112TH CONGRESS  
1ST SESSION  

S. 552  

To reduce the Federal budget deficit by creating a surtax on high income individuals and eliminating big oil and gas company tax loopholes.

IN THE SENATE OF THE UNITED STATES  
MARCH 10, 2011  

Mr. SANDERS (for himself and Ms. MIKULSKI) introduced the following bill;  
which was read twice and referred to the Committee on Finance

A BILL  

To reduce the Federal budget deficit by creating a surtax on high income individuals and eliminating big oil and gas company tax loopholes.

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

SECTION 1. SHORT TITLE.  

This Act may be cited as the “Emergency Deficit Re-
duction Act”.

SEC. 2. FINDINGS.  

The Senate finds the following:

(1) At a time when our Nation has a $14.2 trillion national debt and a $1.6 trillion annual deficit, moving aggressively toward deficit reduction means
that we must include not only well-targeted budget
cuts, but revenue raised in a fair and economically
just way. Questions every Member of Congress
should be asking are the following:

(A) Do we ask the highest paid executives
on Wall Street to give up a $1 million a year
tax break, or do we ask senior citizens to go
cold in the winter by cutting the Low Income
Home Energy Assistance Program?

(B) Do we ask Exxon Mobil and other big
oil companies to give up their tax breaks, or do
we ask over 9 million college students to go fur-
ther into debt by cutting Pell Grants by $5.7
billion?

(C) Do we stop cutting taxes for the rich-
est 400 American families, who earned an aver-
age of $345 million in 2007, or do we delay So-
cial Security benefits to 500,000 Americans by
a $1.7 billion cut in the Social Security Admin-
istration?

(D) Do we establish an emergency deficit
reduction surtax on millionaires and billion-
aires, or do we deny over 200,000 little children
the opportunity to enroll in Head Start by cut-
ting this program by $1.1 billion?
(E) Do we finally tax hedge fund managers who make at least $1 billion at a higher rate than police officers, teachers, firefighters, and nurses, or will 11 million Americans be denied access to quality primary healthcare by a $1.3 billion cut in community health centers?

(2) At a time when the wealthiest people in this country are doing phenomenally well, when the effective Federal tax rates for the richest Americans are the lowest on record, and when the top 2 percent of taxpayers have received hundreds of billions of dollars in tax breaks in recent years, it would be morally wrong for the United States Congress to move towards a balanced budget on the backs of the middle class, the elderly, the sick, and the most vulnerable people in our society while asking nothing of the highest income earners and most profitable corporations.

(3) Creating an emergency deficit reduction surtax on income over $1 million will reduce the deficit in a fair and economically just way by increasing revenue from those who can afford it the most.

(4) From 2000 to 2010, the 5 largest oil companies in the United States made nearly $1 trillion in profits, yet some of them paid nothing in Federal
income taxes in recent years. Ending outdated and
unnecessary tax credits, deductions, and subsidies
for big oil companies is a fair and economically just
way to raise revenue and reduce the deficit.

(5) In the midst of the worst recession since the
Great Depression, America’s middle class and work-
ing families have already paid a very heavy price in
terms of lost jobs, lost homes, lost wages, and lost
opportunity. The time has come to ask the wealthi-
est in our society and the most profitable corpora-
tions in America to help our Nation address its def-
icit crisis. Any deficit reduction package must in-
clude raising revenue from the wealthy and elimi-
nating tax breaks for big oil companies.

SEC. 3. EMERGENCY DEFICIT REDUCTION SURCHARGE ON
HIGH INCOME INDIVIDUALS.

(a) IN GENERAL.—Subchapter A of chapter 1 of the
Internal Revenue Code of 1986 is amended by adding at
the end the following new part:

“PART VIII—EMERGENCY DEFICIT REDUCTION
SURCHARGE ON HIGH INCOME INDIVIDUALS

Sec. 59B. Emergency deficit reduction surcharge on high income individuals.
“SEC. 59B. EMERGENCY DEFICIT REDUCTION SURCHARGE ON HIGH INCOME INDIVIDUALS.

“(a) General Rule.—In the case of a taxpayer other than a corporation, there is hereby imposed (in addition to any other tax imposed by this subtitle) a tax equal to 5.4 percent of so much of the modified adjusted gross income of the taxpayer as exceeds $1,000,000 ($2,000,000 in the case of any taxpayer making a joint return under section 6013).

“(b) Modified Adjusted Gross Income.—For purposes of this section, the term ‘modified adjusted gross income’ means adjusted gross income reduced by any deduction (not taken into account in determining adjusted gross income) allowed for investment interest (as defined in section 163(d)). In the case of an estate or trust, adjusted gross income shall be determined as provided in section 67(e).

“(c) Special Rules.—

“(1) Nonresident alien.—In the case of a nonresident alien individual, only amounts taken into account in connection with the tax imposed under section 871(b) shall be taken into account under this section.

“(2) Citizens and residents living abroad.—The dollar amount in effect under subsection (a) shall be decreased by the excess of—
“(A) the amounts excluded from the taxpayer’s gross income under section 911, over

“(B) the amounts of any deductions or exclusions disallowed under section 911(d)(6) with respect to the amounts described in subparagraph (A).

“(3) Charitable Trusts.—Subsection (a) shall not apply to a trust all the unexpired interests in which are devoted to one or more of the purposes described in section 170(c)(2)(B).

“(4) Not Treated as Tax Imposed by This Chapter for Certain Purposes.—The tax imposed under this section shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this chapter or for purposes of section 55.”.

(b) Clerical Amendment.—The table of parts for subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

“PART VIII. EMERGENCY DEFICIT REDUCTION SURCHARGE ON HIGH INCOME INDIVIDUALS.”.

(c) Section 15 Not To Apply.—The amendment made by subsection (a) shall not be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.
(d) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2010.

SEC. 4. REPEAL OF EXPENSING AND 60-MONTH AMORTIZATION OF INTANGIBLE DRILLING COSTS.

Subsection (c) of section 263 of the Internal Revenue Code of 1986 is amended by striking the period at the end of the third sentence and inserting “, or to any costs paid or incurred after December 31, 2010.”.

SEC. 5. REPEAL OF PERCENTAGE DEPLETION FOR OIL AND GAS WELLS.

(a) In General.—Section 613 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(f) Termination of Percentage Depletion for Oil and Gas Properties.—In the case of oil and gas properties, this section shall not apply to any taxable year beginning after December 31, 2010.”.

(b) Limitations on Percentage Depletion in Case of Oil and Gas Wells.—Section 613A of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(f) Termination.—This section shall not apply to any taxable year beginning after December 31, 2010.”.
SEC. 6. DENIAL OF DEDUCTION FOR INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION OF OIL, NATURAL GAS, OR PRIMARY PRODUCTS THEREOF.

(a) In General.—Subparagraph (B) of section 199(c)(4) of the Internal Revenue Code of 1986 is amended by striking “or” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, or”, and by inserting after clause (iii) the following new clause:

“(iv) the production, refining, processing, transportation, or distribution of oil, natural gas, or any primary product thereof.”.

(b) Primary Product.—Section 199(c)(4)(B) of the Internal Revenue Code of 1986 is amended by adding at the end the following flush sentence:

“For purposes of clause (iv), the term ‘primary product’ has the same meaning as when used in section 927(a)(2)(C), as in effect before its repeal.”.

(c) Conforming Amendments.—

(1) Section 199(c)(4) of the Internal Revenue Code of 1986 is amended—

(A) in subparagraph (A)(i)(III) by striking “electricity, natural gas,” and inserting “electricity”, and
(B) in subparagraph (B)(ii) by striking “electricity, natural gas,” and inserting “electricity”.

(2) Section 199(d) of such Code is amended by striking paragraph (9) and by redesignating paragraph (10) as paragraph (9).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2010.