

114TH CONGRESS  
1ST SESSION

# H. R. 3104

To amend the Internal Revenue Code of 1986 to reduce carbon pollution in the United States, invest in the Nation's infrastructure, and cut taxes for working Americans.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 16, 2015

Mr. LARSON of Connecticut introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Foreign Affairs, 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 reduce carbon pollution in the United States, invest in the Nation's infrastructure, and cut taxes for working Americans.

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 2015”.

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

3 (a) IN GENERAL.—Chapter 38 of the Internal Rev-  
4 enue Code of 1986 (relating to environmental taxes) is  
5 amended by adding at the end thereof the following new  
6 subchapter:

7 **“Subchapter E—Tax on Carbon Dioxide**  
8 **Content of Certain Substances**

“Sec. 4691. Imposition of tax.

“Sec. 4692. Refunds or credits.

“Sec. 4693. Border adjustments.

“Sec. 4694. Definitions and special rules.

9 **“SEC. 4691. IMPOSITION OF TAX.**

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

13 “(b) AMOUNT OF TAX.—

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

20 “(2) FRACTIONAL PART OF TON.—In the case  
21 of a fraction of a ton, the tax imposed by subsection  
22 (a) shall be the same fraction of the amount of such  
23 tax imposed on a whole ton.

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

3           “(A) CALENDAR YEAR 2016.—The applica-  
4 ble amount for calender year 2016 is \$10.

5           “(B) YEARS AFTER 2016.—For a calendar  
6 year after 2016, the applicable amount is the  
7 sum of—

8           “(i) the amount in effect under this  
9 paragraph for the preceding calendar year,  
10 plus

11           “(ii) \$10.

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           “(d) EXEMPTION FOR EXPORTS.—

18           “(1) TAX-FREE SALES.—

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

1           “(B) PROOF OF EXPORT REQUIRED.—  
2 Rules similar to the rules of section 4221(b)  
3 shall apply for purposes of subparagraph (A).

4           “(2) CREDIT OR REFUND WHERE TAX PAID.—  
5           “(A) IN GENERAL.—Except as provided in  
6 subparagraph (B), if—

7                   “(i) tax under subsection (a) was paid  
8 with respect to any taxable carbon sub-  
9 stance, and

10                   “(ii)(I) such substance was exported  
11 by any person, or

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

18 credit or refund (without interest) of such tax  
19 shall be allowed or made to the person who paid  
20 such tax.

21           “(B) CONDITION TO ALLOWANCE.—No  
22 credit or refund shall be allowed or made under  
23 subparagraph (A) unless the person who paid  
24 the tax establishes that he—

1           “(i) has repaid or agreed to repay the  
2           amount of the tax to the person who ex-  
3           ported the taxable carbon substance, or

4           “(ii) has obtained the written consent  
5           of such exporter to the allowance of the  
6           credit or the making of the refund.

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

14                 “(i) the person who paid the tax  
15                 waives his claim to the amount of such  
16                 credit or refund, and

17                 “(ii) the person exporting the taxable  
18                 carbon substance provides such informa-  
19                 tion as the Secretary may require in such  
20                 regulations.

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

22           “(a) SEQUESTERED CARBON.—Under regulations  
23   prescribed by the Secretary, if—

1           “(1) a person uses a taxable carbon substance  
2           as a feedstock so that the carbon associated with  
3           such substance will not be emitted, or

4           “(2) a person captures and sequesters the car-  
5           bon in a taxable carbon substance,

6 then an amount equal to the amount of tax in effect under  
7 section 4691(b) with respect to such substance for the cal-  
8 endar year in which such use begins shall be allowed as  
9 a credit or refund (without interest) to such person in the  
10 same manner as if it were an overpayment of tax imposed  
11 by section 4691.

12           “(b) PREVIOUSLY TAXED CARBON SUBSTANCES  
13 USED TO MAKE ANOTHER TAXABLE CARBON SUB-  
14 STANCE.—Under regulations prescribed by the Secretary,  
15 if—

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

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

21 then an amount equal to the tax so paid shall be allowed  
22 as a credit or refund (without interest) to such person in  
23 the same manner as if it were an overpayment of tax im-  
24 posed by subsection (a). In any case to which this para-  
25 graph applies, the amount of any such credit or refund

1 shall not exceed the amount of tax imposed by subsection  
2 (a) on the other taxable fuel manufactured or produced  
3 (or which would have been imposed by such subsection on  
4 such other fuel but for subsection (c)).

5 **“SEC. 4693. BORDER ADJUSTMENTS.**

6 “(a) IMPORTS.—The Secretary shall impose a carbon  
7 equivalency fee on imports of carbon-intensive goods that  
8 shall be equivalent to the cost that domestic producers of  
9 comparable carbon-intensive goods incur as a result of—

10 “(1) taxes paid by manufacturers, producers,  
11 and importers of taxable carbon substances under  
12 this section, and

13 “(2) carbon equivalency fees paid by importers  
14 of carbon intensive goods used in the production of  
15 the comparable carbon intensive goods in question.

16 “(b) EXPORTS.—Notwithstanding the limitations of  
17 section 4692, the Secretary shall allow as a credit or re-  
18 fund (without interest) to the exporter of a carbon-inten-  
19 sive good produced in the United States in the same man-  
20 ner as if it were an overpayment of tax imposed by section  
21 4691 an amount equivalent to the cost that domestic pro-  
22 ducers of such carbon intensive goods incur as a result  
23 of—

1           “(1) taxes paid by manufacturers, producers,  
2           and importers of taxable carbon substances under  
3           this section, and

4           “(2) carbon equivalency fees paid by importers  
5           of carbon intensive goods used in the production of  
6           the comparable carbon intensive goods in question.

7           “(c) EXPIRATION.—This section shall cease to have  
8           effect at such time as and to the extent that—

9           “(1)(A) an international agreement requiring  
10           countries that emit greenhouse gases and produce  
11           carbon intensive goods for international markets to  
12           adopt equivalent measures comes into effect, or

13           “(B) the country of export has implemented  
14           equivalent measures, and

15           “(2) the actions provided for by subsections (a)  
16           and (b) are no longer appropriate.

17   **“SEC. 4694. DEFINITIONS AND SPECIAL RULES.**

18           “(a) DEFINITIONS.—For purposes of this sub-  
19           chapter—

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

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

23                   “(B) petroleum and any petroleum product  
24                   (as defined in section 4612(a)(3)), and

25                   “(C) natural gas,



1 which is extracted, manufactured, or produced in the  
2 United States or entered into the United States for  
3 consumption, use, or warehousing.

4 “(2) UNITED STATES.—The term ‘United  
5 States’ has the meaning given such term by section  
6 4612(a)(4).

7 “(3) IMPORTER.—The term ‘importer’ means  
8 the person entering the taxable carbon substance for  
9 consumption, use, or warehousing.

10 “(4) TON.—The term ‘ton’ means metric tons.  
11 In the case of any taxable carbon substance which  
12 is a gas, the term ‘ton’ means the amount of such  
13 gas in cubic feet which is the equivalent of a metric  
14 ton on a molecular weight basis.

15 “(5) CARBON-INTENSIVE GOOD.—The term  
16 ‘carbon-intensive good’ means a good that (as identi-  
17 fied by the Secretary by rule)—

18 “(A) is a primary product, or

19 “(B) is a manufactured item in which one  
20 or more primary products are inputs and the  
21 cost of production of which in the United States  
22 is significantly increased by this subchapter.

23 “(6) PRIMARY PRODUCT.—The term ‘primary  
24 product’ means—

1           “(A) iron, steel, steel mill products (includ-  
2           ing pipe and tube), aluminum, cement, glass  
3           (including flat, container, and specialty glass  
4           and fiberglass), pulp, paper, chemicals, or in-  
5           dustrial ceramics, and

6           “(B) any other manufactured product that  
7           the Secretary determines—

8                   “(i) is sold for purposes of further  
9                   manufacture, and

10                   “(ii) generates, in the course of the  
11                   manufacture of the product, direct and in-  
12                   direct greenhouse gas emissions that are  
13                   comparable (on an emissions-per-dollar of  
14                   output basis) to emissions generated in the  
15                   manufacture or production of primary  
16                   products identified in subparagraph (A).

17           “(7) EQUIVALENT MEASURE.—The term ‘equiv-  
18           alent measure’ means a tax or other regulatory re-  
19           quirement that imposes a cost on manufacturers of  
20           carbon intensive goods located outside the United  
21           States approximately equal to the cost imposed by  
22           section 4691 on manufacturers of comparable car-  
23           bon intensive goods located in the United States.

24           “(b) USE TREATED AS SALE.—If any person manu-  
25           factures, produces, or imports any taxable carbon sub-

1 stance and uses such substance, then such person shall  
2 be liable for tax under section 4691 in the same manner  
3 as if such substance were sold by such person.

4 “(c) SPECIAL RULES FOR INVENTORY EX-  
5 CHANGES.—

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

11 “(A) such exchange shall not be treated as  
12 a sale, and

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

16 “(2) REGISTRATION REQUIREMENT.—Para-  
17 graph (1) shall not apply to any inventory exchange  
18 unless—

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

22 “(B) the person receiving the taxable car-  
23 bon substance has, at such time as the Sec-  
24 retary may prescribe, notified the manufac-  
25 turer, producer, or importer of such person’s

1 registration number and the internal revenue  
2 district in which such person is registered.

3 “(3) INVENTORY EXCHANGE.—For purposes of  
4 this subsection, the term ‘inventory exchange’ means  
5 any exchange in which 2 persons exchange property  
6 which is, in the hands of each person, property de-  
7 scribed in section 1221(a)(1).

8 “(d) REGULATIONS.—The Secretary shall prescribe  
9 such regulations as may be necessary to carry out the pur-  
10 poses of this subchapter.”.

11 (b) ESTABLISHMENT OF AMERICA’S ENERGY SECUR-  
12 RITY TRUST FUND.—Subchapter A of chapter 98 of such  
13 Code (relating to trust fund code) is amended by adding  
14 at the end the following:

15 **“SEC. 9512. AMERICA’S ENERGY SECURITY TRUST FUND.**

16 “(a) CREATION OF TRUST FUND.—There is estab-  
17 lished in the Treasury of the United States a trust fund  
18 to be known as ‘America’s Energy Security Trust Fund’  
19 (referred to in this section as the ‘Trust Fund’), consisting  
20 of such amounts as may be appropriated or credited to  
21 the Trust Fund as provided in this section or section  
22 9602(b).

23 “(b) TRANSFERS TO TRUST FUND.—There is hereby  
24 appropriated to the Trust Fund an amount equivalent to

1 the increase in revenues received in the Treasury as the  
2 result of the tax imposed under section 4691.

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

8 “(1) First, the affected industry transition as-  
9 sistance amount shall be available for transition as-  
10 sistance to workers in industries negatively affected  
11 by the America’s Energy Security Trust Fund Act  
12 of 2015, as determined by the Secretary of the  
13 Treasury in consultation with the Secretary of  
14 Labor.

15 “(2) Second, of the amount remaining after the  
16 application of paragraph (1), the Highway Trust  
17 Fund shortfall amount shall be available to be trans-  
18 ferred to the Highway Trust Fund. For purposes of  
19 this paragraph, the term ‘Highway Trust Fund  
20 shortfall amount’ means the amount determined by  
21 the Secretary to be equal to the excess of—

22 “(A) the sum of the obligations of the  
23 United States specified in section 9503(e)(1)  
24 plus the amounts to be expended under section  
25 9503(e)(3), over

1           “(B) the amounts available in the Highway  
2           Trust Fund to meet those obligations and ex-  
3           penditures (determined without regard to this  
4           paragraph or section 9503(f)(5)).

5           “(3) Third, the amount remaining after the ap-  
6           plication of paragraph (1) shall be available for pay-  
7           roll tax relief under the rebate paid under section  
8           36C.

9           “(d) AFFECTED INDUSTRY TRANSITION ASSISTANCE  
10          AMOUNT.—For purposes of subsection (c)(1), the affected  
11          industry transition assistance amount is the amount deter-  
12          mined as follows:

13           “(1) For calendar year 2016,  $\frac{1}{10}$  of the amount  
14           in the Trust Fund equivalent to the taxes received  
15           in the Treasury under section 4691 for calendar  
16           year 2016.

17           “(2) For calendar year 2017,  $\frac{9}{10}$  of the amount  
18           made available under paragraph (1) for calendar  
19           year 2016.

20           “(3) For calendar year 2018,  $\frac{4}{5}$  of the amount  
21           made available under paragraph (1) for calendar  
22           year 2016.

23           “(4) For calendar year 2019,  $\frac{7}{10}$  of the amount  
24           made available under paragraph (1) for calendar  
25           year 2016.

1           “(5) For calendar year 2020,  $\frac{3}{5}$  of the amount  
2           made available under paragraph (1) for calendar  
3           year 2016.

4           “(6) For calendar year 2021,  $\frac{1}{2}$  of the amount  
5           made available under paragraph (1) for calendar  
6           year 2016.

7           “(7) For calendar year 2022,  $\frac{2}{5}$  of the amount  
8           made available under paragraph (1) for calendar  
9           year 2016.

10           “(8) For calendar year 2023,  $\frac{3}{10}$  of the amount  
11           made available under paragraph (1) for calendar  
12           year 2016.

13           “(9) For calendar year 2024,  $\frac{1}{5}$  of the amount  
14           made available under paragraph (1) for calendar  
15           year 2016.

16           “(10) For calendar year 2025,  $\frac{1}{10}$  of the  
17           amount made available under paragraph (1) for cal-  
18           endar year 2016.

19           “(11) For calendar years after 2025, zero.”.

20           (c) TRANSFERS TO HIGHWAY TRUST FUND.—Sub-  
21           section (f) of section 9503 of the Internal Revenue Code  
22           of 1986 is amended by redesignating paragraph (7) as  
23           paragraph (8) and by inserting after paragraph (6) the  
24           following new paragraph:

1           “(7) ADDITIONAL INCREASE IN FUND BAL-  
 2 ANCE.—There is hereby transferred to the Highway  
 3 Trust Fund amounts appropriated each year from  
 4 America’s Energy Security Trust Fund under sec-  
 5 tion 9512(c)(2). Such amounts shall be apportioned  
 6 to the Highway Account and the Mass Transit Ac-  
 7 count in accordance with subsection (e)(5).”.

8 (d) CLERICAL AMENDMENTS.—

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

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

12           (2) The table of sections for subchapter A of  
 13 chapter 98 of such Code is amended by adding at  
 14 the end the following:

“Sec. 9512. America’s Energy Security Trust Fund.”.

15 (e) EFFECTIVE DATE.—The amendments made by  
 16 this section shall take effect on the date of the enactment  
 17 of this Act.

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

19 (a) IN GENERAL.—Subpart C of part IV of sub-  
 20 chapter A of chapter 1 of the Internal Revenue Code of  
 21 1986 (relating to refundable credits) is amended by insert-  
 22 ing after section 36B the following new section:



1 **“SEC. 36C. CARBON TAX REBATE OF PAYROLL TAX.**

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

6       “(b) CARBON TAX REBATE.—

7           “(1) IN GENERAL.—For purposes of this sec-  
8 tion, the term ‘carbon tax rebate’ means with re-  
9 spect to a taxable year the individual’s share of the  
10 amount determined by the Secretary on a per capita  
11 basis to be the amount available under section  
12 9512(c)(3) for the calendar year in which or with  
13 which the taxable year begins.

14           “(2) DETERMINATION BASED ON ESTIMATES.—

15 The determination under paragraph (1) shall be  
16 made on the basis of estimates by the Secretary, and  
17 proper adjustments shall be made in amounts avail-  
18 able under section 9512(c)(3) for the succeeding tax-  
19 able year to the extent prior estimates were in excess  
20 of or less than the amounts actually available under  
21 such section for the prior taxable year.

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

24           “(1) IN GENERAL.—The amount allowed as a  
25 credit under subsection (a) with respect to any indi-

1       vidual for a taxable year shall not exceed the greater  
2       of—

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

8               “(B) 10 percent of the aggregate amount  
9               of Social Security benefits (within the meaning  
10              of section 86(d)) received by such individual for  
11              the taxable year.

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

21              “(d) DENIAL OF CREDIT TO DEPENDENTS.—No  
22              credit shall be allowed under subsection (a) to an indi-  
23              vidual for such individual’s taxable year if a deduction  
24              under section 151 with respect to such individual is al-  
25              lowed to another taxpayer for a taxable year beginning

1 in the calendar year in which such individual's taxable  
2 year begins.".

3 (b) CONFORMING AMENDMENTS.—

4 (1) Paragraph (2) of section 1324(b) of title  
5 31, United States Code, is amended by inserting  
6 "36C," after "36B,".

7 (2) The table of sections for subpart C of part  
8 IV of subchapter A of chapter 1 of the Internal Rev-  
9 enue Code of 1986 is amended by inserting after the  
10 item relating to section 36B the following new item:

"Sec. 36C. Carbon tax rebate of payroll tax.".

11 (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to taxable years beginning after  
13 December 31, 2015.

14 **SEC. 4. STUDY OF TAXATION OF NON-CARBON GREEN-**  
15 **HOUSE GASES.**

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

22 (b) REPORT.—Not later than 6 months after the date  
23 of the enactment of this Act, the Secretary of the Treasury  
24 shall submit to the Congress the findings of the report  
25 required under subsection (a) together with such legisla-

1 tive recommendations as the Secretary determines appro-  
2 priate for the assessment and collection of such tax.

3 **SEC. 5. SENSE OF CONGRESS.**

4       It is the sense of Congress that the United States  
5 should work proactively under the United Nations Frame-  
6 work Convention on Climate Change and in other appro-  
7 priate fora to establish binding agreements committing all  
8 major greenhouse gas emitting nations and countries with  
9 globally competitive producers of carbon intensive goods  
10 to contribute equitably to the reduction of global green-  
11 house gas emissions.

○