

111TH CONGRESS  
1ST SESSION

# H. R. 594

To amend the Internal Revenue Code of 1986 to reduce emissions of carbon dioxide by imposing a tax on primary fossil fuels based on their carbon content.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 15, 2009

Mr. STARK (for himself and Mr. McDERMOTT) 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 reduce emissions of carbon dioxide by imposing a tax on primary fossil fuels based on their carbon content.

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 “Save Our Climate Act  
5       of 2009”.

6       **SEC. 2. FINDINGS.**

7       The Congress finds as follows:

8               (1) The Intergovernmental Panel on Climate  
9       Change (IPCC) has concluded that human emissions

1 of greenhouse gases, particularly carbon dioxide are  
2 responsible for global climate change.

3 (2) The IPCC has estimated that global tem-  
4 peratures will rise between 3.2–7.2 degrees  
5 Farenheit in the next 100 years if carbon dioxide  
6 emissions are not dramatically reduced.

7 (3) An increase of even a few degrees could  
8 have major adverse impacts on both the human and  
9 man-made environments, due to rising sea-levels, in-  
10 tensification of weather events, mass extinction of  
11 species, and scarcity of water.

12 (4) The United States is responsible for nearly  
13 24 percent of the world's carbon dioxide emissions,  
14 equaling approximately six billion metric tons of car-  
15 bon dioxide per year.

16 (5) In order to stabilize the earth's climate and  
17 prevent catastrophic global climate change, the level  
18 of worldwide carbon dioxide emissions need to be re-  
19 duced 80 percent by 2050.

20 (6) A tax on fossil fuels based on carbon con-  
21 tent will reduce the incentive to burn those fuels,  
22 thereby reducing carbon dioxide emissions.

23 (7) Revenue collected from a tax on fossil fuels  
24 could be used to decrease taxes on low and middle-  
25 income taxpayers, to fund research and development

1 of alternative green energy sources, or to increase  
 2 funding for other domestic social priorities.

3 **SEC. 3. IMPOSITION OF CARBON TAX ON PRIMARY FOSSIL**  
 4 **FUELS.**

5 (a) GENERAL RULE.—Chapter 38 of the Internal  
 6 Revenue Code of 1986 (relating to environmental taxes)  
 7 is amended by adding at the end thereof the following new  
 8 subchapter:

9 **“Subchapter E—Carbon Tax on Primary**  
 10 **Fossil Fuels**

“Sec. 4691. Imposition of tax.

11 **“SEC. 4691. IMPOSITION OF TAX.**

12 “(a) GENERAL RULE.—There is hereby imposed a  
 13 tax on any taxable fuel sold by the manufacturer, pro-  
 14 ducer, or importer thereof.

15 “(b) AMOUNT OF TAX.—

16 “(1) IN GENERAL.—The amount of tax imposed  
 17 by subsection (a) on any taxable fuel shall be an  
 18 equivalent amount to \$10 per ton of carbon content  
 19 in such fuel, as determined by the Secretary in con-  
 20 sultation with the Secretary of Energy.

21 “(2) ANNUAL INCREASE IN AMOUNT OF TAX.—  
 22 For each calendar year beginning after 2009 and  
 23 ending with the year after the target attainment  
 24 year, paragraph (1) shall be applied by substituting

1 for ‘\$10’ the following: ‘the amount in effect under  
2 this paragraph for the preceding calendar year, in-  
3 creased by \$10,’.

4 “(3) RATE FREEZE AFTER TARGET ATTAIN-  
5 MENT.—For the second year after the target attain-  
6 ment year and each year thereafter, the amount in  
7 effect under paragraph (1) shall be the amount in  
8 effect under paragraph (1) for the first year after  
9 the target attainment year.

10 “(4) TARGET ATTAINMENT YEAR.—For pur-  
11 poses of paragraph (2), a calendar year is the target  
12 attainment year if the level of carbon dioxide emis-  
13 sions in the United States for the calendar year does  
14 not exceed 20 percent of the level of carbon dioxide  
15 emissions in the United States for calendar year  
16 1990, as determined by the Energy Information Ad-  
17 ministration, Department of Energy.

18 “(c) TAXABLE FUEL.—For purposes of this section,  
19 the term ‘taxable fuel’ means—

20 “(1) coal (including lignite and peat),

21 “(2) petroleum and any petroleum product (as  
22 defined in section 4612(a)(3)), and

23 “(3) natural gas,

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

4 “(d) OTHER DEFINITIONS.—For purposes of this  
5 section—

6 “(1) UNITED STATES.—The term ‘United  
7 States’ has the meaning given such term by section  
8 4612(a)(4).

9 “(2) IMPORTER.—The term ‘importer’ means  
10 the person entering the taxable fuel for consumption,  
11 use, or warehousing.

12 “(3) TON.—The term ‘ton’ means 2,000  
13 pounds. In the case of any taxable fuel which is a  
14 gas, the term ‘ton’ means the amount of such gas  
15 in cubic feet which is the equivalent of 2,000 pounds  
16 on a molecular weight basis.

17 “(e) EXCEPTION.—No tax shall be imposed by sub-  
18 section (a) on the sale or in-kind exchange of any taxable  
19 fuel for deposit in the Strategic Petroleum Reserve estab-  
20 lished under part B of title I of the Energy Policy and  
21 Conservation Act.

22 “(f) SPECIAL RULES.—

23 “(1) ONLY 1 TAX IMPOSED WITH RESPECT TO  
24 ANY PRODUCT.—No tax shall be imposed by sub-  
25 section (a) with respect to a taxable fuel if, with re-

spect to such fuel, the person who would be liable for such tax establishes that a prior tax imposed by such subsection has been imposed and no refund or credit with respect to such tax is allowed under subsection (g).

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

“(3) USE AND CERTAIN EXCHANGES BY MANUFACTURER, ETC.—

“(A) USE TREATED AS SALE.—If any person manufactures, produces, or imports any taxable fuel and uses such fuel, then such person shall be liable for tax under subsection (a) in the same manner as if such fuel were sold by such person.

“(B) SPECIAL RULES FOR INVENTORY EXCHANGES.—

“(i) IN GENERAL.—Except as provided in this subparagraph, in any case in which a manufacturer, producer, or importer of a taxable fuel exchanges such fuel as part of an inventory exchange with another person—

1 “(I) such exchange shall not be  
2 treated as a sale, and

3 “(II) such other person shall, for  
4 purposes of subsection (a), be treated  
5 as the manufacturer, producer, or im-  
6 porter of such fuel.

7 “(ii) REGISTRATION REQUIREMENT.—  
8 Clause (i) shall not apply to any inventory  
9 exchange unless—

10 “(I) both parties are registered  
11 with the Secretary as manufacturers,  
12 producers, or importers of taxable  
13 fuels, and

14 “(II) the person receiving the  
15 taxable fuel has, at such time as the  
16 Secretary may prescribe, notified the  
17 manufacturer, producer, or importer  
18 of such person’s registration number  
19 and the internal revenue district in  
20 which such person is registered.

21 “(iii) INVENTORY EXCHANGE.—For  
22 purposes of this subparagraph, the term  
23 ‘inventory exchange’ means any exchange  
24 in which 2 persons exchange property

1                   which is, in the hands of each person,  
2                   property described in section 1221(a)(1).

3           “(g) REFUND OR CREDIT FOR CERTAIN USES.—

4                   “(1) MANUFACTURE OR PRODUCTION OF AN-  
5           OTHER TAXABLE FUEL.—Under regulations pre-  
6           scribed by the Secretary, if—

7                   “(A) a tax under subsection (a) was paid  
8                   with respect to any taxable fuel, and

9                   “(B) such fuel was used by any person in  
10           the manufacture or production of any other  
11           substance which is a taxable fuel,

12           then a credit or refund (without interest) shall be al-  
13           lowed, in the same manner as if it were an overpay-  
14           ment of tax imposed by subsection (a), to such per-  
15           son in an amount equal to the tax so paid.

16                   “(2) EMBEDDED OR SEQUESTERED CARBON.—  
17           Under regulations prescribed by the Secretary, if—

18                   “(A) a tax under subsection (a) was paid  
19                   with respect to any taxable fuel,

20                   “(B) a person uses such fuel in the manu-  
21           facture or production of any substance which is  
22           not a taxable fuel, and

23                   “(C) in the process of such manufacture or  
24           production, carbon in such fuel is embedded or  
25           sequestered,



1 then a credit or refund (without interest) shall be al-  
2 lowed to such person in the same manner as if it  
3 were an overpayment of tax imposed by subsection  
4 (a). The amount of such credit or refund shall be an  
5 amount equal to the amount of tax in effect under  
6 subsection (a) with respect to such fuel for the cal-  
7 endar year in which such manufacture or production  
8 occurred, determined on the basis of carbon so em-  
9 bedded or sequestered.

10 “(3) LIMITATION.—In any case to which para-  
11 graph (1) or (2) applies, the amount of any such  
12 credit or refund shall not exceed the amount of tax  
13 imposed by subsection (a) on the taxable fuel used  
14 in such manufacture or production (or which would  
15 have been imposed by such subsection on such other  
16 fuel but for subsection (h)).

17 “(h) EXEMPTION FOR EXPORTS OF TAXABLE  
18 FUELS.—

19 “(1) TAX-FREE SALES.—

20 “(A) IN GENERAL.—No tax shall be im-  
21 posed by subsection (a) on the sale by the man-  
22 ufacturer or producer of any taxable fuel for ex-  
23 port or for resale by the purchaser to a second  
24 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 fuel, and

9                   “(ii)(I) such fuel was exported by any  
10 person, or

11                   “(II) such fuel was used as a material  
12 in the manufacture or production of a tax-  
13 able fuel which was exported by any person  
14 and which, at the time of export, was a  
15 taxable fuel,

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

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

23                   “(i) has repaid or agreed to repay the  
24 amount of the tax to the person who ex-  
25 ported the taxable fuel, or

1 “(ii) has obtained the written consent  
2 of such exporter to the allowance of the  
3 credit or the making of the refund.

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

10 “(i) the person who paid the tax  
11 waives his claim to the amount of such  
12 credit or refund, and

13 “(ii) the person exporting the taxable  
14 fuel provides such information as the Sec-  
15 retary may require in such regulations.

16 “(3) REGULATIONS.—The Secretary shall pre-  
17 scribe such regulations as may be necessary to carry  
18 out the purposes of this subsection.”.

19 (b) STUDY.—Not later than 5 years after the date  
20 of the enactment of this Act, and every 5 years thereafter,  
21 the Secretary of the Treasury, in consultation with the  
22 Secretary of Energy, shall conduct a study on the environ-  
23 mental, economic, and revenue impacts regarding the tax  
24 imposed by subchapter E of chapter 38 of the Internal  
25 Revenue Code of 1986 (relating to carbon tax on primary

1 fossil fuels). The Secretary shall submit each study to the  
2 Committee on Ways and Means of the House of Rep-  
3 resentatives and the Committee on Finance of the Senate.

4 (c) CLERICAL AMENDMENT.—The table of sub-  
5 chapters for chapter 38 of such Code is amended by add-  
6 ing at the end thereof the following new item:

“SUBCHAPTER E. CARBON TAX ON PRIMARY FOSSIL FUELS”.

7 (d) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to sales after the date of the enact-  
9 ment of this Act.

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