

115TH CONGRESS
2D SESSION

H. R. 6928

To amend the Internal Revenue Code of 1986 to impose a tax on fossil fuels and to use the revenues for economic benefit.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 27, 2018

Mr. MCNERNEY introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, Energy and Commerce, Science, Space, and Technology, and Transportation and Infrastructure, 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 impose a tax on fossil fuels and to use the revenues for economic benefit.

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 “Consumers Rebate to
5 ban Emissions and Boost ALternative Energy Act” or the
6 “Consumers REBATE Act”.

1 **SEC. 2. EXCISE TAX ON CARBON DIOXIDE CONTENT OF**
 2 **COAL, OIL, AND NATURAL GAS.**

3 (a) IN GENERAL.—The Internal Revenue Code of
 4 1986 is amended by adding at the end the following:

5 **“Subtitle L—Carbon Dioxide Con-**
 6 **tent of Coal, Oil, and Natural**
 7 **Gas**

“Sec. 9901. Imposition of tax.

“Sec. 9902. Carbon equivalency fee.

“Sec. 9903. Definitions.

“Sec. 9904. Special rules.

8 **“SEC. 9901. IMPOSITION OF TAX.**

9 “(a) IN GENERAL.—There is hereby imposed a tax
 10 on producing at the wellhead or mine in the United States,
 11 or importing, a taxable carbon substance.

12 “(b) RATE OF TAX.—

13 “(1) IN GENERAL.—The tax imposed under
 14 subsection (a) shall be the applicable amount per ton
 15 of carbon dioxide content of the life-cycle emissions
 16 from the taxable carbon substance.

17 “(2) APPLICABLE AMOUNT.—For purposes of
 18 paragraph (1)—

19 “(A) IN GENERAL.—For calendar year
 20 2020, the term ‘applicable amount’ means \$25.

21 “(B) ANNUAL ADJUSTMENTS GEN-
 22 ERALLY.—In the case of any taxable year be-
 23 ginning in a calendar year after 2020, the dol-

1 lar amount in effect under subparagraph (A)
 2 for the preceding calendar shall be increased by
 3 \$10.

4 “(3) ZERO RATE IF EMISSION REDUCTION
 5 BENCHMARK ATTAINED.—

6 “(A) IN GENERAL.—If the Administrator
 7 determines and specifies in a report issued
 8 under subsection (c)(3)(A) in the year imme-
 9 diately preceding a year specified in subsection
 10 (c)(1)(A) that the emissions reduction bench-
 11 mark for that specified year will be met or ex-
 12 ceeded, then for that specified year and the suc-
 13 ceeding 4 calendar years—

14 “(i) paragraph (2) shall not apply,
 15 and

16 “(ii) the applicable amount shall be
 17 zero.

18 “(B) REINSTATEMENT.—

19 “(i) IN GENERAL.—Except as pro-
 20 vided in clause (ii), for any calendar year
 21 after a period referred to in subparagraph
 22 (A) paragraph (2) shall be applied and the
 23 applicable amount for the first such cal-
 24 endar year shall be the dollar amount in

1 effect for the calendar year preceding the
2 beginning of such period.

3 “(ii) EXCEPTION.—Clause (i) shall
4 not apply to a calendar year if, respect to
5 that calendar year, a determination de-
6 scribed in subparagraph (A) applies to that
7 calendar year.

8 “(c) EMISSIONS REDUCTIONS BENCHMARKS.—For
9 purposes of this section—

10 “(1) IN GENERAL.—The emissions reduction
11 benchmarks are as follows:

12 “(A) 30 percent below the emissions
13 benchmark by 2025.

14 “(B) 40 percent below the emissions
15 benchmark by 2030.

16 “(C) 50 percent below the emissions
17 benchmark by 2035.

18 “(D) 70 percent below the emissions
19 benchmark by 2045.

20 “(E) 80 percent below the emissions
21 benchmark by 2050.

22 “(2) EMISSIONS BENCHMARK.—The emissions
23 benchmark is the 2005 level of life-cycle emissions
24 from the taxable carbon substances, as determined
25 by the Administrator.

1 “(3) REPORTS.—

2 “(A) EMISSIONS REDUCTIONS TARGET RE-
3 PORT.—Not later than 2 years after the date of
4 enactment of the Consumers Rebate to ban
5 Emissions and Boost ALternative Energy Act,
6 and every 2 years thereafter, the Administrator
7 shall issue an emissions reduction benchmarks
8 report. The report shall include, in detail, the
9 emission reductions resulting from the imposi-
10 tion of tax under this section and the expected
11 trajectory of emissions reductions.

12 “(B) 5-YEAR REPORT.—The Administrator
13 shall, after consultation with other appropriate
14 Federal and State agencies and non-Federal
15 stakeholders, issue a report every 5 years on
16 the effects of the carbon tax established under
17 this subtitle, including energy market condi-
18 tions, impacts to consumers, impacts to the en-
19 vironment, actual emission reductions, and reli-
20 ability and resiliency of the electric grid.

21 “(d) BY WHOM PAID.—The tax imposed by sub-
22 section (a) shall be paid by the producer, miner, or im-
23 porter of the taxable carbon substance.

24 “(e) REGULATIONS.—Not later than 2 years after the
25 date of enactment of the Consumers Rebate to ban Emis-

1 sions and Boost AlTernative Energy Act, the Secretary
2 shall issue such regulations as may be necessary or appro-
3 priate to carry out this subtitle, including regulations re-
4 lating to the timely and efficient issuance of permits and
5 collection of payments for such permits.

6 **“SEC. 9902. CARBON EQUIVALENCY FEE.**

7 “(a) PURPOSE.—The purpose of this section is to en-
8 sure the environmental effectiveness of this subtitle.

9 “(b) IMPORTS.—The Secretary, in consultation with
10 the Secretary of Energy, the Administrator, and the Com-
11 missioner of the U.S. Customs and Border Protection,
12 shall impose carbon equivalency fees on imports of goods
13 containing or produced using a taxable carbon substance.
14 The amount of the carbon equivalency fee with respect to
15 the import of any good shall be equal to the cost that do-
16 mestic producers of a comparable good incur as a result
17 of—

18 “(1) the tax imposed under section 9901, and

19 “(2) carbon equivalency fees imposed under this
20 section on any goods used in the production of such
21 good.

22 “(c) COLLECTION.—The fees imposed under this sec-
23 tion shall be collected by the Commissioner of the U.S.
24 Customs and Border Protection.

1 “(d) EXPIRATION.—This section shall cease to have
2 effect at such time as and to the extent that—

3 “(1) an international agreement requiring coun-
4 tries that emit carbon dioxide or produce goods con-
5 taining or using taxable carbon substances to adopt
6 equivalent measures comes into effect, or

7 “(2) the country of export has implemented
8 equivalent measures, as determined by the Sec-
9 retary, in consultation with the Secretary of State.

10 **“SEC. 9903. DEFINITIONS.**

11 “For purposes of this subtitle—

12 “(1) TAXABLE CARBON SUBSTANCE.—The term
13 ‘taxable carbon substance’ means—

14 “(A) coal,

15 “(B) oil, and

16 “(C) natural gas.

17 “(2) COAL.—The term ‘coal’ includes lignite,
18 anthracite, bituminous, subbituminous, peat or other
19 forms of what is commonly referred to as coal pro-
20 duced from a mine.

21 “(3) OIL.—The term ‘oil’ includes crude oil
22 condensates, natural gasoline, shale oil, any bitumen
23 or bituminous mixture, any oil derived from a bitu-
24 men or bituminous mixture, and any oil derived
25 from kerogen-bearing sources.

1 “(4) NATURAL GAS.—The term ‘natural gas’
2 means either natural gas unmixed, or any mixture of
3 natural and artificial gas.

4 “(5) LIFE-CYCLE EMISSIONS.—The term ‘life-
5 cycle emissions’ means total life-cycle emissions of
6 carbon dioxide from a taxable carbon substance
7 which shall be determined by the Administrator.

8 “(6) ADMINISTRATOR.—The term ‘Adminis-
9 trator’ means the Administrator of the Environ-
10 mental Protection Agency.

11 “(7) UNITED STATES.—The term ‘United
12 States’ means the States, and territory or possession
13 of the United States, and the District of Columbia.

14 **“SEC. 9904. SPECIAL RULES.**

15 “(a) EXPORT.—For purposes of this subtitle—

16 “(1) IN GENERAL.—No tax shall be imposed
17 under section 9901 on the production or mining of
18 a taxable carbon substance which is intended for ex-
19 port, including the sale or resale by a purchaser to
20 a second purchaser for export.

21 “(2) PROOF OF EXPORT REQUIRED.—Rules
22 similar to the rules of section 4221(b) shall apply for
23 purposes of paragraph (1).

24 “(3) CREDIT OR REFUND WHERE TAX PAID.—

1 “(A) IN GENERAL.—Except as provided in
2 subparagraph (B), if—

3 “(i) tax under section 9901 was paid
4 with respect to any taxable carbon sub-
5 stance, and

6 “(ii)(I) such substance was exported
7 by any person, or

8 “(II) such substance was used as a
9 material in the manufacture or production
10 of a substance which was exported by any
11 person and which, at the time of export,
12 was a taxable carbon substance (as defined
13 in section 9902(1)),

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

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

21 “(i) has repaid or agreed to repay the
22 amount of the tax to the person who ex-
23 ported the taxable chemical or taxable sub-
24 stance (as so defined), 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 “(4) REFUNDS DIRECTLY TO EXPORTER.—The
5 Secretary shall provide, in regulations, the cir-
6 cumstances under which a credit or refund (without
7 interest) of the tax under section 9901 shall be al-
8 lowed or made to the person who exported the tax-
9 able carbon substance, where—

10 “(A) the person who paid the tax waives
11 his claim to the amount of such credit or re-
12 fund, and

13 “(B) the person exporting the taxable car-
14 bon substance provides such information as the
15 Secretary may require in such regulations.

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

19 (b) ESTABLISHMENT OF TRUST FUND.—

20 (1) IN GENERAL.—Subchapter A of chapter 98
21 of such Code (relating to trust fund code) is amend-
22 ed by adding at the end the following:

23 **“SEC. 9512. CARBON TRUST FUND.**

24 “(a) CREATION OF TRUST FUND.—There is estab-
25 lished in the Treasury of the United States a trust fund

1 to be known as the ‘Carbon Trust Fund’ (referred to in
2 this section as the ‘Trust Fund’), consisting of such
3 amounts as may be appropriated or credited to the Trust
4 Fund as provided in this section or section 9602(b).

5 “(b) TRANSFERS TO TRUST FUND.—There is hereby
6 appropriated to the Trust Fund an amount equivalent to
7 the amounts received in the Treasury pursuant to section
8 9901.

9 “(c) EXPENDITURES FROM TRUST FUND.—

10 “(1) IN GENERAL.—From amounts in the
11 Trust Fund at the beginning of a fiscal year, the fol-
12 lowing amounts shall be made available, as provided
13 by appropriation Acts, as follows:

14 “(A) The amount necessary shall be paid
15 into general receipts in the Treasury to offset
16 a reduction in the rate of individual income tax
17 by reason of the amendments made by section
18 2(c) of the Consumers Rebate to ban Emissions
19 and Boost ALternative Energy Act.

20 “(B) Of the amounts remaining available
21 after the application of subparagraph (A), 20
22 percent shall be available for the following:

23 “(i) Worker transition assistance, with
24 an emphasis on coal workers and coal com-
25 munities, and workforce development.

1 “(ii) Rural energy assistance and effi-
2 ciency improvements.

3 “(iii) Technology neutral, energy-re-
4 lated research and development.

5 “(iv) Air, rail, and marine transpor-
6 tation emissions reduction and efficiency
7 programs.

8 “(v) Electric grid and pipeline innova-
9 tions and improvements.

10 “(vi) Increasing resiliency of water,
11 transportation, energy, and other infra-
12 structure that are vulnerable to extreme
13 weather and other effects of a changing cli-
14 mate.

15 “(vii) Energy efficiency and conserva-
16 tion.

17 “(C) The amounts remaining after the ap-
18 plication of subparagraphs (A) and (B) shall be
19 made available for quarterly citizen rebates.

20 “(2) CONSULTATION.—In determining the
21 amount provided toward each category referred to in
22 paragraph (1)(B), the Secretary shall consult with
23 the Secretary of Energy, the Secretary of Labor,
24 and any other relevant Federal agency prior to dis-
25 tributing money from the Trust Fund.”.

1 (2) CLERICAL AMENDMENT.—The table of sec-
 2 tions for subchapter A of chapter 98 of such Code
 3 is amended by adding at the end the following new
 4 item:

“Sec. 9512. Carbon trust fund.”.

5 (c) REDUCTION IN INDIVIDUAL INCOME TAX
 6 RATES.—

7 (1) IN GENERAL.—Section 1(j) of such Code is
 8 amended by redesignating paragraph (6) as para-
 9 graph (7) and by inserting after paragraph (5) the
 10 following:

11 “(6) REDUCTION IN INDIVIDUAL INCOME TAX
 12 RATES.—In the case of taxable years beginning after
 13 December 31, 2019, the tables under paragraph (2)
 14 shall be applied—

15 “(A) by substituting ‘9%’ for ‘10%’ each
 16 place it appears,

17 “(B) by substituting ‘11%’ for ‘12%’ each
 18 place it appears,

19 “(C) by substituting ‘21%’ for ‘22%’ each
 20 place it appears, and

21 “(D) by substituting ‘23.5%’ for ‘24%’
 22 each place it appears.”.

23 (2) COORDINATION AMONG PROVISIONS RELAT-
 24 ING TO CHILDREN WITH UNEARNED INCOME.—
 25 Clauses (i)(II) and (III) of section 1(j)(4)(B) of

1 such Code are amended by striking “paragraph (3)”
2 and inserting “paragraphs (3) and (6)”.

3 (d) QUARTERLY CITIZEN REBATES.—

4 (1) QUARTERLY PAYMENTS TO ELIGIBLE DIVI-
5 DEND RECIPIENTS.—

6 (A) IN GENERAL.—From amounts made
7 available pursuant to section 9512(c)(1)(C) of
8 the Internal Revenue Code of 1986, the Sec-
9 retary shall make payment each calendar quar-
10 ter to each eligible dividend recipient.

11 (B) AMOUNT OF PAYMENT.—For purposes
12 of subparagraph (A), the amount of each pay-
13 ment with respect to an eligible dividend recipi-
14 ent shall be the amount determined by the Sec-
15 retary by dividing—

16 (i) for the years 2020 through 2028—

17 (I) the total amount available
18 under section 9512(c)(1)(C) of the In-
19 ternal Revenue Code of 1986 for the
20 preceding calendar quarter, by

21 (II) the total number of eligible
22 dividend recipients for such preceding
23 calendar quarter, and

24 (ii) for year 2029 and subsequent
25 years—

1 (I) the smaller of—

2 (aa) the quarterly average of
3 the total amount available under
4 section 9512(c)(1)(C) of the In-
5 ternal Revenue Code of 1986 for
6 the four quarters of 2028, and

7 (bb) the total amount avail-
8 able under section 9512(c)(1)(C)
9 of the Internal Revenue Code of
10 1986 for the preceding calendar
11 quarter, by

12 (II) the total number of eligible
13 dividend recipients for such preceding
14 calendar quarter.

15 (C) ELIGIBLE DIVIDEND RECIPIENT.—For
16 purposes of this subsection, the term “eligible
17 dividend recipient” means, with respect to any
18 quarter, any individual with a valid social secu-
19 rity number (other than a nonresident undocu-
20 mented individual) who is lawfully present in
21 the United States for such quarter, as deter-
22 mined and verified by the Secretary in consulta-
23 tion with any other Federal entity the Secretary
24 determines appropriate.

1 (D) FUND.—The term “Fund” means the
 2 Carbon Trust Fund established by section 9512
 3 of the Internal Revenue Code of 1986 (as added
 4 by subsection (e)).

5 (2) REGULATIONS.—The Secretary of the
 6 Treasury shall promulgate regulations governing the
 7 payment of funds under paragraph (1), including—

8 (A) procedures for the identification and
 9 maintenance of an accurate list of eligible divi-
 10 dend recipients, and

11 (B) the use of electronic means for trans-
 12 fers of funds, to the maximum extent prac-
 13 ticable.

14 (e) CLERICAL AMENDMENT.—The table of subtitles
 15 for the Internal Revenue Code of 1986 is amended by add-
 16 ing at the end the following new item:

“Subtitle L. Carbon Dioxide Content of Coal, Oil, and Natural Gas.”.

17 (f) EFFECTIVE DATE.—

18 (1) Except as provided by paragraph (2), the
 19 amendments made by this section shall take effect
 20 on January 1, 2020.

21 (2) The amendments made by subsection (c)
 22 shall apply to taxable years beginning after Decem-
 23 ber 31, 2019.

○