

112TH CONGRESS  
2D SESSION

# H. R. 5187

To amend the Internal Revenue Code of 1986 to provide incentives for clean energy and to repeal fossil fuel subsidies for big oil companies.

---

## IN THE HOUSE OF REPRESENTATIVES

APRIL 27, 2012

Mr. MARKEY (for himself, Mr. WAXMAN, Mr. BLUMENAUER, Mr. LARSON of Connecticut, and Mr. PASCRELL) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, 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 provide incentives for clean energy and to repeal fossil fuel subsidies for big oil companies.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Investing to Modernize the Production of American  
6 Clean Energy and Technology Act of 2012” or as the  
7 “IMPACT Act of 2012”.

- 1 (b) TABLE OF CONTENTS.—The table of contents of  
 2 this Act is as follows:

Sec. 1. Short title; table of contents.

#### TITLE I—CLEAN ENERGY INCENTIVES

##### Subtitle A—Renewable Energy

- Sec. 101. Extension of renewable energy credits.  
 Sec. 102. Extension of election of investment tax credit in lieu of production credit.  
 Sec. 103. Extension of grants for specified energy property in lieu of tax credits.  
 Sec. 104. Extension of qualifying advanced energy project credit.  
 Sec. 105. Extension of credit for energy-efficient new homes.  
 Sec. 106. Extension of credit for energy-efficient appliances.

##### Subtitle B—Electric, Natural Gas, and Hydrogen Vehicles

- Sec. 111. Increase and expansion of credit for qualified plug-in electric drive motor vehicles.  
 Sec. 112. Extension of new qualified alternative fuel motor vehicle credit for heavy natural gas vehicles.  
 Sec. 113. Modification of credit for alternative fuel vehicle refueling property for vehicles powered by electricity, natural gas, or hydrogen.  
 Sec. 114. Electric, natural gas, and hydrogen vehicle refueling property tax credit bonds.

#### TITLE II—REPEAL OF FOSSIL FUEL SUBSIDIES FOR BIG OIL COMPANIES

- Sec. 201. Prohibition on using last-in, first-out accounting for major integrated oil companies.  
 Sec. 202. Modifications of foreign tax credit rules applicable to major integrated oil companies which are dual capacity taxpayers.  
 Sec. 203. Limitation on section 199 deduction attributable to oil, natural gas, or primary products thereof.  
 Sec. 204. Limitation on deduction for intangible drilling and development costs.  
 Sec. 205. Limitation on percentage depletion allowance for oil and gas wells.  
 Sec. 206. Limitation on deduction for tertiary injectants.

1           **TITLE I—CLEAN ENERGY**  
 2                   **INCENTIVES**  
 3           **Subtitle A—Renewable Energy**

4   **SEC. 101. EXTENSION OF RENEWABLE ENERGY CREDITS.**

5           (a) WIND.—Paragraph (1) of section 45(d) of the In-  
 6   ternal Revenue Code of 1986 is amended by striking “Jan-  
 7   uary 1, 2013” and inserting “January 1, 2021”.

8           (b) BIOMASS, GEOTHERMAL, SMALL IRRIGATION,  
 9   LANDFILL GAS, HYDROPOWER, MARINE, AND  
 10   HYDROKINETIC.—Each of the following provisions of sec-  
 11   tion 45(d) of such Code is amended by striking “January  
 12   1, 2014” and inserting “January 1, 2022”:

- 13                   (1) Clauses (i) and (ii) of paragraph (2)(A).
- 14                   (2) Clauses (i)(I) and (ii) of paragraph (3)(A).
- 15                   (3) Paragraph (4).
- 16                   (4) Paragraph (6).
- 17                   (5) Subparagraphs (A) and (B) of paragraph
- 18                   (9).
- 19                   (6) Subparagraph (B) of paragraph (11).

20           (c) EARLY TERMINATION IN EVENT OF FEDERAL  
 21   RENEWABLE ELECTRICITY REQUIREMENT.—Subsection  
 22   (d) of section 45 of the Internal Revenue Code of 1986  
 23   is amended by adding at the end the following new para-  
 24   graph:

1           “(12) TERMINATION IN EVENT OF FEDERAL  
 2       RENEWABLE ELECTRICITY REQUIREMENT.—Not-  
 3       withstanding any other provision of this section, the  
 4       term ‘qualified facility’ shall not include any prop-  
 5       erty which is placed in service after the date which  
 6       is 1 year after the date on which the Secretary of  
 7       Energy makes a public declaration that a Federal  
 8       law is in effect which requires retail electric sup-  
 9       pliers in the United States to supply minimum and  
 10      significant amounts of electric energy which is gen-  
 11      erated from renewable sources to customers for pur-  
 12      poses other than resale.”.

13 **SEC. 102. EXTENSION OF ELECTION OF INVESTMENT TAX**  
 14 **CREDIT IN LIEU OF PRODUCTION CREDIT.**

15       (a) IN GENERAL.—Clause (ii) of section 48(a)(5)(C)  
 16 of the Internal Revenue Code of 1986 is amended by strik-  
 17 ing “or 2013” and inserting “2013, 2014, 2015, 2016,  
 18 2017, 2018, 2019, 2020, or 2021”.

19       (b) WIND FACILITIES.—Clause (i) of section  
 20 48(a)(5)(C) of the Internal Revenue Code of 1986 is  
 21 amended by striking “Any qualified facility” and all that  
 22 follows and inserting “Any facility which is—  
 23                               “(I) a qualified facility (within  
 24                               the meaning of section 45) described  
 25                               in paragraph (1) of section 45(d) if

1           such facility is placed in service in  
2           2009, 2010, 2011, 2012, 2013, 2014,  
3           2015, 2016, 2017, 2018, 2019, or  
4           2020, or

5           “(II) a qualifying offshore wind  
6           facility, if such facility is placed in  
7           service in 2009, 2010, 2011, 2012,  
8           2013, 2014, 2015, 2016, 2017, 2018,  
9           2019, 2020, or 2021.”.

10       (c) LIMITATION.—Paragraph 5 of section 48(a) of  
11 the Internal Revenue Code of 1986 is amended by adding  
12 at the end the following new subparagraph:

13           “(E) LIMITATION.—The total amount of  
14       megawatt capacity for offshore facilities under  
15       clause (II) of subsection (a)(5)(C) with respect  
16       to which credits may be allocated under the  
17       program shall not exceed 3,000 megawatts.”.

1       (d) QUALIFYING OFFSHORE WIND FACILITY.—Para-  
2 graph (5) of section 48(a) of the Internal Revenue Code  
3 of 1986 is further amended by adding at the end the fol-  
4 lowing new subparagraph:

5               “(F) QUALIFYING OFFSHORE WIND FACIL-  
6 ITY.—For purposes of this paragraph—

7               “(i) IN GENERAL.—The term ‘quali-  
8 fying offshore wind facility’ means an off-  
9 shore facility using wind to produce elec-  
10 tricity.

11              “(ii) OFFSHORE FACILITY.—The term  
12 ‘offshore facility’ means any facility located  
13 in the inland navigable waters of the  
14 United States, including the Great Lakes,  
15 or in the coastal waters of the United  
16 States, including the territorial seas of the  
17 United States, the exclusive economic zone  
18 of the United States, and the Outer Conti-  
19 nental Shelf of the United States. For pur-  
20 poses of the preceding sentence, the term  
21 ‘United States’ has the meaning given in  
22 section 638(1).”.

23       (e) AVAILABILITY OF GRANTS IN LIEU OF TAX  
24 CREDITS.—Subparagraph (A) of section 1603(b)(2) of di-  
25 vision B of the American Recovery and Reinvestment Act

1 of 2009 is amended by inserting “or section 48(a)(5) of  
2 the Internal Revenue Code of 1986” after “subsection  
3 (d)”.

4 (f) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to facilities placed in service after  
6 December 31, 2011.

7 **SEC. 103. EXTENSION OF GRANTS FOR SPECIFIED ENERGY**  
8 **PROPERTY IN LIEU OF TAX CREDITS.**

9 (a) IN GENERAL.—Subsection (a) of section 1603 of  
10 division B of the American Recovery and Reinvestment  
11 Act of 2009 is amended—

12 (1) in paragraph (1), by striking “or 2011” and  
13 inserting “2011, 2012, or 2013”, and

14 (2) in paragraph (2)—

15 (A) by striking “after 2011” and inserting  
16 “after 2013”, and

17 (B) by striking “or 2011” and inserting  
18 “2011, 2012, or 2013”.

19 (b) CONFORMING AMENDMENT.—Subsection (j) of  
20 section 1603 of division B of such Act is amended by strik-  
21 ing “2012” and inserting “2014”.

1 **SEC. 104. EXTENSION OF QUALIFYING ADVANCED ENERGY**  
2 **PROJECT CREDIT.**

3 Paragraph (1) of section 48C(d) of the Internal Rev-  
4 enue Code of 1986 is amended by adding at the end the  
5 following new subparagraph:

6 “(C) **ADDITIONAL LIMITATION AMOUNT.**—

7 “(i) **IN GENERAL.**—The dollar amount  
8 under subparagraph (B) is hereby in-  
9 creased by \$5,000,000,000.

10 “(ii) **APPLICATIONS.**—Notwith-  
11 standing the deadline for submitting appli-  
12 cations specified in paragraph (2)(A), an  
13 applicant for certification with respect to  
14 credits allocated pursuant to clause (i) may  
15 submit an application to the Secretary at  
16 such time and in such manner as the Sec-  
17 retary may provide.

18 “(iii) **REVIEW, REDISTRIBUTION, AND**  
19 **REALLOCATION.**—Notwithstanding the  
20 deadline for review specified in paragraph  
21 (4)(A), the Secretary shall review the cred-  
22 its allocated pursuant to clause (i) at such  
23 time as the Secretary determines appro-  
24 priate.”.



1 **SEC. 105. EXTENSION OF CREDIT FOR ENERGY-EFFICIENT**  
2 **NEW HOMES.**

3 (a) IN GENERAL.—Subsection (g) of section 45L of  
4 the Internal Revenue Code of 1986 is amended by striking  
5 “December 31, 2011” and inserting “December 31,  
6 2012”.

7 (b) EFFECTIVE DATE.—The amendment made by  
8 this section shall apply to homes acquired after December  
9 31, 2011.

10 **SEC. 106. EXTENSION OF CREDIT FOR ENERGY-EFFICIENT**  
11 **APPLIANCES.**

12 (a) IN GENERAL.—Section 45M(b) of the Internal  
13 Revenue Code of 1986 is amended by striking “2011”  
14 each place it appears other than in the provisions specified  
15 in subsection (b), and inserting “2011 or 2012”.

16 (b) PROVISIONS SPECIFIED.—The provisions of sec-  
17 tion 45M(b) of the Internal Revenue Code of 1986 speci-  
18 fied in this subsection are subparagraph (C) of paragraph  
19 (1) and subparagraph (E) of paragraph (2).

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to appliances produced after De-  
22 cember 31, 2011.

1     **Subtitle B—Electric, Natural Gas,**  
2                   **and Hydrogen Vehicles**

3     **SEC. 111. INCREASE AND EXPANSION OF CREDIT FOR**  
4                   **QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR**  
5                   **VEHICLES.**

6           (a) INCREASE IN DOLLAR LIMITATION.—Paragraph  
7     (2) of section 30D(b) of the Internal Revenue Code of  
8     1986 is amended by striking “\$2,500” and inserting  
9     “\$5,000”.

10          (b) INCREASE IN LIMITATION ON NUMBER OF VEHI-  
11     CLES ELIGIBLE FOR CREDIT.—Paragraph (2) of section  
12     30D(e) of such Code is amended by striking “200,000”  
13     and inserting “400,000”.

14          (c) EFFECTIVE DATE.—The amendment made by  
15     this section shall apply to vehicles acquired after the date  
16     of the enactment of this Act.

17     **SEC. 112. EXTENSION OF NEW QUALIFIED ALTERNATIVE**  
18                   **FUEL MOTOR VEHICLE CREDIT FOR HEAVY**  
19                   **NATURAL GAS VEHICLES.**

20          (a) IN GENERAL.—Paragraph (4) of section 30B(k)  
21     of the Internal Revenue Code of 1986 is amended by in-  
22     serting “(December 31, 2016, in the case of a vehicle pow-  
23     ered by compressed or liquefied natural gas and weighing  
24     more than 8,500 pounds)” before the period at the end.

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section shall apply to vehicles purchased after the date  
 3 of the enactment of this Act.

4 **SEC. 113. MODIFICATION OF CREDIT FOR ALTERNATIVE**  
 5 **FUEL VEHICLE REFUELING PROPERTY FOR**  
 6 **VEHICLES POWERED BY ELECTRICITY, NAT-**  
 7 **URAL GAS, OR HYDROGEN.**

8 (a) SPECIAL RULES FOR PROPERTY PLACED IN  
 9 SERVICE BEFORE JANUARY 1, 2017.—Subsection (e) of  
 10 section 30C of the Internal Revenue Code of 1986 is  
 11 amended by adding at the end the following new para-  
 12 graph:

13 “(7) PROPERTY FOR RECHARGING VEHICLES  
 14 POWERED BY ELECTRICITY, NATURAL GAS, OR HY-  
 15 DROGEN.—In the case of property placed in service  
 16 after December 31, 2011, and before January 1,  
 17 2017, which relates to electricity, natural gas, or hy-  
 18 drogen—

19 “(A) subsection (a) shall be applied by  
 20 substituting ‘50 percent’ for ‘30 percent’,

21 “(B) subsection (b)(1) shall be applied by  
 22 substituting ‘\$50,000’ for ‘\$30,000’, and

23 “(C) subsection (b)(2) shall be applied by  
 24 substituting ‘\$2,000’ for ‘\$1,000’.”.

1 (b) INSTALLATION COSTS.—Subsection (e) of section  
 2 30C of such Code, as amended by subsection (a), is  
 3 amended by adding at the end the following:

4 “(8) INSTALLATION COSTS.—The cost of any  
 5 qualified alternative fuel vehicle refueling property  
 6 which relates to electricity, natural gas, or hydrogen  
 7 shall include the cost of the original installation of  
 8 such property.”.

9 (c) TERMINATION OF CREDIT.—Paragraph (1) of  
 10 section 30C(g) of such Code is amended to read as follows:

11 “(1) in the case of property relating to elec-  
 12 tricity, natural gas, or hydrogen, after December 31,  
 13 2017, and”.

14 (d) EFFECTIVE DATE.—The amendments made by  
 15 this section shall apply to property placed in service after  
 16 December 31, 2011.

17 **SEC. 114. ELECTRIC, NATURAL GAS, AND HYDROGEN VEHI-**  
 18 **CLE REFUELING PROPERTY TAX CREDIT**  
 19 **BONDS.**

20 (a) IN GENERAL.—Paragraph (1) of section 54A(d)  
 21 of the Internal Revenue Code of 1986 is amended by strik-  
 22 ing “or” at the end of subparagraph (D), by inserting  
 23 “or” at the end of subparagraph (E), and by inserting  
 24 after subparagraph (E) the following new subparagraph:

1 “(F) a qualified electric, natural gas, and  
2 hydrogen vehicle refueling property bond,”.

3 (b) QUALIFIED PURPOSE.—Subparagraph (C) of sec-  
4 tion 54A(d)(2) of the Internal Revenue Code of 1986 is  
5 amended—

6 (1) by striking “and” at the end of clause (iv),

7 (2) by striking the period at the end of clause  
8 (v) and inserting “, and”, and

9 (3) by adding at the end the following new  
10 clause:

11 “(vi) in the case of a qualified electric,  
12 natural gas, and hydrogen vehicle refueling  
13 property bond, a purpose specified in sec-  
14 tion 54G(a)(1).”.

15 (c) BONDS ALLOWED.—Subpart I of part IV of sub-  
16 chapter A of chapter 1 of the Internal Revenue Code of  
17 1986 is amended by adding at the end the following new  
18 section:

19 **“SEC. 54G. QUALIFIED ELECTRIC, NATURAL GAS, AND HY-**  
20 **DROGEN VEHICLE REFUELING PROPERTY**  
21 **BONDS.**

22 “(a) QUALIFIED ELECTRIC, NATURAL GAS, AND HY-  
23 DROGEN VEHICLE REFUELING PROPERTY BOND.—For  
24 purposes of this subpart, the term ‘qualified electric, nat-

1 ural gas, and hydrogen vehicle refueling property bond’  
2 means any bond issued as part of an issue if—

3 “(1) 100 percent of the available project pro-  
4 ceeds of such issue are to be used for capital expend-  
5 itures incurred by a qualified issuer for 1 or more  
6 qualified electric, natural gas, and hydrogen vehicle  
7 refueling properties,

8 “(2) the bond is issued by a qualified issuer,  
9 and

10 “(3) the issuer designates such bond for pur-  
11 poses of this section.

12 “(b) REDUCED CREDIT AMOUNT.—Notwithstanding  
13 paragraph (2) of section 54A(b), the annual credit deter-  
14 mined with respect to any qualified electric, natural gas,  
15 and hydrogen vehicle refueling property bond is 70 percent  
16 of the amount which would (but for this subsection) other-  
17 wise be determined under such paragraph with respect to  
18 such bond.

19 “(c) LIMITATION ON AMOUNT OF BONDS DES-  
20 IGNATED.—The maximum aggregate face amount of  
21 bonds which may be designated under subsection (a) by  
22 any issuer shall not exceed the limitation amount allocated  
23 to such issuer under subsection (e).

24 “(d) NATIONAL LIMITATION ON AMOUNT OF BONDS  
25 DESIGNATED.—There is a national qualified electric, nat-

1 ural gas, and hydrogen vehicle refueling property bond  
 2 limitation of \$750,000,000.

3 “(e) ALLOCATIONS.—The Secretary shall make allo-  
 4 cations of the amount of the national qualified electric,  
 5 natural gas, and hydrogen vehicle refueling property bond  
 6 limitation described in subsection (d) among purposes de-  
 7 scribed in subsection (a)(1) in such manner as the Sec-  
 8 retary determines appropriate.

9 “(f) DEFINITIONS.—For purposes of this section—

10 “(1) QUALIFIED ELECTRIC, NATURAL GAS, AND  
 11 HYDROGEN VEHICLE REFUELING PROPERTY.—The  
 12 term ‘qualified electric, natural gas, and hydrogen  
 13 vehicle refueling property’ means any qualified alter-  
 14 native fuel vehicle refueling property (within the  
 15 meaning of section 30C) which relates to electricity,  
 16 natural gas, or hydrogen.

17 “(2) QUALIFIED ISSUER.—

18 “(A) IN GENERAL.—The term ‘qualified  
 19 issuer’ means a public power provider, a cooper-  
 20 ative electric company, or a governmental body.

21 “(B) GOVERNMENTAL BODY.—The term  
 22 ‘governmental body’ means any State or Indian  
 23 tribal government, or any political subdivision  
 24 thereof.

1           “(C) PUBLIC POWER PROVIDER.—The  
 2           term ‘public power provider’ means a State util-  
 3           ity that has a service obligation to end-users or  
 4           to a distribution utility (within the meaning of  
 5           section 217 of the Federal Power Act, as in ef-  
 6           fect on the date of the enactment of this sec-  
 7           tion).

8           “(D) COOPERATIVE ELECTRIC COMPANY.—  
 9           The term ‘cooperative electric company’ means  
 10          a mutual or cooperative electric company de-  
 11          scribed in section 501(c)(12) or an organization  
 12          described in section 1381(a)(2)(C).”.

13          (d) CLERICAL AMENDMENT.—The table of sections  
 14          for subpart I of part IV of subchapter A of chapter 1 of  
 15          the Internal Revenue Code of 1986 is amended by adding  
 16          at the end the following new item:

“Sec. 54G. Qualified electric, natural gas, and hydrogen vehicle refueling prop-  
 erty bonds.”.

17          (e) EFFECTIVE DATE.—The amendments made by  
 18          this section shall apply to obligations issued after the date  
 19          of the enactment of this Act.



1 **TITLE II—REPEAL OF FOSSIL**  
2 **FUEL SUBSIDIES FOR BIG OIL**  
3 **COMPANIES**

4 **SEC. 201. PROHIBITION ON USING LAST-IN, FIRST-OUT AC-**  
5 **COUNTING FOR MAJOR INTEGRATED OIL**  
6 **COMPANIES.**

7 (a) IN GENERAL.—Section 472 of the Internal Rev-  
8 enue Code of 1986 is amended by adding at the end the  
9 following new subsection:

10 “(h) MAJOR INTEGRATED OIL COMPANIES.—Not-  
11 withstanding any other provision of this section, a major  
12 integrated oil company (as defined in section  
13 167(h)(5)(B)) may not use the method provided in sub-  
14 section (b) in inventorying of any goods.”.

15 (b) EFFECTIVE DATE AND SPECIAL RULE.—

16 (1) IN GENERAL.—The amendment made by  
17 subsection (a) shall apply to taxable years beginning  
18 after the date of the enactment of this Act.

19 (2) CHANGE IN METHOD OF ACCOUNTING.—In  
20 the case of any taxpayer required by the amendment  
21 made by this section to change its method of ac-  
22 counting for its first taxable year beginning after the  
23 date of the enactment of this Act—

24 (A) such change shall be treated as initi-  
25 ated by the taxpayer,

1 (B) such change shall be treated as made  
 2 with the consent of the Secretary of the Treas-  
 3 ury, and

4 (C) the net amount of the adjustments re-  
 5 quired to be taken into account by the taxpayer  
 6 under section 481 of the Internal Revenue Code  
 7 of 1986 shall be taken into account ratably over  
 8 a period (not greater than 8 taxable years) be-  
 9 ginning with such first taxable year.

10 **SEC. 202. MODIFICATIONS OF FOREIGN TAX CREDIT RULES**

11 **APPLICABLE TO MAJOR INTEGRATED OIL**  
 12 **COMPANIES WHICH ARE DUAL CAPACITY**  
 13 **TAXPAYERS.**

14 (a) IN GENERAL.—Section 901 of the Internal Rev-  
 15 enue Code of 1986 is amended by redesignating subsection  
 16 (n) as subsection (o) and by inserting after subsection (m)  
 17 the following new subsection:

18 “(n) SPECIAL RULES RELATING TO MAJOR INTE-  
 19 GRATED OIL COMPANIES WHICH ARE DUAL CAPACITY  
 20 TAXPAYERS.—

21 “(1) GENERAL RULE.—Notwithstanding any  
 22 other provision of this chapter, any amount paid or  
 23 accrued by a dual capacity taxpayer which is a  
 24 major integrated oil company (as defined in section  
 25 167(h)(5)(B)) to a foreign country or possession of

1 the United States for any period shall not be consid-  
2 ered a tax—

3 “(A) if, for such period, the foreign coun-  
4 try or possession does not impose a generally  
5 applicable income tax, or

6 “(B) to the extent such amount exceeds  
7 the amount (determined in accordance with reg-  
8 ulations) which—

9 “(i) is paid by such dual capacity tax-  
10 payer pursuant to the generally applicable  
11 income tax imposed by the country or pos-  
12 session, or

13 “(ii) would be paid if the generally ap-  
14 plicable income tax imposed by the country  
15 or possession were applicable to such dual  
16 capacity taxpayer.

17 Nothing in this paragraph shall be construed to  
18 imply the proper treatment of any such amount not  
19 in excess of the amount determined under subpara-  
20 graph (B).

21 “(2) DUAL CAPACITY TAXPAYER.—For pur-  
22 poses of this subsection, the term ‘dual capacity tax-  
23 payer’ means, with respect to any foreign country or  
24 possession of the United States, a person who—

1           “(A) is subject to a levy of such country or  
2           possession, and

3           “(B) receives (or will receive) directly or  
4           indirectly a specific economic benefit (as deter-  
5           mined in accordance with regulations) from  
6           such country or possession.

7           “(3) GENERALLY APPLICABLE INCOME TAX.—  
8           For purposes of this subsection—

9           “(A) IN GENERAL.—The term ‘generally  
10          applicable income tax’ means an income tax (or  
11          a series of income taxes) which is generally im-  
12          posed under the laws of a foreign country or  
13          possession on income derived from the conduct  
14          of a trade or business within such country or  
15          possession.

16          “(B) EXCEPTIONS.—Such term shall not  
17          include a tax unless it has substantial applica-  
18          tion, by its terms and in practice, to—

19                 “(i) persons who are not dual capacity  
20                 taxpayers, and

21                 “(ii) persons who are citizens or resi-  
22                 dents of the foreign country or posses-  
23                 sion.”.

24          (b) EFFECTIVE DATE.—

1           (1) IN GENERAL.—The amendments made by  
 2           this section shall apply to taxes paid or accrued in  
 3           taxable years beginning after the date of the enact-  
 4           ment of this Act.

5           (2) CONTRARY TREATY OBLIGATIONS  
 6           UPHELD.—The amendments made by this section  
 7           shall not apply to the extent contrary to any treaty  
 8           obligation of the United States.

9   **SEC. 203. LIMITATION ON SECTION 199 DEDUCTION ATTRIB-**  
 10                   **UTABLE TO OIL, NATURAL GAS, OR PRIMARY**  
 11                   **PRODUCTS THEREOF.**

12           (a) DENIAL OF DEDUCTION.—Paragraph (4) of sec-  
 13           tion 199(c) of the Internal Revenue Code of 1986 is  
 14           amended by adding at the end the following new subpara-  
 15           graph:

16                   “(E) SPECIAL RULE FOR CERTAIN OIL  
 17                   AND GAS INCOME.—In the case of any taxpayer  
 18                   who is a major integrated oil company (as de-  
 19                   fined in section 167(h)(5)(B)) for the taxable  
 20                   year, the term ‘domestic production gross re-  
 21                   ceipts’ shall not include gross receipts from the  
 22                   production, transportation, or distribution of  
 23                   oil, natural gas, or any primary product (within  
 24                   the meaning of subsection (d)(9)) thereof.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2011.

4 **SEC. 204. LIMITATION ON DEDUCTION FOR INTANGIBLE**  
5 **DRILLING AND DEVELOPMENT COSTS.**

6 (a) IN GENERAL.—Section 263(c) of the Internal  
7 Revenue Code of 1986 is amended by adding at the end  
8 the following new sentence: “This subsection shall not  
9 apply to amounts paid or incurred by a taxpayer in any  
10 taxable year in which such taxpayer is a major integrated  
11 oil company (as defined in section 167(h)(5)(B)).”.

12 (b) EFFECTIVE DATE.—The amendment made by  
13 this section shall apply to amounts paid or incurred in tax-  
14 able years beginning after December 31, 2011.

15 **SEC. 205. LIMITATION ON PERCENTAGE DEPLETION AL-**  
16 **LOWANCE FOR OIL AND GAS WELLS.**

17 (a) IN GENERAL.—Section 613A of the Internal Rev-  
18 enue Code of 1986 is amended by adding at the end the  
19 following new subsection:

20 “(f) APPLICATION WITH RESPECT TO MAJOR INTE-  
21 GRATED OIL COMPANIES.—In the case of any taxable year  
22 in which the taxpayer is a major integrated oil company  
23 (as defined in section 167(h)(5)(B)), the allowance for  
24 percentage depletion shall be zero.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2011.

4 **SEC. 206. LIMITATION ON DEDUCTION FOR TERTIARY**  
5 **INJECTANTS.**

6 (a) IN GENERAL.—Section 193 of the Internal Rev-  
7 enue Code of 1986 is amended by adding at the end the  
8 following new subsection:

9 “(d) APPLICATION WITH RESPECT TO MAJOR INTE-  
10 GRATED OIL COMPANIES.—This section shall not apply to  
11 amounts paid or incurred by a taxpayer in any taxable  
12 year in which such taxpayer is a major integrated oil com-  
13 pany (as defined in section 167(h)(5)(B)).”.

14 (b) EFFECTIVE DATE.—The amendment made by  
15 this section shall apply to amounts paid or incurred in tax-  
16 able years beginning after December 31, 2011.

○