exporting the taxable  
15                  carbon substance provides such informa-  
16                  tion as the Secretary may require in such  
17                  regulations.

18           “(3) REGULATIONS.—The Secretary shall pre-  
19           scribe such regulations as may be necessary to carry  
20           out the purposes of this subsection.

21   **“SEC. 4693. DEFINITIONS AND SPECIAL RULES.**

22           “(a) DEFINITIONS.—For purposes of this sub-  
23           chapter—

24                  “(1) TAXABLE CARBON SUBSTANCE.—The term  
25                  ‘taxable carbon substance’ means—

1                   “(A) coal (including lignite and peat),

2                   “(B) petroleum and any petroleum product

3                   (as defined in section 4612(a)(3)), and

4                   “(C) natural gas,

5                   which is extracted, manufactured, or produced in the

6                   United States or entered into the United States for

7                   consumption, use, or warehousing.

8                   “(2) UNITED STATES.—The term ‘United

9                   States’ has the meaning given such term by section

10                   4612(a)(4).

11                   “(3) IMPORTER.—The term ‘importer’ means

12                   the person entering the taxable carbon substance for

13                   consumption, use, or warehousing.

14                   “(4) TON.—The term ‘ton’ means 2,000

15                   pounds. In the case of any taxable carbon substance

16                   which is a gas, the term ‘ton’ means the amount of

17                   such gas in cubic feet which is the equivalent of

18                   2,000 pounds on a molecular weight basis.

19                   “(b) USE TREATED AS SALE.—If any person manu-

20                   factures, produces, or imports any taxable carbon sub-

21                   stance and uses such substance, then such person shall

22                   be liable for tax under section 4691 in the same manner

23                   as if such substance were sold by such person.

24                   “(c) SPECIAL RULES FOR INVENTORY EX-

25                   CHANGES.—



1           “(1) IN GENERAL.—Except as provided in this  
2 paragraph, in any case in which a manufacturer,  
3 producer, or importer of a taxable carbon substance  
4 exchanges such substance as part of an inventory ex-  
5 change with another person—

6           “(A) such exchange shall not be treated as  
7 a sale, and

8           “(B) such other person shall, for purposes  
9 of section 4691, be treated as the manufac-  
10 turer, producer, or importer of such substance.

11           “(2) REGISTRATION REQUIREMENT.—Para-  
12 graph (1) shall not apply to any inventory exchange  
13 unless—

14           “(A) both parties are registered with the  
15 Secretary as manufacturers, producers, or im-  
16 porters of taxable carbon substances, and

17           “(B) the person receiving the taxable car-  
18 bon substance has, at such time as the Sec-  
19 retary may prescribe, notified the manufac-  
20 turer, producer, or importer of such person’s  
21 registration number and the internal revenue  
22 district in which such person is registered.

23           “(3) INVENTORY EXCHANGE.—For purposes of  
24 this subsection, the term ‘inventory exchange’ means  
25 any exchange in which 2 persons exchange property

1       which is, in the hands of each person, property de-  
2       scribed in section 1221(a)(1).”.

3       (b) ESTABLISHMENT OF AMERICA’S ENERGY SECU-  
4       RITY TRUST FUND.—Subchapter A of chapter 98 of such  
5       Code (relating to trust fund code) is amended by adding  
6       at the end the following:

7       **“SEC. 9511. AMERICA’S ENERGY SECURITY TRUST FUND.**

8       “(a) CREATION OF TRUST FUND.—There is estab-  
9       lished in the Treasury of the United States a trust fund  
10       to be known as ‘America’s Energy Security Trust Fund’  
11       (referred to in this section as the ‘Trust Fund’), consisting  
12       of such amounts as may be appropriated or credited to  
13       the Trust Fund as provided in this section or section  
14       9602(b).

15       “(b) TRANSFERS TO TRUST FUND.—There is hereby  
16       appropriated to the Trust Fund an amount equivalent to  
17       the increase in revenues received in the Treasury as the  
18       result of the tax imposed under section 4691.

19       “(c) DISTRIBUTION OF AMOUNTS IN TRUST FUND.—  
20       Amounts in the Trust Fund equivalent to the taxes re-  
21       ceived in the Treasury under section 4691 for a calendar  
22       year shall be available without further appropriation, as  
23       follows:

24               “(1) First, the lesser of  $\frac{1}{6}$  of such amount or  
25       \$10,000,000,000 shall be available for a tax credit

1 for research, development, or investment into clean  
2 energy technology.

3 “(2) Second, the affected industry transition as-  
4 sistance amount shall be available for transition as-  
5 sistance to industries negatively affected by this Act,  
6 as determined by the Secretary of the Treasury in  
7 consultation with the Secretary of Labor.

8 “(3) Third, the amount remaining after the ap-  
9 plication of paragraphs (1) and (2) shall be available  
10 for payroll tax relief under rebate paid under section  
11 36.

12 “(d) AFFECTED INDUSTRY TRANSITION ASSISTANCE  
13 AMOUNT.—For purposes of subsection (c)(2), the affected  
14 industry transition assistance amount is the amount deter-  
15 mined as follows:

16 “(1) For calendar year 2008,  $\frac{1}{12}$  of the amount  
17 in the Trust Fund equivalent to the taxes received  
18 in the Treasury under section 4691 for calendar  
19 year 2008, determined after the application of sub-  
20 section (c)(1).

21 “(2) For calendar year 2009,  $\frac{9}{10}$  of the amount  
22 made available under paragraph (1) for calendar  
23 year 2008.

1           “(3) For calendar year 2010,  $\frac{4}{5}$  of the amount  
2           made available under paragraph (1) for calendar  
3           year 2008.

4           “(4) For calendar year 2011,  $\frac{7}{10}$  of the amount  
5           made available under paragraph (1) for calendar  
6           year 2008.

7           “(5) For calendar year 2012,  $\frac{3}{5}$  of the amount  
8           made available under paragraph (1) for calendar  
9           year 2008.

10           “(6) For calendar year 2013,  $\frac{1}{2}$  of the amount  
11           made available under paragraph (1) for calendar  
12           year 2008.

13           “(7) For calendar year 2014,  $\frac{2}{5}$  of the amount  
14           made available under paragraph (1) for calendar  
15           year 2008.

16           “(8) For calendar year 2015,  $\frac{3}{10}$  of the amount  
17           made available under paragraph (1) for calendar  
18           year 2008.

19           “(9) For calendar year 2016,  $\frac{1}{5}$  of the amount  
20           made available under paragraph (1) for calendar  
21           year 2008.

22           “(10) For calendar year 2017,  $\frac{1}{10}$  of the  
23           amount made available under paragraph (1) for cal-  
24           endar year 2008.

25           “(11) For calendar years after 2017, zero.”.

1 (c) CLERICAL AMENDMENTS.—

2 (1) The table of subchapters for chapter 38 of  
3 such Code is amended by adding at the end thereof  
4 the following new item:

“SUBCHAPTER E. TAX ON CARBON DIOXIDE CONTENT OF CERTAIN  
SUBSTANCES.”.

5 (2) The table of sections for subchapter A of  
6 chapter 98 of such Code is amended by adding at  
7 the end the following:

“Sec. 9511. Taxable Carbon Substances Trust Fund.”.

8 (d) EFFECTIVE DATE.—The amendments made by  
9 this section shall take effect on January 1, 2008.

10 **SEC. 3. CARBON TAX REBATE OF PAYROLL TAX.**

11 (a) IN GENERAL.—Subpart C of part IV of sub-  
12 chapter A of chapter 1 of the Internal Revenue Code of  
13 1986 (relating to refundable credits) is amended by redес-  
14 ignating section 36 as section 37 and inserting after sec-  
15 tion 35 the following new section:

16 **“SEC. 36. CARBON TAX REBATE OF PAYROLL TAX.**

17 “(a) IN GENERAL.—In the case of an individual,  
18 there shall be allowed as a credit against the tax imposed  
19 by this subtitle for the taxable year an amount equal to  
20 the carbon tax rebate.

21 “(b) CARBON TAX REBATE.—

22 “(1) IN GENERAL.—For purposes of this sec-  
23 tion, the term ‘carbon tax rebate’ means with re-

1 spect to a taxable year the individual's share of the  
2 amount determined by the Secretary on a per capita  
3 basis to be the amount available under section  
4 9511(c)(3) for the calendar year in which or with  
5 which the taxable year begins.

6 “(2) DETERMINATION BASED ON ESTIMATES.—

7 The determination under paragraph (1) shall be  
8 made on the basis of estimates by the Secretary, and  
9 proper adjustments shall be made in amounts avail-  
10 able under section 9511(c)(3) for the succeeding tax-  
11 able year to the extent prior estimates were in excess  
12 of or less than the amounts actually available under  
13 such section for the prior taxable year.

14 “(c) LIMITATION BASED ON PAYROLL TAXES PAID  
15 AND SOCIAL SECURITY BENEFITS.—

16 “(1) IN GENERAL.—The amount allowed as a  
17 credit under subsection (a) with respect to any indi-  
18 vidual for a taxable year shall not exceed the greater  
19 of—

20 “(A) the total amount of taxes paid with  
21 respect to such individual for such taxable year  
22 under section 1401 and chapters 21 and 22, de-  
23 termined after taking into account any refund  
24 under section 31(b) and 6413(c), or

1           “(B) 10 percent of the aggregate amount  
2           of social security benefits (within the meaning  
3           of section 86(d)) received by such individual for  
4           the taxable year.

5           “(2) SPECIAL RULE FOR SOCIAL SECURITY  
6           BENEFITS RECEIVED FOR LESS THAN 12 MONTHS.—  
7           For purposes of paragraph (1)(B), if Social Security  
8           benefits (as so defined) were not received for each  
9           month in the taxable year, such benefits shall be  
10          annualized by multiplying the Social Security bene-  
11          fits received by 12 and dividing the result by the  
12          number of months in such taxable year for which  
13          such benefits were received.

14          “(d) DENIAL OF CREDIT TO DEPENDENTS.—No  
15          credit shall be allowed under subsection (a) to an indi-  
16          vidual for such individual’s taxable year if a deduction  
17          under section 151 with respect to such individual is al-  
18          lowed to another taxpayer for a taxable year beginning  
19          in the calendar year in which such individual’s taxable  
20          year begins.”.

21          (b) CONFORMING AMENDMENTS.—

22                 (1) Paragraph (2) of section 1324(b) of title  
23                 31, United States Code, is amended by inserting be-  
24                 fore the period “, or from section 36 of such Code”.

1           (2) The table of sections for subpart C of part  
2           IV of subchapter A of chapter 1 of the Internal Rev-  
3           enue Code of 1986 is amended by redesignating sec-  
4           tion 36 as section 37 and inserting after section 35  
5           the following new section:

“Sec. 36. Carbon tax rebate of payroll tax.  
“Sec. 37. Overpayments of tax.”.

6           (c) **EFFECTIVE DATE.**—The amendments made by  
7           this section shall apply to taxable years beginning after  
8           December 31, 2007.

9           **SEC. 4. STUDY OF TAXATION OF NON-CARBON GREEN-**  
10                           **HOUSE GASES.**

11           (a) **IN GENERAL.**—The Secretary of the Treasury, in  
12           consultation with the Secretary of Energy shall conduct  
13           a study of the best methods to assess and collect tax on  
14           non-carbon greenhouse gases similar to the tax imposed  
15           by section 4691 of the Internal Revenue Code of 1986 (as  
16           added by this Act).

17           (b) **REPORT.**—Not later than 6 months after the date  
18           of the enactment of this Act, the Secretary of the Treasury  
19           shall submit to the Congress the findings of the report  
20           required under subsection (a) together with such legisla-  
21           tive recommendations as the Secretary determine appro-  
22           priate for the assessment and collection of such tax.



1 **SEC. 5. SENSE OF CONGRESS THAT OTHER NATIONS WILL**  
2 **JOIN WITH THE UNITED STATES IN REDUC-**  
3 **ING GREENHOUSE GAS EMISSIONS.**

4 It is the sense of Congress that the major greenhouse  
5 gas emitting countries join with the United States in re-  
6 ducing greenhouse gas emissions.

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