

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.

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

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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