110TH CONGRESS
1ST SESSION

S. 103

To amend the Internal Revenue Code of 1986 to provide that major oil and gas companies will not be eligible for the effective rate reductions enacted in 2004 for domestic manufacturers.

IN THE SENATE OF THE UNITED STATES

JANUARY 4, 2007

Mr. KERRY (for himself, Mrs. FEINSTEIN, and Mr. WYDEN) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To amend the Internal Revenue Code of 1986 to provide that major oil and gas companies will not be eligible for the effective rate reductions enacted in 2004 for domestic manufacturers.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Restore a Rational Tax Rate on Petroleum Production Act of 2007''.

SEC. 2. FINDINGS.

The Congress finds that—

(1) like many other countries, the United States has long provided export-related benefits under its tax law,

(2) producers and refiners of oil and natural gas were specifically denied the benefits of those export-related tax provisions,

(3) those export-related tax provisions were successfully challenged by the European Union as being inconsistent with our trade agreements,

(4) the Congress responded by repealing the export-related benefits and enacting a substitute benefit that was an effective rate reduction for United States manufacturers,

(5) producers and refiners of oil and natural gas were made eligible for the rate reduction even though they suffered no detriment from repeal of the export-related benefits, and

(6) the decision to provide the effective rate reduction to producers and refiners of oil and natural gas has operated as a reverse windfall profits tax, lowering the tax rate on the windfall profits they are currently enjoying.

SEC. 3. 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 (relating to exceptions) 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) in the case of any major integrated oil company (as defined in section 167(h)(5)(B)), the production, refining, processing, transportation, or distribution of oil, natural gas, or any primary product thereof during any taxable year described in section 167(h)(A).’’.

(b) CONFORMING AMENDMENTS.—Section 199(c)(4) of such Code is amended—

(1) in subparagraph (A)(i)(III) by striking ‘‘electricity, natural gas,’’ and inserting ‘‘electricity’’, and

(2) in subparagraph (B)(ii) by striking ‘‘electricity, natural gas,’’ and inserting ‘‘electricity’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

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