II

113TH CONGRESS
1ST SESSION

S. 307

To reduce the Federal budget deficit by closing big oil tax loopholes, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 13, 2013

Mr. MENENDEZ (for himself, Mr. LAUTENBERG, Mr. DURBIN, Mr. SCHUMER, Ms. STABENOW, Mr. CARDIN, Mrs. MCCASKILL, Mrs. GILLIBRAND, Mr. WHITEHOUSE, Mrs. SHAHEEN, Mr. FRANKEN, Mr. REED, Mr. NELSON, Ms. KLOBUCHAR, Mr. BROWN, Mr. LEAHY, and Mr. MERKLEY) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To reduce the Federal budget deficit by closing big oil tax loopholes, and for other purposes.

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Close Big Oil Tax Loopholes Act".

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

TITLE I—CLOSE BIG OIL TAX LOOPHOLES

SEC. 101. MODIFICATIONS OF FOREIGN TAX CREDIT RULES APPLICABLE TO MAJOR INTEGRATED OIL COMPANIES WHICH ARE DUAL CAPACITY TAXPAYERS.

(a) IN GENERAL.—Section 901 of the Internal Revenue Code of 1986 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

"(n) SPECIAL RULES RELATING TO MAJOR INTEGRATED OIL COMPANIES WHICH ARE DUAL CAPACITY TAXPAYERS.—

"(1) GENERAL RULE.—Notwithstanding any other provision of this chapter, any amount paid or accrued by a dual capacity taxpayer which is a major integrated oil company (within the meaning of section 167(h)(5)) to a foreign country or possession of the United States for any period shall not be considered a tax—

"(A) if, for such period, the foreign country or possession does not impose a generally applicable income tax, or

"(B) to the extent such amount exceeds the amount (determined in accordance with regulations) which—

"(i) is paid by such dual capacity taxpayer pursuant to the generally applicable income tax imposed by the country or possession, or

"(ii) would be paid if the generally applicable income tax imposed by the country or possession were applicable to such dual capacity taxpayer.

Nothing in this paragraph shall be construed to imply the proper treatment of any such amount not in excess of the amount determined under subparagraph (B).

"(2) DUAL CAPACITY TAXPAYER.—For purposes of this subsection, the term 'dual capacity taxpayer' means, with respect to any foreign country or possession of the United States, a person who—

"(A) is subject to a levy of such country or possession, and

"(B) receives (or will receive) directly or indirectly a specific economic benefit (as determined in accordance with regulations) from such country or possession.

"(3) GENERALLY APPLICABLE INCOME TAX.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'generally applicable income tax' means an income tax (or a series of income taxes) which is generally imposed under the laws of a foreign country or possession on income derived from the conduct of a trade or business within such country or possession.

"(B) EXCEPTIONS.—Such term shall not include a tax unless it has substantial application, by its terms and in practice, to—

"(i) persons who are not dual capacity taxpayers, and

"(ii) persons who are citizens or residents of the foreign country or possession.".

(b) EFFECTIVE DATE.—

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

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

SEC. 102. LIMITATION ON SECTION 199 DEDUCTION ATTRIBUTABLE TO OIL, NATURAL GAS, OR PRIMARY PRODUCTS THEREOF.

(a) DENIAL OF DEDUCTION.—Paragraph (4) of section 199(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(E) SPECIAL RULE FOR CERTAIN OIL AND GAS INCOME.—In the case of any taxpayer who is a major integrated oil company (within the meaning of section 167(h)(5)) for the taxable year, the term 'domestic production gross receipts' shall not include gross receipts from the production, refining, processing, transportation, or distribution of oil, gas, or any primary product (within the meaning of subsection (d)(9)) thereof.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2013.

SEC. 103. LIMITATION ON DEDUCTION FOR INTANGIBLE DRILLING AND DEVELOPMENT COSTS; AMORTIZATION OF DISALLOWED AMOUNTS.

(a) IN GENERAL.—Section 263(c) of the Internal Revenue Code of 1986 is amended to read as follows:

"(c) INTANGIBLE DRILLING AND DEVELOPMENT COSTS IN THE CASE OF OIL AND GAS WELLS AND GEOTHERMAL WELLS.—

"(1) IN GENERAL.—Notwithstanding subsection (a), and except as provided in subsection (i), regulations shall be prescribed by the Secretary under this subtitle corresponding to the regulations which granted the option to deduct as expenses intangible drilling and development costs in the case of oil and gas wells and which were recognized and approved by the Congress in House Concurrent Resolution 50, Seventy-ninth Congress. Such regulations shall also grant the option to deduct as expenses intangible drilling and development costs in the case of wells drilled for any geothermal deposit (as defined in section 613(e)(2)) to the same extent and in the same manner as such expenses are deductible in the case of oil and gas wells. This subsection shall not apply with respect to any costs to which any deduction is allowed under section 59(e) or 291.

"(2) EXCLUSION.—

"(A) IN GENERAL.—This subsection shall not apply to amounts paid or incurred by a taxpayer in any taxable year in which such taxpayer is a major integrated oil company (within the meaning of section 167(h)(5)).

"(B) AMORTIZATION OF AMOUNTS NOT ALLOWABLE AS DEDUCTIONS UNDER SUBPARAGRAPH (A).—The amount not allowable as a deduction for any taxable year by reason of subparagraph (A) shall be allowable as a deduction ratably over the 60-month period beginning with the month in which the costs are paid or incurred. For purposes of section 1254, any deduction under this subparagraph shall be treated as a deduction under this subsection.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2013.

SEC. 104. LIMITATION ON PERCENTAGE DEPLETION ALLOWANCE FOR OIL AND GAS WELLS.

(a) IN GENERAL.—Section 613A of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(f) APPLICATION WITH RESPECT TO MAJOR INTEGRATED OIL COMPANIES.—In the case of any taxable year in which the taxpayer is a major integrated oil company (within the meaning of section 167(h)(5)), the allowance for percentage depletion shall be zero.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2013.

SEC. 105. LIMITATION ON DEDUCTION FOR TERTIARY INJECTANTS.

(a) IN GENERAL.—Section 193 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(d) APPLICATION WITH RESPECT TO MAJOR INTEGRATED OIL COMPANIES.—

"(1) IN GENERAL.—This section shall not apply to amounts paid or incurred by a taxpayer in any taxable year in which such taxpayer is a major integrated oil company (within the meaning of section 167(h)(5)).

"(2) AMORTIZATION OF AMOUNTS NOT ALLOWABLE AS DEDUCTIONS UNDER PARAGRAPH (1).—The amount not allowable as a deduction for any taxable year by reason of paragraph (1) shall be allowable as a deduction ratably over the 60-month period beginning with the month in which the costs are paid or incurred.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2013.

SEC. 106. MODIFICATION OF DEFINITION OF MAJOR INTEGRATED OIL COMPANY.

(a) IN GENERAL.—Paragraph (5) of section 167(h) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(C) CERTAIN SUCCESSORS IN INTEREST.—For purposes of this paragraph, the term 'major integrated oil company' includes any successor in interest of a company that was described in subparagraph (B) in any taxable year, if such successor controls more than 50 percent of the crude oil production or natural gas production of such company.".

(b) CONFORMING AMENDMENTS.—

(1) IN GENERAL.—Subparagraph (B) of section 167(h)(5) of the Internal Revenue Code of 1986 is amended by inserting ‘‘except as provided in subparagraph (C),’’ after ‘‘For purposes of this paragraph,’’.

(2) TAXABLE YEARS TESTED.—Clause (iii) of section 167(h)(5)(B) of such Code is amended—

(A) by striking ‘‘does not apply by reason of paragraph (4) of section 613A(d)’’ and inserting ‘‘did not apply by reason of paragraph (4) of section 613A(d) for any taxable year after 2004’’, and

(B) by striking ‘‘does not apply’’ in subclause (II) and inserting ‘‘did not apply for the taxable year’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2013.

TITLE II—OUTER CONTINENTAL SHELF OIL AND NATURAL GAS

SEC. 201. REPEAL OF OUTER CONTINENTAL SHELF DEEP WATER AND DEEP GAS ROYALTY RELIEF.

(a) IN GENERAL.—Sections 344 and 345 of the Energy Policy Act of 2005 (42 U.S.C. 15904, 15905) are repealed.

(b) ADMINISTRATION.—The Secretary of the Interior shall not be required to provide for royalty relief in the lease sale terms beginning with the first lease sale held on or after the date of enactment of this Act for which a final notice of sale has not been published.

TITLE III—MISCELLANEOUS

SEC. 301. DEFICIT REDUCTION.

The net amount of any savings realized as a result of the enactment of this Act and the amendments made by this Act (after any expenditures authorized by this Act and the amendments made by this Act) shall be deposited in the Treasury and used for Federal budget deficit reduction or, if there is no Federal budget deficit, for reducing the Federal debt in such manner as the Secretary of the Treasury considers appropriate.

SEC. 302. BUDGETARY EFFECTS.

The budgetary effects of this Act, for the purpose of complying with the Statutory Pay-As-You-Go Act of 2010, shall be determined by reference to the latest statement titled ''Budgetary Effects of PAYGO Legislation'' for this Act, submitted for printing in the Congressional Record by the Chairman of the Senate Budget Committee, provided that such statement has been submitted prior to the vote on passage.

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