

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.

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

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 SECU-
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.

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