

113<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5873

To amend the Internal Revenue Code of 1986 to provide for repealing the gas tax and establishing a carbon tax on highway fuels, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 11, 2014

Mr. HUFFMAN introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for repealing the gas tax and establishing a carbon tax on highway fuels, and for other purposes.

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 “Gas Tax Replacement  
5 Act of 2014”.

1 **SEC. 2. REPEAL OF EXCISE TAX ON GASOLINE AND DIESEL**  
2 **FUEL.**

3 (a) **MANUFACTURERS TAX.**—Section 4081(a)(2)(A)  
4 of the Internal Revenue Code of 1986 is amended—

5 (1) in clause (i) by striking “18.3 cents per gal-  
6 lon” and inserting “0 cents per gallon”, and

7 (2) in clause (ii) by striking “24.3 cents per  
8 gallon” and inserting “0 cents per gallon”.

9 (b) **RETAIL TAX.**—Section 4041(a) of the Internal  
10 Revenue Code of 1986 is amended by striking paragraph  
11 (1).

12 (c) **CONFORMING AMENDMENTS.**—

13 (1) Section 4081 of the Internal Revenue Code  
14 of 1986 is amended—

15 (A) in subsection (a)(2) by striking sub-  
16 paragraph (D),

17 (B) by striking subsection (c), and

18 (C) in subsection (d) by striking paragraph

19 (1).

20 (2) Section 4041 of the Internal Revenue Code  
21 of 1986 is amended—

22 (A) by amending the heading of subsection

23 (a) to read as follows: “**SPECIAL MOTOR**  
24 **FUELS**”, and

25 (B) in subsection (a)(2)(B)(i) by striking  
26 “the rate of tax specified in section

1           4081(a)(2)(A)(i) which is in effect at the time  
2           of such sale or use,” and inserting “18.3 cents  
3           per gallon”.

4           (d) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to fuel sold or used after December  
6 31, 2015.

7 **SEC. 3. CARBON TAX ON HIGHWAY FUELS.**

8           (a) IN GENERAL.—Paragraph (1) of section 4611(c)  
9 of the Internal Revenue Code of 1986 is amended by strik-  
10 ing “and” at the end of subparagraph (A), by striking  
11 the period at the end of subparagraph (B) and inserting  
12 “, and”, and by inserting after subparagraph (B) the fol-  
13 lowing new subparagraph:

14                   “(C) the carbon dioxide equivalent rate.”.

15           (b) RATES.—

16           (1) IN GENERAL.—Paragraph (2) of section  
17 4611(c) of the Internal Revenue Code of 1986 is  
18 amended by striking “and” at the end of subpara-  
19 graph (A), by striking the period at the end of sub-  
20 paragraph (B) and inserting “, and”, and by insert-  
21 ing after subparagraph (B) the following new sub-  
22 paragraph:

23                   “(C) the carbon dioxide equivalent rate  
24           is—

1           “(i) \$50 per metric ton (or portion  
2           thereof) of total life-cycle emissions of car-  
3           bon dioxide, and

4           “(ii) an equivalent amount per metric  
5           ton (or portion thereof) of total life-cycle  
6           emissions of any other greenhouse gas de-  
7           termined on a ratio of the amount such  
8           other greenhouse gas per metric ton as the  
9           amount of carbon dioxide per metric ton,  
10          in the crude oil or petroleum product (as the  
11          case may be) subject to tax under subsection  
12          (a) which is to be refined into gasoline or diesel  
13          fuel.

14          For purposes of subparagraph (C), total life-cycle  
15          emissions of carbon dioxide and other greenhouse  
16          gases shall be determined by the Administrator of  
17          the Environmental Protection Agency pursuant to  
18          section 4 of the Gas Tax Replacement Act of  
19          2014.”.

20                 (2) ADJUSTMENT FOR INFLATION.—Section  
21          4611(c) of the Internal Revenue Code of 1986 is  
22          amended by adding at the end the following:

23                 “(3) CARBON DIOXIDE EQUIVALENT RATE IN-  
24          FLATION ADJUSTMENT.—

1           “(A) IN GENERAL.—In the case of any cal-  
2           endar year after 2014, the dollar amount in  
3           paragraph (2)(C) shall be increased by an  
4           amount equal to—

5                   “(i) such dollar amount, multiplied by

6                   “(ii) the cost-of-living adjustment de-  
7           termined under section 1(f)(3) for the cal-  
8           endar year, determined by substituting  
9           “calendar year 2013” for “calendar year  
10          1992” in subparagraph (B) thereof.

11          “(B) ROUNDING.—If any amount as in-  
12          creased under subparagraph (A) is not a mul-  
13          tiple of \$1, such amount shall be rounded to the  
14          nearest multiple of \$1.”.

15          (c) ALTERNATIVE FUELS PRODUCER EXCISE TAX.—

16               (1) IN GENERAL.—Subchapter A of chapter 38  
17          of the Internal Revenue Code of 1986 is amended by  
18          inserting after section 4611 the following:

19          **“SEC. 4611A. CERTAIN ALTERNATIVE FUELS.**

20               “(a) GENERAL RULE.—There is hereby imposed a  
21          tax at the rate specified in subsection (b) on—

22                   “(1) methanol, ethanol, and biodiesel produced  
23          in the United States by the producer thereof, and

1           “(2) methanol, ethanol, and biodiesel, and any  
2           blended product thereof, entered into the United  
3           States for consumption, use, or warehousing.

4           “(b) RATE OF TAX.—The rate of the tax imposed by  
5 this section is—

6           “(1) \$50 per metric ton (or portion thereof) of  
7           total life-cycle emissions of carbon dioxide, and

8           “(2) an equivalent amount per metric ton (or  
9           portion thereof) of total life-cycle emissions of any  
10          other greenhouse gas determined on a ratio of the  
11          amount such other greenhouse gas per metric ton as  
12          the amount of carbon dioxide per metric ton,

13 in methanol, ethanol, and biodiesel, and any blended prod-  
14 uct thereof, produced or entered into in the United States.

15 For purposes of the preceding sentence, total life-cycle  
16 emissions of carbon dioxide and other greenhouse gases  
17 shall be determined by the Administrator of the Environ-  
18 mental Protection Agency pursuant to section 4 of the Gas  
19 Tax Replacement Act of 2014.

20          “(c) PERSONS LIABLE FOR TAX.—

21          “(1) UNITED STATES PRODUCTION.—The tax  
22          imposed by subsection (a)(1) shall be paid by the  
23          producer of the product on which such tax is im-  
24          posed.

1           “(2) IMPORTED PRODUCTS.—The tax imposed  
2           by subsection (a)(2) shall be paid by the person en-  
3           tering the product for consumption, use, or  
4           warehousing.”.

5           (2) CLERICAL AMENDMENT.—The table of sec-  
6           tions for subchapter A of chapter 38 of the Internal  
7           Revenue Code of 1986 is amended by inserting after  
8           the item relating to section 4611 the following new  
9           item:

“Sec. 4611A. Certain alternative fuels.”.

10          (d) CREDITS AND PAYMENTS FOR NONTAXABLE  
11          USES.—

12           (1) GASOLINE USED ON FARMS.—Section 6420  
13           of the Internal Revenue Code of 1986 is amended by  
14           inserting after subsection (g) the following:

15           “(h) SPECIAL RULE FOR CARBON DIOXIDE EQUIVA-  
16          LENT RATE OF TAX.—For purposes of this section, a gal-  
17          lon of gasoline refined from a barrel of crude oil or petro-  
18          leum product on which tax was imposed under section  
19          4611 at the carbon dioxide equivalent rate under sub-  
20          section (c)(1)(C) thereof and used for a purpose described  
21          in subsection (a)—

22           “(1) shall be treated as a gallon of gasoline to  
23           which this section applies, and

24           “(2) the rate at which tax was imposed under  
25           section 4611 with respect to such gallon shall be the

1 same fraction of so much of the tax imposed under  
2 section 4611 as is attributable to subsection  
3 (c)(1)(C) thereof on such barrel as the fraction of  
4 such gallon of gas is of the whole barrel.”.

5 (2) GASOLINE USED FOR CERTAIN NON-  
6 HIGHWAY PURPOSES, ETC.—Section 6421 of the In-  
7 ternal Revenue Code of 1986 is amended by redesi-  
8 gnating subsection (j) as subsection (k) and by insert-  
9 ing after subsection (i) the following:

10 “(j) SPECIAL RULE FOR CARBON DIOXIDE EQUIVA-  
11 LENT RATE OF TAX.—For purposes of this section, in the  
12 case of a gallon of gasoline refined from a barrel of crude  
13 oil or petroleum product on which tax was imposed under  
14 section 4611 at the carbon dioxide equivalent rate under  
15 subsection (c)(1)(C) thereof—

16 “(1) if such gallon is used for a purpose de-  
17 scribed in subsection (a) or (b) or is sold for a pur-  
18 pose described in subsection (c), such gallon shall be  
19 treated as a gallon of gasoline to which this section  
20 applies, and

21 “(2) the rate at which tax was imposed under  
22 section 4611 with respect to such gallon shall be the  
23 same fraction of so much of the tax imposed under  
24 section 4611 as is attributable to subsection



1 (c)(1)(C) thereof on such barrel as the fraction of  
2 such gallon of gas is of the whole barrel.”.

3 (3) CREDIT FOR ALCOHOL FUEL, BIODIESEL,  
4 AND ALTERNATIVE FUEL MIXTURES.—Section  
5 6426(a) of the Internal Revenue Code of 1986 is  
6 amended by striking “and” at the end of paragraph  
7 (1), by striking the period at the end of paragraph  
8 (2) and inserting a comma, and by inserting after  
9 paragraph (2) the following:

10 “(3) against so much of the tax imposed by sec-  
11 tion 4611 as is attributable to the carbon dioxide  
12 equivalent rate of tax under subsection (c)(1)(C) an  
13 amount equal to the credit described in subsection  
14 (c), determined on the same fraction of the amount  
15 of such tax as the number of gallons of diesel used  
16 by the taxpayer in producing any biodiesel mixture  
17 for sale or use in a trade or business of the tax-  
18 payer, and

19 “(4) against the tax imposed by section 4611A  
20 an amount equal to the sum of the credits described  
21 in subsections (b), (c), and (e), determined on the  
22 same fraction of the amount of such tax as the num-  
23 ber of gallons of alcohol, biodiesel, or alternative fuel  
24 used by the taxpayer in producing any fuel mixture  
25 of taxable fuel.”.

1           (4) FUELS NOT USED FOR TAXABLE PUR-  
2           POSES.—Section 6427 of the Internal Revenue Code  
3           of 1986 is amended by redesignating subsection (p)  
4           as subsection (q) and by inserting after subsection  
5           (o) the following:

6           “(p) SPECIAL RULE FOR CARBON DIOXIDE EQUIVA-  
7           LENT RATE.—For purposes of this section, in the case of  
8           a gallon of fuel refined from a barrel of crude oil or petro-  
9           leum product on which tax was imposed under section  
10          4611 at the carbon dioxide equivalent rate of tax under  
11          subsection (c)(1)(C) thereof, or produced from methanol,  
12          ethanol, or biodiesel on which tax was imposed under sec-  
13          tion 4611A, if the sale or use of such fuel would give rise  
14          to a payment under this section but for the fact that such  
15          fuel was taxed under section 4611 or 4611A and not sec-  
16          tion 4041 or 4081—

17                 “(1) this section shall be applied as if such fuel  
18                 had been taxed under section 4041 or 4081, and

19                 “(2) the rate at which tax was imposed under  
20                 section 4611 or 4611A with respect to such fuel  
21                 shall be—

22                         “(A) in the case of tax imposed under sec-  
23                         tion 4611(c)(1)(C), the same fraction of such  
24                         tax on such barrel as the fraction of a gallon  
25                         of such fuel is of the whole barrel, and

1           “(B) in the case of tax imposed under sec-  
2           tion 4611A, the same fraction of the amount of  
3           such tax as the amount of fuel giving rise to a  
4           payment under this section.”.

5           (e) EFFECTIVE DATE.—The amendments made by  
6 this section shall take effect on January 1, 2016.

7 **SEC. 4. LIFE-CYCLE EMISSIONS.**

8           (a) CARBON DIOXIDE EMISSIONS REPORT.—Not  
9 later than the first \_\_\_\_\_ occurring at least 1 year  
10 after the date of enactment of this Act, the Administrator  
11 shall transmit to the Internal Revenue Service and make  
12 public a report on the total life-cycle emissions of carbon  
13 dioxide for each covered transportation fuel, expressed in  
14 tons of carbon dioxide emissions per barrel of fuel or an  
15 appropriate alternate measure. Such report shall take into  
16 account the differences in carbon dioxide emissions per  
17 barrel of fuel across different regions and countries due  
18 to means of resource extraction and production, transpor-  
19 tation, and other factors, with each covered transportation  
20 fuel being as regionally specific as determined by the Ad-  
21 ministrator.

22           (b) ADDITION OF COVERED TRANSPORTATION  
23 FUEL.—The Administrator shall—

24           (1) from time to time determine which trans-  
25           portation fuels have achieved a sufficient share of

1 the on-road transportation fuel market to warrant  
2 being considered a covered transportation fuel, and

3 (2) update the report transmitted under sub-  
4 section (a), and transmit such updated report to  
5 Congress, with the specifications on the total life-  
6 cycle emissions of carbon dioxide and other green-  
7 house gases for each fuel newly determined under  
8 paragraph (1) to be considered a covered transpor-  
9 tation fuel.

10 (c) DEFINITIONS.—In this section:

11 (1) ADMINISTRATOR.—The term “Adminis-  
12 trator” means the Administrator of the Environ-  
13 mental Protection Agency.

14 (2) BIOFUEL.—The term “biofuel” means the  
15 biofuel component of a transportation fuel.

16 (3) COVERED TRANSPORTATION FUEL.—The  
17 term “covered transportation fuel” means gasoline,  
18 diesel fuel, biofuel, and any other fuel the Adminis-  
19 trator determines has achieved a sufficient share of  
20 the on-road transportation fuel market to warrant  
21 regulation under this section.

22 (4) GREENHOUSE GAS.—The term “greenhouse  
23 gas” has the same meaning given the term in sec-  
24 tion 211(o)(1) of the Clean Air Act (42 U.S.C.  
25 7545(o)(1)).

1           (5) LIFE-CYCLE EMISSIONS.—The term “life-  
2           cycle emissions” means emissions from all activities  
3           included in the production, transport, storage, and  
4           use of a fuel, including land use changes, means of  
5           resource extraction and production, transportation  
6           systems, and leakages.

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