

114TH CONGRESS
1ST SESSION

H. R. 3311

To amend the Internal Revenue Code of 1986 to repeal fossil fuel subsidies
for oil companies.

IN THE HOUSE OF REPRESENTATIVES

JULY 29, 2015

Mr. BLUMENAUER (for himself, Mr. CONYERS, Mr. POLIS, Ms. DELAURO, Mr. LANGEVIN, Mrs. CAPPS, Mr. RANGEL, Mr. HUFFMAN, Mr. POCAN, Ms. NORTON, Mr. WELCH, Ms. TSONGAS, Mr. HONDA, Mr. McDERMOTT, Ms. EDWARDS, Ms. MCCOLLUM, Mr. CICILLINE, Mr. MCGOVERN, Mr. VAN HOLLEN, Mr. TED LIEU of California, and Mr. PASCRELL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to repeal
fossil fuel subsidies for 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.**

4 This Act may be cited as the “End Oil and Gas Tax
5 Subsidies Act of 2015”.

1 **SEC. 2. AMORTIZATION OF GEOLOGICAL AND GEO-**
 2 **PHYSICAL EXPENDITURES.**

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

5 (1) by striking “24-month period” in paragraph

6 (1) and inserting “7-year period”, and

7 (2) by striking paragraph (5).

8 (b) EFFECTIVE DATE.—The amendment made by
 9 this section shall apply to amounts paid or incurred in tax-
 10 able years beginning after December 31, 2015.

11 **SEC. 3. PRODUCING OIL AND GAS FROM MARGINAL WELLS.**

12 (a) IN GENERAL.—Subpart D of part IV of sub-
 13 chapter A of chapter 1 of the Internal Revenue Code of
 14 1986 is amended by striking section 45I (and by striking
 15 the item relating to such section in the table of sections
 16 for such subpart).

17 (b) CONFORMING AMENDMENT.—Section 38(b) of
 18 such Code is amended by striking paragraph (19).

19 (c) EFFECTIVE DATE.—The amendment made by
 20 subsection (a) shall apply to credits determined for taxable
 21 years beginning after December 31, 2015.

22 **SEC. 4. ENHANCED OIL RECOVERY CREDIT.**

23 (a) IN GENERAL.—Subpart D of part IV of sub-
 24 chapter A of chapter 1 of the Internal Revenue Code of
 25 1986 is amended by striking section 43 (and by striking

1 the item relating to such section in the table of sections
2 for such subpart).

3 (b) CONFORMING AMENDMENT.—Section 38(b) of
4 such Code is amended by striking paragraph (6).

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to amounts paid or incurred in tax-
7 able years beginning after December 31, 2015.

8 **SEC. 5. INTANGIBLE DRILLING AND DEVELOPMENT COSTS**
9 **IN THE CASE OF OIL AND GAS WELLS.**

10 (a) IN GENERAL.—Subsection (c) of section 263 of
11 the Internal Revenue Code of 1986 is amended by adding
12 at the end the following new sentence: “This subsection
13 shall not apply to amounts paid or incurred by a taxpayer
14 with respect to an oil or gas well after December 31,
15 2015.”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to amounts paid or incurred in tax-
18 able years beginning after December 31, 2015.

19 **SEC. 6. REPEAL OF PERCENTAGE DEPLETION FOR OIL AND**
20 **GAS WELLS.**

21 (a) IN GENERAL.—Part I of subchapter I of chapter
22 1 of the Internal Revenue Code of 1986 is amended by
23 striking section 613A (and the table of sections of such
24 part is amended by striking the item relating to such sec-
25 tion).

1 (b) CONFORMING AMENDMENTS.—

2 (1) Subsection (d) of section 45H of such Code
3 is amended—

4 (A) by striking “For purposes this section”
5 and inserting the following:

6 “(1) IN GENERAL.—For purposes of this sec-
7 tion”,

8 (B) by striking “(within the meaning of
9 section 613A(d)(3))”, and

10 (C) by adding at the end the following new
11 paragraph:

12 “(2) RELATED PERSON.—For purposes of this
13 subsection, a person is a related person with respect
14 to the taxpayer if a significant ownership interest in
15 either the taxpayer or such person is held by the
16 other, or if a third person has a significant owner-
17 ship interest in both the taxpayer and such person.
18 For purposes of the preceding sentence, the term
19 ‘significant ownership interest’ means—

20 “(A) with respect to any corporation, 5
21 percent or more in value of the outstanding
22 stock of such corporation,

23 “(B) with respect to a partnership, 5 per-
24 cent or more interest in the profits or capital of
25 such partnership, and

1 “(C) with respect to an estate or trust, 5
2 percent or more of the beneficial interests in
3 such estate or trust.

4 For purposes of determining a significant ownership
5 interest, an interest owned by or for a corporation,
6 partnership, trust, or estate shall be considered as
7 owned directly both by itself and proportionately by
8 its shareholders, partners, or beneficiaries, as the
9 case may be.”.

10 (2) Section 56(g)(4)(F) of such Code is amend-
11 ed to read as follows:

12 “(F) DEPLETION.—The allowance for de-
13 pletion with respect to any property placed in
14 service in a taxable year beginning after De-
15 cember 31, 1989, shall be cost depletion deter-
16 mined under section 611.”.

17 (3) Section 57(a)(1) of such Code is amended
18 by striking the last sentence.

19 (4) Section 291(b)(4) of such Code is amended
20 by adding at the end the following: “Any reference
21 in the preceding sentence to section 613A shall be
22 treated as a reference to such section as in effect
23 prior to the date of the enactment of the End Oil
24 and Gas Tax Subsidies Act of 2015.”.

1 (5) Section 613(d) of such Code is amended by
2 striking “Except as provided in section 613A, in the
3 case of” and inserting “In the case of”.

4 (6) Section 613(e) of such Code is amended—

5 (A) by striking “or section 613A” in para-
6 graph (2), and

7 (B) by striking “any amount described in
8 section 613A(d)(5)” in paragraph (3) and in-
9 serting “any lease bonus, advance royalty, or
10 other amount payable without regard to produc-
11 tion from property”.

12 (7) Section 705(a) of such Code is amended—

13 (A) by inserting “and” at the end of para-
14 graph (1)(C),

15 (B) by striking “; and” at the end of para-
16 graph (2)(B) and inserting a period, and

17 (C) by striking paragraph (3).

18 (8) Section 776 of such Code is amended by
19 striking subsection (a) and by redesignating sub-
20 section (b) as subsection (a).

21 (9) Section 954(g)(2)(D) of such Code is
22 amended by inserting “(as in effect before the date
23 of the enactment of the End Oil and Gas Tax Sub-
24 sidies Act of 2015)” after “section 613A”.

1 (10) Section 993(c)(2)(C) of such Code is
 2 amended by striking “section 613 or 613A” and in-
 3 serting “section 613 (determined without regard to
 4 subsection (d) thereof)”.

5 (11) Section 1202(e)(3)(D) of such Code is
 6 amended by striking “section 613 or 613A” and in-
 7 serting “section 613 (determined without regard to
 8 subsection (d) thereof)”.

9 (12) Section 1367(a)(2) of such Code is amend-
 10 ed by inserting “and” at the end of subparagraph
 11 (C), by striking “, and” at the end of subparagraph
 12 (D) and inserting a period, and by striking subpara-
 13 graph (E).

14 (13) Section 1446(c) of such Code is amended
 15 by striking paragraph (2) and by redesignating
 16 paragraph (3) as paragraph (2).

17 (c) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to property placed in service after
 19 December 31, 2015.

20 **SEC. 7. REPEAL OF DEDUCTION FOR TERTIARY**
 21 **INJECTANTS.**

22 (a) IN GENERAL.—Part VI of subchapter B of chap-
 23 ter 1 of the Internal Revenue Code of 1986 is amended
 24 by striking section 193 (and the table of sections of such

1 subpart is amended by striking the item relating to such
2 section).

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2015.

6 **SEC. 8. REPEAL OF EXCEPTION TO PASSIVE LOSS LIMITA-**
7 **TIONS FOR WORKING INTERESTS IN OIL AND**
8 **GAS PROPERTIES.**

9 (a) IN GENERAL.—Section 469(c)(3) of the Internal
10 Revenue Code of 1986 is amended by adding at the end
11 the following new subparagraph:

12 “(C) TERMINATION.—Subparagraph (A)
13 shall not apply with respect to any taxable year
14 beginning after the date of the enactment of
15 this Act.”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to taxable years beginning after
18 December 31, 2015.

19 **SEC. 9. DEDUCTION FOR INCOME ATTRIBUTABLE TO DO-**
20 **MESTIC PRODUCTION ACTIVITIES NOT AL-**
21 **LOWED WITH RESPECT TO OIL AND GAS AC-**
22 **TIVITIES.**

23 (a) IN GENERAL.—Section 199(c)(4)(B) of the Inter-
24 nal Revenue Code of 1986 is amended by striking “and”
25 at the end of clause (ii), by striking the period at the end

1 of clause (iii) and inserting “, and”, and by inserting after
 2 clause (iii) the following new clause:

3 “(iv) the production, refining, proc-
 4 essing, transportation, or distribution of
 5 oil, gas, or any primary product thereof.”.

6 (b) CONFORMING AMENDMENT.—Section 199(d) of
 7 such Code is amended by striking paragraph (9) and by
 8 redesignating paragraph (10) as paragraph (9).

9 (c) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to taxable years beginning after
 11 December 31, 2015.

12 **SEC. 10. PROHIBITION ON USING LAST-IN, FIRST-OUT AC-**
 13 **COUNTING FOR OIL AND GAS COMPANIES.**

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

17 “(h) OIL AND GAS COMPANIES.—

18 “(1) IN GENERAL.—Notwithstanding any other
 19 provision of this section, a major integrated oil com-
 20 pany may not use the method provided in subsection
 21 (b) in inventorying of any goods.

22 “(2) MAJOR INTEGRATED OIL COMPANY.—For
 23 purposes of this subsection, the term ‘major inte-
 24 grated oil company’ means, with respect to any tax-
 25 able year, a producer of crude oil—

1 “(A) which has an average daily worldwide
 2 production of crude oil of at least 500,000 bar-
 3 rels for the taxable year,

4 “(B) which has gross receipts in excess of
 5 \$1,000,000,000 for the taxable year, and

6 “(C) the average daily refinery runs of the
 7 taxpayer and related persons for the taxable
 8 year exceed 75,000 barrels.

9 “(3) SPECIAL RULES.—

10 “(A) CRUDE PRODUCTION AND GROSS RE-
 11 CEIPTS.—For purposes of subparagraphs (A)
 12 and (B) of paragraph (2)—

13 “(i) CONTROLLED GROUPS AND COM-
 14 MON CONTROL.—All persons treated as a
 15 single employer under subsections (a) and
 16 (b) of section 52 shall be treated as 1 per-
 17 son.

18 “(ii) SHORT TAXABLE YEARS.—In
 19 case of a short taxable year, the rule under
 20 section 448(c)(3)(B) shall apply.

21 “(B) AVERAGE DAILY REFINERY RUNS.—
 22 For purposes of paragraph (2)(C)—

23 “(i) IN GENERAL.—The average daily
 24 refinery runs for any taxable year shall be
 25 determined by dividing the aggregate refin-

1 ery runs for the taxable year by the num-
2 ber of days in the taxable year.

3 “(ii) RELATED PERSONS.—A person
4 is a related person with respect to the tax-
5 payer if a significant ownership interest in
6 either the taxpayer or such person is held
7 by the other, or if a third person has a sig-
8 nificant ownership interest in both the tax-
9 payer and such person.

10 “(iii) SIGNIFICANT OWNERSHIP IN-
11 TEREST.—For purposes of clause (ii), the
12 term ‘significant ownership interest’
13 means—

14 “(I) with respect to any corpora-
15 tion, 15 percent or more in value of
16 the outstanding stock of such corpora-
17 tion,

18 “(II) with respect to a partner-
19 ship, 15 percent or more interest in
20 the profits or capital of such partner-
21 ship, and

22 “(III) with respect to an estate
23 or trust, 15 percent or more of the
24 beneficial interests in such estate or
25 trust.

1 For purposes of determining a significant
2 ownership interest, an interest owned by or
3 for a corporation, partnership, trust, or es-
4 tate shall be considered as owned directly
5 both by itself and proportionately by its
6 shareholders, partners, or beneficiaries, as
7 the case may be.”.

8 (b) EFFECTIVE DATE AND SPECIAL RULE.—

9 (1) IN GENERAL.—The amendment made by
10 subsection (a) shall apply to taxable years beginning
11 after December 31, 2015.

12 (2) CHANGE IN METHOD OF ACCOUNTING.—In
13 the case of any taxpayer required by the amendment
14 made by this section to change its method of ac-
15 counting for its first taxable year beginning after the
16 date of the enactment of this Act—

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

19 (B) such change shall be treated as made
20 with the consent of the Secretary of the Treas-
21 ury, and

22 (C) the net amount of the adjustments re-
23 quired to be taken into account by the taxpayer
24 under section 481 of the Internal Revenue Code
25 of 1986 shall be taken into account ratably over

1 a period (not greater than 8 taxable years) be-
 2 ginning with such first taxable year.

3 **SEC. 11. MODIFICATIONS OF FOREIGN TAX CREDIT RULES**

4 **APPLICABLE TO DUAL CAPACITY 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 DUAL CAPACITY
 10 TAXPAYERS.—

11 “(1) GENERAL RULE.—Notwithstanding any
 12 other provision of this chapter, any amount paid or
 13 accrued by a dual capacity taxpayer to a foreign
 14 country or possession of the United States for any
 15 period with respect to combined foreign oil and gas
 16 income (as defined in section 907(b)(1)) shall not be
 17 considered a tax to the extent such amount exceeds
 18 the amount (determined in accordance with regula-
 19 tions) which would have been required to be paid if
 20 the taxpayer were not a dual capacity taxpayer.

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 (b) EFFECTIVE DATE.—

8 (1) IN GENERAL.—The amendments made by
9 this section shall apply to taxes paid or accrued in
10 taxable years beginning after December 31, 2015.

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

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