

108TH CONGRESS  
1ST SESSION

# H. R. 585

To amend the Internal Revenue Code of 1986 to impose a windfall profit tax on crude oil and products thereof.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 5, 2003

Mr. KUCINICH introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to impose a windfall profit tax on crude oil and products thereof.

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 “National Defense Oil  
5       Equity Act of 2003”.

6       **SEC. 2. FINDINGS.**

7       The Congress finds as follows:

8               (1) Iraq has 112 billion barrels of proven oil re-  
9       serves along with roughly 220 billion barrels of prob-  
10      able resources. Only Saudi Arabia’s oil reserves are

1 larger. By far, the majority of petroleum reserves  
2 (67%) are found in the Middle East.

3 (2) The United States has 21 billion barrels of  
4 proven oil reserves, twelfth highest in the world.  
5 United States proven oil reserves have declined by  
6 almost 20% since 1990.

7 (3) The United States consumes 25% of the  
8 world's oil supply, the largest share; yet it holds only  
9 2.2 percent of the world's proven oil reserves.

10 (4) Numerous foreign oil companies have pre-  
11 liminary contracts to spend billions of dollars devel-  
12 oping Iraqi oil fields. These companies originate  
13 from Algeria, Australia, Britain, Canada, China,  
14 France, India, Indonesia, Italy, Japan, Malaysia,  
15 Netherlands, Russia, Spain, Turkey, and Vietnam.

16 (5) According to several news accounts, the Ad-  
17 ministration is conferring with energy experts, in-  
18 dustry executives, and Iraqi opposition leaders on  
19 how to revive and expand Iraq's oil fields after an  
20 invasion.

21 (6) United States Special Forces have been on  
22 the ground inside Iraq since September of 2002 to  
23 monitor the oil fields and rigs.

1           (7) During the first war in Iraq, oil prices rose  
 2           to \$41 per barrel, gasoline prices hit record levels,  
 3           and oil companies made record profits.

4           (8) According to Goldman Sachs, crude oil  
 5           prices could reach \$45 per barrel as a result of a  
 6           war in Iraq. The price of oil has already increased  
 7           \$12 per barrel in the last year to \$33 per barrel.

8   **SEC. 3. WINDFALL PROFITS TAX.**

9           (a) IN GENERAL.—Subtitle E of the Internal Rev-  
 10          enue Code of 1986 (relating to alcohol, tobacco, and cer-  
 11          tain other excise taxes) is amended by adding at the end  
 12          thereof the following new chapter:

13       **“CHAPTER 55—WINDFALL PROFIT ON**  
 14       **CRUDE OIL AND PRODUCTS THEREOF**

“Sec. 5886. Imposition of tax.

15   **“SEC. 5886. IMPOSITION OF TAX.**

16       “(a) IN GENERAL.—In addition to any other tax im-  
 17       posed under this title, there is hereby imposed an excise  
 18       tax on the sale in the United States of any crude oil or  
 19       other taxable product a tax equal to the applicable per-  
 20       centage of the windfall profit on such sale.

21       “(b) DEFINITIONS.—For purposes of this section—

22           “(1) TAXABLE PRODUCT.—The term ‘taxable  
 23           product’ means any fuel which is a product of crude  
 24           oil.

1           “(2) WINDFALL PROFIT.—The term ‘windfall  
2           profit’ means, with respect to any sale, so much of  
3           the profit on such sale as exceeds a reasonable prof-  
4           it.

5           “(3) APPLICABLE PERCENTAGE.—The term  
6           ‘applicable percentage’ means—

7                   “(A) 50 percent to the extent that the  
8                   profit on the sale exceeds 100 percent of the  
9                   reasonable profit on the sale but does not ex-  
10                  ceed 102 percent of the reasonable profit on the  
11                  sale,

12                   “(B) 75 percent to the extent that the  
13                   profit on the sale exceeds 102 percent of the  
14                   reasonable profit on the sale but does not ex-  
15                  ceed 105 percent of the reasonable profit on the  
16                  sale, and

17                   “(C) 100 percent to the extent that the  
18                   profit on the sale exceeds 105 percent of the  
19                  reasonable profit on the sale.

20           “(4) REASONABLE PROFIT.—The term ‘reason-  
21           able profit’ means the amount determined by the  
22           Reasonable Profits Board to be a reasonable profit  
23           on the sale.

24           “(c) LIABILITY FOR PAYMENT OF TAX.—The taxes  
25           imposed by subsection (a) shall be paid by the seller.

1       “(d) APPLICATION OF SECTION.—This section shall  
2 apply during the period beginning on the date of the en-  
3 actment of this section and ending on the date that the  
4 President certifies to the Congress that no members of  
5 the Armed Forces of the United States are in Iraq.”

6       (b) REASONABLE PROFITS BOARD.—

7           (1) ESTABLISHMENT.—There is established an  
8 independent board to be known as the “Reasonable  
9 Profits Board” (hereafter in this subsection referred  
10 to as the “Board”).

11          (2) DUTIES.—The Board shall make reasonable  
12 profit determinations for purposes of applying sec-  
13 tion 5886 of the Internal Revenue Code of 1986 (re-  
14 lating to windfall profit on crude oil, natural gas,  
15 and products thereof).

16          (3) ADVISORY COMMITTEE.—The Board shall  
17 be considered an advisory committee within the  
18 meaning of the Federal Advisory Committee Act (5  
19 U.S.C. App.).

20          (4) APPOINTMENT.—

21           (A) MEMBERS.—The Board shall be com-  
22 posed of 3 members appointed by the President  
23 of the United States.

24           (B) TERM.—Members of the Board shall  
25 be appointed for a term of 3 years.

1           (C) BACKGROUND.—The members shall  
2           have no financial interests in any of the busi-  
3           nesses for which reasonable profits are deter-  
4           mined by the Board.

5           (5) PAY AND TRAVEL EXPENSES.—

6           (A) PAY.—Notwithstanding section 7 of  
7           the Federal Advisory Committee Act (5 U.S.C.  
8           App.), members of the Board shall be paid at  
9           a rate equal to the daily equivalent of the min-  
10          imum annual rate of basic pay for level IV of  
11          the Executive Schedule under section 5315 of  
12          title 5, United States Code, for each day (in-  
13          cluding travel time) during which the member is  
14          engaged in the actual performance of duties  
15          vested in the Board.

16          (B) TRAVEL EXPENSES.—Members shall  
17          receive travel expenses, including per diem in  
18          lieu of subsistence, in accordance with section  
19          5702 and 5703 of title 5, United States Code.

20          (6) DIRECTOR OF STAFF.—

21          (A) QUALIFICATIONS.—The Board shall  
22          appoint a Director who has no financial inter-  
23          ests in any of the businesses for which reason-  
24          able profits are determined by the Board.

1 (B) PAY.—Notwithstanding section 7 of  
2 the Federal Advisory Committee Act (5 U.S.C.  
3 App.), the Director shall be paid at the rate of  
4 basic pay payable for level IV of the Executive  
5 Schedule under section 5315 of title 5, United  
6 States Code.

7 (7) STAFF.—

8 (A) ADDITIONAL PERSONNEL.—The Direc-  
9 tor, with the approval of the Board, may ap-  
10 point and fix the pay of additional personnel.

11 (B) APPOINTMENTS.—The Director may  
12 make such appointments without regard to the  
13 provisions of title 5, United States Code, gov-  
14 erning appointments in the competitive service,  
15 and any personnel so appointed may be paid  
16 without regard to the provisions of chapter 51  
17 and subchapter III of chapter 53 of that title  
18 relating to classification and General Schedule  
19 pay rates.

20 (C) DETAILEES.—Upon the request of the  
21 Director, the head of any Federal department  
22 or agency may detail any of the personnel of  
23 that department or agency to the Board to as-  
24 sist the Board in accordance with an agreement  
25 entered into with the Board.

1 (D) ASSISTANCE.—The Comptroller Gen-  
 2 eral of the United States may provide assist-  
 3 ance, including the detailing of employees, to  
 4 the Board in accordance with an agreement en-  
 5 tered into with the Board.

6 (8) OTHER AUTHORITY.—

7 (A) EXPERTS AND CONSULTANTS.—The  
 8 Board may procure by contract, to the extent  
 9 funds are available, the temporary or intermit-  
 10 tent services of experts or consultants pursuant  
 11 to section 3109 of title 5, United States Code.

12 (B) LEASING.—The Board may lease  
 13 space and acquire personal property to the ex-  
 14 tent that funds are available.

15 (9) FUNDING.—There are authorized to be ap-  
 16 propriated such funds as are necessary to carry out  
 17 this subsection.

18 (c) CLERICAL AMENDMENT.—The table of chapters  
 19 for subtitle E of such Code is amended by adding at the  
 20 end the following new item:

“Chapter 55. Windfall profit on crude oil and refined petroleum  
 products.”

21 (d) EFFECTIVE DATE.—The amendments made by  
 22 this section shall take effect on the date of the enactment  
 23 of this Act.

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