

113TH CONGRESS
1ST SESSION

H. R. 3574

To eliminate certain subsidies for fossil-fuel production.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 21, 2013

Mr. ELLISON (for himself, Mr. CONYERS, Mr. GRIJALVA, Mr. BLUMENAUER, Mr. HONDA, Mr. HUFFMAN, Mr. NOLAN, Mr. SERRANO, Ms. LEE of California, Mr. GRAYSON, and Mr. COHEN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Transportation and Infrastructure, Natural Resources, Science, Space, and Technology, Energy and Commerce, Agriculture, Appropriations, Financial Services, and 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 eliminate certain subsidies for fossil-fuel production.

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 “End Polluter Welfare
5 Act of 2013”.

6 **SEC. 2. FINDINGS.**

7 Congress finds that—

1 (1) President Obama joined other world leaders
2 from the Group of Twenty in pledging to phase out
3 wasteful fossil-fuel subsidies;

4 (2) the Environmental Law Institute found that
5 from 2002 through 2008, Federal fossil-fuel sub-
6 sidies in the United States totaled over
7 \$72,000,000,000, while Federal renewable-energy in-
8 vestments totaled \$12,200,000,000;

9 (3) according to Taxpayers for Common Sense,
10 the 5 largest oil corporations have made more than
11 \$1,000,000,000,000 in profits during the past dec-
12 ade;

13 (4) according to the Center for American
14 Progress, the 5 largest oil corporations posted more
15 than \$70,000,000,000 in profits in just the first 3
16 quarters of 2013;

17 (5) according to the Center for Responsive Poli-
18 tics, the entire oil and gas industry spent
19 \$105,000,000 on lobbying in the first 3 quarters of
20 2013, which was an effective investment in pro-
21 tecting their extraordinary tax loopholes and sub-
22 sidies; and

23 (6) taxpayers in the United States should not
24 be subsidizing fossil fuel companies in a period of
25 record debt.

1 **SEC. 3. DEFINITION OF FOSSIL FUEL.**

2 In this Act, the term “fossil fuel” means coal, petro-
 3 leum, natural gas, or any derivative of coal, petroleum,
 4 or natural gas that is used for fuel.

5 **SEC. 4. ROYALTY RELIEF.**

6 (a) IN GENERAL.—

7 (1) OUTER CONTINENTAL SHELF LANDS ACT.—

8 Section 8(a)(3) of the Outer Continental Shelf
 9 Lands Act (43 U.S.C. 1337(a)(3)) is amended—

10 (A) by striking subparagraph (B); and

11 (B) by redesignating subparagraph (C) as
 12 subparagraph (B).

13 (2) ENERGY POLICY ACT OF 2005.—

14 (A) INCENTIVES FOR NATURAL GAS PRO-
 15 Duction FROM DEEP WELLS IN THE SHALLOW
 16 WATERS OF THE GULF OF MEXICO.—Section
 17 344 of the Energy Policy Act of 2005 (42
 18 U.S.C. 15904) is repealed.

19 (B) DEEP WATER PRODUCTION.—Section
 20 345 of the Energy Policy Act of 2005 (42
 21 U.S.C. 15905) is repealed.

22 (b) FUTURE PROVISIONS.—Notwithstanding any
 23 other provision of law (including regulations), royalty re-
 24 lief shall not be permitted under a lease issued under sec-
 25 tion 8 of the Outer Continental Shelf Lands Act (43
 26 U.S.C. 1337).

1 **SEC. 5. ROYALTIES UNDER MINERAL LEASING ACT.**

2 (a) COAL LEASES.—Section 7(a) of the Mineral
3 Leasing Act (30 U.S.C. 207(a)) is amended by striking
4 “12½” and inserting “18¾”.

5 (b) LEASES ON LAND ON WHICH OIL OR NATURAL
6 GAS IS DISCOVERED.—Section 14 of the Mineral Leasing
7 Act (30 U.S.C. 223) is amended by striking “12½” and
8 inserting “18¾”.

9 (c) LEASES ON LAND KNOWN OR BELIEVED TO
10 CONTAIN OIL OR NATURAL GAS.—Section 17 of the Min-
11 eral Leasing Act (30 U.S.C. 226) is amended—

12 (1) in subsection (b)—

13 (A) in paragraph (1)(A), by striking
14 “12.5” and inserting “18¾”; and

15 (B) in paragraph (2)(A)(ii), by striking
16 “12½” and inserting “18¾”;

17 (2) in subsection (c)(1), by striking “12.5” and
18 inserting “18¾”;

19 (3) in subsection (l), by striking “12½” each
20 time it appears and inserting “18¾”; and

21 (4) in subsection (n)(1)(C), by striking “12½”
22 and inserting “18¾”.

1 **SEC. 6. ULTRA-DEEPWATER AND UNCONVENTIONAL NAT-**
 2 **URAL GAS AND OTHER PETROLEUM RE-**
 3 **SOURCES.**

4 Subtitle J of title IX of the Energy Policy Act of
 5 2005 (42 U.S.C. 16371 et seq.) is repealed.

6 **SEC. 7. REMOVAL OF LIMITS ON LIABILITY FOR OFFSHORE**
 7 **FACILITIES AND PIPELINE OPERATORS.**

8 Section 1004(a) of the Oil Pollution Act of 1990 (33
 9 U.S.C. 2704(a)) is amended—

10 (1) in paragraph (3), by striking “plus
 11 \$75,000,000; and” and inserting “and the liability
 12 of the responsible party under section 1002;”;

13 (2) in paragraph (4)—

14 (A) by inserting “(except an onshore pipe-
 15 line transporting diluted bitumen, bituminous
 16 mixtures, or any oil manufactured from bitu-
 17 men)” after “for any onshore facility”; and

18 (B) by striking the period at the end and
 19 inserting “; and”; and

20 (3) by adding at the end the following:

21 “(5) for any onshore facility transporting di-
 22 luted bitumen, bituminous mixtures, or any oil man-
 23 ufactured from bitumen, the liability of the respon-
 24 sible party under section 1002.”.

1 **SEC. 8. FUNDS TO WORLD BANK FOR FINANCING**
2 **PROJECTS THAT SUPPORT FOSSIL FUEL.**

3 (a) RESCISSION OF FUNDS.—Effective on the date
4 of enactment of this Act, there are rescinded all unobli-
5 gated balances of the amounts made available to the Inter-
6 national Bank for Reconstruction and Development and
7 the International Development Association (commonly
8 known as the “World Bank”), and each other similar
9 international financing entity that has received amounts
10 from the United States, as determined by the Secretary
11 of the Treasury, to carry out any project that supports
12 fossil fuel.

13 (b) FUTURE FUNDS.—Notwithstanding any other
14 provision of law, any amounts made available to the World
15 Bank or any other international financing entity shall not
16 be used to carry out any project that supports fossil fuel.

17 **SEC. 9. OFFICE OF FOSSIL ENERGY RESEARCH AND DEVEL-**
18 **OPMENT.**

19 (a) IN GENERAL.—Section 203(a)(2) of the Depart-
20 ment of Energy Organization Act (42 U.S.C. 7133(a)(2))
21 is amended—

22 (1) in subparagraph (C), by inserting “and”
23 after the semicolon at the end;

24 (2) by striking subparagraph (D); and

25 (3) by redesignating subparagraph (E) as sub-
26 paragraph (D).

1 (b) TERMINATION.—Notwithstanding any other pro-
 2 vision of law, the Office of Fossil Energy Research and
 3 Development and the authority to carry out any program
 4 or activity of the Office (as in existence on the day before
 5 the date of enactment of this Act) is terminated.

6 **SEC. 10. ADVANCED RESEARCH PROJECTS AGENCY—EN-**
 7 **ERGY.**

8 None of the funds made available to the Advanced
 9 Research Projects Agency—Energy shall be used to carry
 10 out any project that supports fossil fuel.

11 **SEC. 11. INCENTIVES FOR INNOVATIVE TECHNOLOGIES.**

12 (a) IN GENERAL.—Section 1703 of the Energy Policy
 13 Act of 2005 (42 U.S.C. 16513) is amended—

14 (1) in subsection (b)—

15 (A) by striking paragraph (2);

16 (B) by striking paragraph (10); and

17 (C) by redesignating paragraphs (3)
 18 through (9) as paragraphs (2) through (8) re-
 19 spectively;

20 (2) by striking subsection (c); and

21 (3) by redesignating subsections (d) and (e) as
 22 paragraphs (c) and (d) respectively.

23 (b) CONFORMING AMENDMENT.—Section 1704 of the
 24 Energy Policy Act of 2005 (42 U.S.C. 16514) is amend-
 25 ed—

1 (1) in subsection (a), by striking “(a) IN GEN-
2 ERAL.—”; and

3 (2) by striking subsection (b).

4 **SEC. 12. RURAL UTILITY SERVICE LOAN GUARANTEES.**

5 The Secretary of Agriculture shall not make a loan
6 under title III of the Rural Electrification Act of 1936
7 (7 U.S.C. 931 et seq.) to an applicant for the purpose
8 of carrying out any project that will use fossil fuel.

9 **SEC. 13. FUNDS TO THE OVERSEAS PRIVATE INVESTMENT**
10 **CORPORATION OR THE EXPORT-IMPORT**
11 **BANK OF THE UNITED STATES FOR FINANC-**
12 **ING PROJECTS, TRANSACTIONS, OR OTHER**
13 **ACTIVITIES THAT SUPPORT FOSSIL FUEL.**

14 (a) RESCISSION OF FUNDS.—Effective on the date
15 of enactment of this Act, there are rescinded all unobli-
16 gated balances of the amounts made available to the Over-
17 seas Private Investment Corporation or the Export-Import
18 Bank of the United States to carry out any project, trans-
19 action, or other activity that supports fossil-fuel produc-
20 tion.

21 (b) FUTURE FUNDS.—Notwithstanding any other
22 provision of law, any amounts made available to the Over-
23 seas Private Investment Corporation or the Export-Import
24 Bank of the United States shall not be used to carry out

1 any project, transaction, or other activity that supports
 2 fossil-fuel production.

3 **SEC. 14. TRANSPORTATION FUNDS FOR GRANTS, LOANS,**
 4 **LOAN GUARANTEES, AND OTHER DIRECT AS-**
 5 **SISTANCE.**

6 Notwithstanding any other provision of law, any
 7 amounts made available to the Department of Transpor-
 8 tation (including the Federal Railroad Administration)
 9 shall not be used to award any grant, loan, loan guarantee,
 10 or provide any other direct assistance to any rail or port
 11 project that transports fossil fuel.

12 **SEC. 15. TERMINATION OF VARIOUS TAX EXPENDITURES**
 13 **RELATING TO FOSSIL FUELS.**

14 (a) IN GENERAL.—Subchapter C of chapter 80 of the
 15 Internal Revenue Code of 1986 is amended by adding at
 16 the end the following new section:

17 **“SEC. 7875. TERMINATION OF CERTAIN PROVISIONS RELAT-**
 18 **ING TO FOSSIL FUEL INCENTIVES.**

19 “(a) IN GENERAL.—The following provisions shall
 20 not apply to taxable years beginning after the date of the
 21 enactment of the End Polluter Welfare Act of 2013:

22 “(1) Section 43 (relating to enhanced oil recov-
 23 ery credit).

24 “(2) Section 45I (relating to credit for pro-
 25 ducing oil and natural gas from marginal wells).

1 “(3) Section 45K (relating to credit for pro-
2 ducing fuel from a nonconventional source).

3 “(4) Section 193 (relating to tertiary
4 injectants).

5 “(5) Section 199(d)(9) (relating to special rule
6 for taxpayers with oil related qualified production
7 activities income).

8 “(6) Section 461(i)(2) (relating to special rule
9 for spudding of oil or natural gas wells).

10 “(7) Section 469(c)(3) (relating to working in-
11 terests in oil and natural gas property).

12 “(8) Section 613A (relating to limitations on
13 percentage depletion in case of oil and natural gas
14 wells).

15 “(9) Section 617 (relating to deduction and re-
16 capture of certain mining exploration expenditures).

17 “(10) Section 7704(d)(1)(E) (relating to quali-
18 fying income).

19 “(b) PROVISIONS RELATING TO PROPERTY.—The
20 following provisions shall not apply to property placed in
21 service after the date of the enactment of the End Polluter
22 Welfare Act of 2013:

23 “(1) Subparagraphs (C)(iii) and (E)(viii) of
24 section 168(e)(3) (relating to classification of certain
25 property).

1 “(2) Section 169 (relating to amortization of
2 pollution control facilities) with respect to any at-
3 mospheric pollution control facility.

4 “(3) Section 179C (relating to election to ex-
5 pense certain refineries).

6 “(c) PROVISIONS RELATING TO COSTS AND EX-
7 PENSES.—The following provisions shall not apply to costs
8 or expenses paid or incurred after the date of the enact-
9 ment of the End Polluter Welfare Act of 2013:

10 “(1) Section 179B (relating to deduction for
11 capital costs incurred in complying with Environ-
12 mental Protection Agency sulfur regulations).

13 “(2) Section 263(c) (relating to intangible drill-
14 ing and development costs) with respect to costs in
15 the case of oil and natural gas wells.

16 “(3) Section 468 (relating to special rules for
17 mining and solid waste reclamation and closing
18 costs).

19 “(d) 5-YEAR CARRYBACK FOR MARGINAL OIL AND
20 NATURAL GAS WELL PRODUCTION CREDIT.—Section
21 39(a)(3) (relating to 5-year carryback for marginal oil and
22 natural gas well production credit) shall not apply to cred-
23 its determined in taxable years beginning after the date
24 of the enactment of the End Polluter Welfare Act of 2013.

1 “(e) CREDIT FOR CARBON DIOXIDE SEQUESTRA-
 2 TION.—Section 45Q (relating to credit for carbon dioxide
 3 sequestration) shall not apply to carbon dioxide captured
 4 after the date of the enactment of the End Polluter Wel-
 5 fare Act of 2013.

6 “(f) ALLOCATED CREDITS.—No new credits shall be
 7 certified under section 48A (relating to qualifying ad-
 8 vanced coal project credit) or section 48B (relating to
 9 qualifying gasification project credit) after the date of the
 10 enactment of the End Polluter Welfare Act of 2013.

11 “(g) ARBITRAGE BONDS.—Section 148(b)(4) (relat-
 12 ing to safe harbor for prepaid natural gas) shall not apply
 13 to obligations issued after the date of the enactment of
 14 the End Polluter Welfare Act of 2013.”.

15 (b) CONFORMING AMENDMENT.—The table of sec-
 16 tions for subchapter C of chapter 90 is amended by adding
 17 at the end the following new item:

“Sec. 7875. Termination of certain provisions.”.

18 **SEC. 16. TERMINATION OF ALTERNATIVE FUEL VEHICLE**
 19 **REFUELING PROPERTY CREDIT WITH RE-**
 20 **SPECT TO FOSSIL FUELS.**

21 (a) IN GENERAL.—Paragraph (2) of section 30C(c)
 22 of the Internal Revenue Code of 1986 is amended—

23 (1) by striking “, natural gas, compressed nat-
 24 ural gas, liquefied natural gas, liquefied petroleum
 25 gas,” in subparagraph (A),

1 (2) by striking subparagraph (B), and
2 (3) by redesignating subparagraph (C) as sub-
3 paragraph (B).

4 (b) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to property placed in service after
6 the date of enactment of this Act.

7 **SEC. 17. UNIFORM SEVEN-YEAR AMORTIZATION FOR GEO-**
8 **LOGICAL AND GEOPHYSICAL EXPENDITURES.**

9 (a) IN GENERAL.—Section 167(h) of the Internal
10 Revenue Code of 1986 is amended—

11 (1) by striking “24-month period” each place it
12 appears in paragraphs (1) and (4) and inserting “7-
13 year period”, and

14 (2) by striking paragraph (5).

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to amounts paid or incurred after
17 the date of the enactment of this Act.

18 **SEC. 18. NATURAL GAS GATHERING LINES TREATED AS 15-**
19 **YEAR PROPERTY.**

20 (a) IN GENERAL.—Subparagraph (E) of section
21 168(e)(3) of the Internal Revenue Code of 1986 is amend-
22 ed by striking “and” at the end of clause (viii), by striking
23 the period at the end of clause (ix) and inserting “, and”,
24 and by adding at the end the following new clause:

1 “(x) any natural gas gathering line
 2 the original use of which commences with
 3 the taxpayer after the date of the enact-
 4 ment of this clause.”.

5 (b) ALTERNATIVE SYSTEM.—The table contained in
 6 section 168(g)(3)(B) of the Internal Revenue Code of
 7 1986 is amended by inserting after the item relating to
 8 subparagraph (E)(ix) the following new item:

“(E)(x) 22”.

9 (c) CONFORMING AMENDMENT.—Clause (iv) of sec-
 10 tion 168(e)(3)(C) of the Internal Revenue Code of 1986
 11 is amended by inserting “and on or before the date of the
 12 enactment of the End Polluter Welfare Act of 2013” after
 13 “April 11, 2005”.

14 (d) EFFECTIVE DATE.—

15 (1) IN GENERAL.—The amendments made by
 16 this section shall apply to property placed in service
 17 on and after the date of the enactment of this Act.

18 (2) EXCEPTION.—The amendments made by
 19 this section shall not apply to any property with re-
 20 spect to which the taxpayer or a related party has
 21 entered into a binding contract for the construction
 22 thereof on or before the date of the enactment of
 23 this Act, or, in the case of self-constructed property,
 24 has started construction on or before such date.

1 **SEC. 19. REPEAL OF DOMESTIC MANUFACTURING DEDUC-**
 2 **TION FOR HARD MINERAL MINING.**

3 (a) IN GENERAL.—Subparagraph (B) of section
 4 199(c)(4) of the Internal Revenue Code of 1986 is amend-
 5 ed by striking “or” at the end of clause (ii), by striking
 6 the period at the end of clause (iii) and inserting “, or”,
 7 and by adding at the end the following new clause:

8 “(iv) the mining of any hard min-
 9 eral.”.

10 (b) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to taxable years beginning after
 12 the date of the enactment of this Act.

13 **SEC. 20. LIMITATION ON DEDUCTION FOR INCOME ATTRIB-**
 14 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**
 15 **NATURAL GAS, OR PRIMARY PRODUCTS**
 16 **THEREOF.**

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

21 “(E) SPECIAL RULE FOR OIL, NATURAL
 22 GAS, AND COAL INCOME.—The term ‘domestic
 23 production gross receipts’ shall not include
 24 gross receipts from the production, refining,
 25 processing, transportation, or distribution of oil,
 26 natural gas, or coal, or any primary product

1 (within the meaning of subsection (d)(9)) there-
2 of.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to taxable years beginning after
5 the date of the enactment of this Act.

6 **SEC. 21. TERMINATION OF LAST-IN, FIRST-OUT METHOD OF**
7 **INVENTORY FOR OIL, NATURAL GAS, AND**
8 **COAL COMPANIES.**

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

12 “(h) TERMINATION FOR OIL, NATURAL GAS, AND
13 COAL COMPANIES.—Subsection (a) shall not apply to any
14 taxpayer that is in the trade or business of the production,
15 refining, processing, transportation, or distribution of oil,
16 natural gas, or coal for any taxable year beginning after
17 the date of enactment of the End Polluter Welfare Act
18 of 2013.”.

19 (b) ADDITIONAL TERMINATION.—Section 473 of the
20 Internal Revenue Code of 1986 is amended by adding at
21 the end the following new subsection:

22 “(h) TERMINATION FOR OIL, NATURAL GAS, AND
23 COAL COMPANIES.—This section shall not apply to any
24 taxpayer that is in the trade or business of the production,
25 refining, processing, transportation, or distribution of oil,

1 natural gas, or coal for any taxable year beginning after
 2 the date of enactment of the End Polluter Welfare Act
 3 of 2013.”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years beginning after
 6 the date of enactment of this Act.

7 **SEC. 22. REPEAL OF PERCENTAGE DEPLETION FOR COAL**
 8 **AND HARD MINERAL FOSSIL FUELS.**

9 (a) IN GENERAL.—Section 613 of the Internal Rev-
 10 enue Code of 1986 is amended by adding at the end the
 11 following new subsection:

12 “(f) TERMINATION WITH RESPECT TO COAL AND
 13 HARD MINERAL FOSSIL FUELS.—In the case of coal, lig-
 14 nite, and oil shale (other than oil shale described in sub-
 15 section (b)(5)), the allowance for depletion shall be com-
 16 puted without reference to this section for any taxable
 17 year beginning after the date of the enactment of the End
 18 Polluter Welfare Act of 2013.”.

19 (b) CONFORMING AMENDMENTS.—

20 (1) COAL AND LIGNITE.—Section 613(b)(4) of
 21 the Internal Revenue Code of 1986 is amended by
 22 striking “coal, lignite,”.

23 (2) OIL SHALE.—Section 613(b)(2) of such
 24 Code is amended to read as follows:

1 “(2) 15 PERCENT.—If, from deposits in the
2 United States, gold, silver, copper, and iron ore.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 the date of the enactment of this Act.

6 **SEC. 23. TERMINATION OF CAPITAL GAINS TREATMENT**
7 **FOR ROYALTIES FROM COAL.**

8 (a) IN GENERAL.—Subsection (c) of section 631 of
9 the Internal Revenue Code of 1986 is amended—

10 (1) by striking “coal (including lignite), or iron
11 ore” and inserting “iron ore”,

12 (2) by striking “coal or iron ore” each place it
13 appears and inserting “iron ore”,

14 (3) by striking “iron ore or coal” each place it
15 appears and inserting “iron ore”, and

16 (4) by striking “COAL OR” in the heading.

17 (b) CONFORMING AMENDMENT.—The heading of sec-
18 tion 631 of the Internal Revenue Code of 1986 is amended
19 by striking “, **COAL**,”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to dispositions after the date of
22 the enactment of this Act.

1 **SEC. 24. MODIFICATIONS OF FOREIGN TAX CREDIT RULES**
2 **APPLICABLE TO OIL, NATURAL GAS, AND**
3 **COAL COMPANIES WHICH ARE DUAL CAPAC-**
4 **ITY TAXPAYERS.**

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

9 “(n) SPECIAL RULES RELATING TO OIL, NATURAL
10 GAS, AND COAL COMPANIES WHICH ARE DUAL CAPACITY
11 TAXPAYERS.—

12 “(1) GENERAL RULE.—Notwithstanding any
13 other provision of this chapter, any amount paid or
14 accrued to a foreign country or possession of the
15 United States for any period by a dual capacity tax-
16 payer which is in the trade or business of the pro-
17 duction, refining, processing, transportation, or dis-
18 tribution of oil, natural gas, or coal shall not be con-
19 sidered a tax—

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

23 “(B) to the extent such amount exceeds
24 the amount (determined in accordance with reg-
25 ulations) which—

1 “(i) is paid by such dual capacity tax-
2 payer pursuant to the generally applicable
3 income tax imposed by the country or pos-
4 session, or

5 “(ii) would be paid if the generally ap-
6 plicable income tax imposed by the country
7 or possession were applicable to such dual
8 capacity taxpayer.

9 Nothing in this paragraph shall be construed to
10 imply the proper treatment of any such amount not
11 in excess of the amount determined under subpara-
12 graph (B).

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

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

19 “(B) receives (or will receive) directly or
20 indirectly a specific economic benefit (as deter-
21 mined in accordance with regulations) from
22 such country or possession.

23 “(3) GENERALLY APPLICABLE INCOME TAX.—
24 For purposes of this subsection—

1 “(A) IN GENERAL.—The term ‘generally
2 applicable income tax’ means an income tax (or
3 a series of income taxes) which is generally im-
4 posed under the laws of a foreign country or
5 possession on income derived from the conduct
6 of a trade or business within such country or
7 possession.

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

11 “(i) persons who are not dual capacity
12 taxpayers, and

13 “(ii) persons who are citizens or resi-
14 dents of the foreign country or posses-
15 sion.”.

16 (b) EFFECTIVE DATE.—

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

21 (2) CONTRARY TREATY OBLIGATIONS
22 UPHELD.—The amendments made by this section
23 shall not apply to the extent contrary to any treaty
24 obligation of the United States.

1 **SEC. 25. INCREASE IN OIL SPILL LIABILITY TRUST FUND FI-**
2 **NANCING RATE.**

3 (a) IN GENERAL.—Subparagraph (B) of section
4 4611(c)(2) of the Internal Revenue Code of 1986 is
5 amended to read as follows:

6 “(B) the Oil Spill Liability Trust Fund fi-
7 nancing rate is—

8 “(i) in the case of crude oil received
9 or petroleum products entered before Jan-
10 uary 1, 2013, 8 cents a barrel,

11 “(ii) in the case of crude oil received
12 or petroleum products entered after De-
13 cember 31, 2013, and before January 1,
14 2017, 9 cents a barrel, and

15 “(iii) in the case of crude oil received
16 or petroleum products entered after De-
17 cember 31, 2016, 10 cents a barrel.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to crude oil received and petroleum
20 products entered after the date of the enactment of this
21 Act.

22 **SEC. 26. APPLICATION OF CERTAIN ENVIRONMENTAL**
23 **TAXES TO SYNTHETIC CRUDE OIL.**

24 (a) IN GENERAL.—Paragraph (1) of section 4612(a)
25 of the Internal Revenue Code of 1986 is amended to read
26 as follows:

1 “(1) CRUDE OIL.—

2 “(A) IN GENERAL.—The term ‘crude oil’
3 includes crude oil condensates, natural gasoline,
4 and synthetic crude oil.

5 “(B) SYNTHETIC CRUDE OIL.—For pur-
6 poses of subparagraph (A), the term ‘synthetic
7 crude oil’ means any bitumen and bituminous
8 mixtures, any oil manufactured from bitumen
9 and bituminous mixtures, and any liquid fuel
10 manufactured from coal.”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to oil and petroleum products re-
13 ceived or entered during calendar quarters beginning more
14 than 60 days after the date of the enactment of this Act.

15 **SEC. 27. DENIAL OF DEDUCTION FOR REMOVAL COSTS AND**
16 **DAMAGES FOR CERTAIN OIL SPILLS.**

17 (a) IN GENERAL.—Part IX of subchapter B of chap-
18 ter 1 of the Internal Revenue Code of 1986 is amended
19 by adding at the end the following new section:

20 **“SEC. 280I. EXPENSES FOR REMOVAL COSTS AND DAMAGES**
21 **RELATING TO CERTAIN OIL SPILL LIABILITY.**

22 “No deduction shall be allowed under this chapter for
23 any amount paid or incurred with respect to any costs or
24 damages for which the taxpayer is liable under section
25 1002 of the Oil Pollution Act of 1990 (33 U.S.C. 2702).”.

1 (b) CLERICAL AMENDMENT.—The table of sections
 2 for part IX of subchapter B of chapter 1 of such Code
 3 is amended by adding at the end the following new item:

“Sec. 280I. Expenses for removal costs and damages relating to certain oil spill liability.”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply with respect to any liability arising
 6 in taxable years ending after the date of the enactment
 7 of this Act.

8 **SEC. 28. TAX ON CRUDE OIL AND NATURAL GAS PRODUCED**
 9 **FROM THE OUTER CONTINENTAL SHELF IN**
 10 **THE GULF OF MEXICO.**

11 (a) IN GENERAL.—Subtitle E of the Internal Rev-
 12 enue Code of 1986 is amended by adding at the end the
 13 following new chapter:

14 **“CHAPTER 56—TAX ON SEVERANCE OF**
 15 **CRUDE OIL AND NATURAL GAS FROM**
 16 **THE OUTER CONTINENTAL SHELF IN**
 17 **THE GULF OF MEXICO**

“Sec. 5901. Imposition of tax.

“Sec. 5902. Taxable crude oil or natural gas and removal price.

“Sec. 5903. Special rules and definitions.

18 **“SEC. 5901. IMPOSITION OF TAX.**

19 “(a) IN GENERAL.—In addition to any other tax im-
 20 posed under this title, there is hereby imposed a tax equal
 21 to 13 percent of the removal price of any taxable crude

1 oil or natural gas removed from the premises during any
2 taxable period.

3 “(b) CREDIT FOR FEDERAL ROYALTIES PAID.—

4 “(1) IN GENERAL.—There shall be allowed as a
5 credit against the tax imposed by subsection (a) with
6 respect to the production of any taxable crude oil or
7 natural gas an amount equal to the aggregate
8 amount of royalties paid under Federal law with re-
9 spect to such production.

10 “(2) LIMITATION.—The aggregate amount of
11 credits allowed under paragraph (1) to any taxpayer
12 for any taxable period shall not exceed the amount
13 of tax imposed by subsection (a) for such taxable pe-
14 riod.

15 “(c) TAX PAID BY PRODUCER.—The tax imposed by
16 this section shall be paid by the producer of the taxable
17 crude oil or natural gas.

18 **“SEC. 5902. TAXABLE CRUDE OIL OR NATURAL GAS AND RE-**
19 **MOVAL PRICE.**

20 “(a) TAXABLE CRUDE OIL OR NATURAL GAS.—For
21 purposes of this chapter, the term ‘taxable crude oil or
22 natural gas’ means crude oil or natural gas which is pro-
23 duced from Federal submerged lands on the outer Conti-
24 nental Shelf in the Gulf of Mexico pursuant to a lease

1 entered into with the United States which authorizes the
2 production.

3 “(b) REMOVAL PRICE.—For purposes of this chap-
4 ter—

5 “(1) IN GENERAL.—Except as otherwise pro-
6 vided in this subsection, the term ‘removal price’
7 means—

8 “(A) in the case of taxable crude oil, the
9 amount for which a barrel of such crude oil is
10 sold, and

11 “(B) in the case of taxable natural gas, the
12 amount per 1,000 cubic feet for which such
13 natural gas is sold.

14 “(2) SALES BETWEEN RELATED PERSONS.—In
15 the case of a sale between related persons, the re-
16 moval price shall not be less than the constructive
17 sales price for purposes of determining gross income
18 from the property under section 613.

19 “(3) OIL OR NATURAL GAS REMOVED FROM
20 PROPERTY BEFORE SALE.—If crude oil or natural
21 gas is removed from the property before it is sold,
22 the removal price shall be the constructive sales
23 price for purposes of determining gross income from
24 the property under section 613.

1 “(4) REFINING BEGUN ON PROPERTY.—If the
2 manufacture or conversion of crude oil into refined
3 products begins before such oil is removed from the
4 property—

5 “(A) such oil shall be treated as removed
6 on the day such manufacture or conversion be-
7 gins, and

8 “(B) the removal price shall be the con-
9 structive sales price for purposes of determining
10 gross income from the property under section
11 613.

12 “(5) PROPERTY.—The term ‘property’ has the
13 meaning given such term by section 614.

14 **“SEC. 5903. SPECIAL RULES AND DEFINITIONS.**

15 “(a) ADMINISTRATIVE REQUIREMENTS.—

16 “(1) WITHHOLDING AND DEPOSIT OF TAX.—
17 The Secretary shall provide for the withholding and
18 deposit of the tax imposed under section 5901 on a
19 quarterly basis.

20 “(2) RECORDS AND INFORMATION.—Each tax-
21 payer liable for tax under section 5901 shall keep
22 such records, make such returns, and furnish such
23 information (to the Secretary and to other persons
24 having an interest in the taxable crude oil or natural

1 gas) with respect to such oil as the Secretary may
2 by regulations prescribe.

3 “(3) TAXABLE PERIODS; RETURN OF TAX.—

4 “(A) TAXABLE PERIOD.—Except as pro-
5 vided by the Secretary, each calendar year shall
6 constitute a taxable period.

7 “(B) RETURNS.—The Secretary shall pro-
8 vide for the filing, and the time for filing, of the
9 return of the tax imposed under section 5901.

10 “(b) DEFINITIONS.—For purposes of this chapter—

11 “(1) PRODUCER.—The term ‘producer’ means
12 the holder of the economic interest with respect to
13 the crude oil or natural gas.

14 “(2) CRUDE OIL.—The term ‘crude oil’ includes
15 crude oil condensates and natural gasoline.

16 “(3) PREMISES AND CRUDE OIL PRODUCT.—
17 The terms ‘premises’ and ‘crude oil product’ have
18 the same meanings as when used for purposes of de-
19 termining gross income from the property under sec-
20 tion 613.

21 “(c) ADJUSTMENT OF REMOVAL PRICE.—In deter-
22 mining the removal price of oil or natural gas from a prop-
23 erty in the case of any transaction, the Secretary may ad-
24 just the removal price to reflect clearly the fair market
25 value of oil or natural gas removed.

1 “(d) REGULATIONS.—The Secretary shall prescribe
2 such regulations as may be necessary or appropriate to
3 carry out the purposes of this chapter.”.

4 (b) DEDUCTIBILITY OF TAX.—The first sentence of
5 section 164(a) is amended by inserting after paragraph
6 (6) the following new paragraph:

7 “(7) The tax imposed by section 5901(a) (after
8 application of section 5901(b)) on the severance of
9 crude oil or natural gas from the outer Continental
10 Shelf in the Gulf of Mexico.”.

11 (c) CLERICAL AMENDMENT.—The table of chapters
12 for subtitle E is amended by adding at the end the fol-
13 lowing new item:

“CHAPTER 56. Tax on severance of crude oil and natural gas
from the outer Continental Shelf in the Gulf of
Mexico.”.

14 (d) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to crude oil or natural gas removed
16 after December 31, 2013.

17 **SEC. 29. POWDER RIVER BASIN.**

18 (a) DESIGNATION OF THE POWDER RIVER BASIN AS
19 A COAL PRODUCING REGION.—The Director of the Bu-
20 reau of Land Management shall designate the Powder
21 River Basin as a coal producing region.

22 (b) REPORT.—Not later than 1 year after the date
23 of enactment of this Act, the Director of the Bureau of

1 Land Management shall submit to Congress a report that
2 includes—

3 (1) a study of the fair market value and the
4 amount of royalties paid on coal leases in the Pow-
5 der River Basin compared to other national and
6 international coal markets; and

7 (2) any policy recommendations to capture the
8 future market value of the coal leases in the Powder
9 River Basin.

10 **SEC. 30. REPORTS.**

11 (a) DEFINITION OF FOSSIL-FUEL-PRODUCTION SUB-
12 SIDY.—In this section, the term “subsidy for fossil-fuel
13 production” means any direct funding, tax treatment or
14 incentive, risk-reduction benefit, financing assistance or
15 guarantee, royalty relief, or other provision that provides
16 a financial benefit to a fossil fuel company for the produc-
17 tion of fossil fuels.

18 (b) REPORT TO CONGRESS.—Not later than 1 year
19 after the date of enactment of this Act, the Secretary of
20 the Treasury, in coordination with the Secretary of En-
21 ergy, shall submit to Congress a report detailing each Fed-
22 eral law (including regulations), other than those amended
23 by this Act, as in effect on the date on which the report
24 is submitted, that includes a subsidy for fossil-fuel produc-
25 tion.

1 (c) REPORT ON MODIFIED RECOVERY PERIOD.—

2 (1) IN GENERAL.—Not later than 1 year after
3 the date of enactment of this Act, the Secretary, in
4 coordination with the Commissioner of Internal Revenue,
5 shall submit to Congress a report on the applicable
6 recovery period under the accelerated cost recovery
7 system provided in section 168 of the Internal
8 Revenue Code of 1986 for each type of property
9 involved in fossil-fuel production, including pipelines,
10 power generation property, refineries, and drilling
11 equipment, to determine if any assets are receiving
12 a subsidy for fossil-fuel production.

13 (2) ELIMINATION OF SUBSIDY.—In the case of
14 any type of property that the Commissioner of Internal
15 Revenue determines is receiving a subsidy for
16 fossil-fuel production under such section 168, for
17 property placed in service in taxable years beginning
18 after the date of such determination, such section
19 168 shall not apply. The preceding sentence shall
20 not apply to any property with respect to a taxable
21 year unless such determination is published before
22 the first day of such taxable year.

○