H.R. 11

To amend the Internal Revenue Code of 1986 to reduce carbon dioxide emissions in the United States domestic energy supply.

IN THE HOUSE OF REPRESENTATIVES

Mr. Larson of Connecticut introduced the following bill; which was referred to the Committee on ____________________________

A BILL

To amend the Internal Revenue Code of 1986 to reduce carbon dioxide emissions in the United States domestic energy supply.

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 “America’s Energy Se-
5 curity Trust Fund Act of 2007”.

(Original Signature of Member)
SEC. 2. TAX ON CARBON DIOXIDE CONTENT OF CERTAIN

SUBSTANCES.

(a) IN GENERAL.—Chapter 38 of the Internal Re-

venue Code of 1986 (relating to environmental taxes) is

amended by adding at the end thereof the following new

subchapter:

“Subchapter E—Tax on Carbon Dioxide

Content of Certain Substances

(See. 4691. Imposition of tax.

(See. 4692. Refunds or credits.

(See. 4693. Definitions and special rules.

“SEC. 4691. IMPOSITION OF TAX.

“(a) IN GENERAL.—There is hereby imposed a tax

on any taxable carbon substance sold by the manufacturer,

producer, or importer thereof.

“(b) AMOUNT OF TAX.—

“(1) IN GENERAL.—The amount of tax imposed

by subsection (a) on any taxable carbon substance

shall be the applicable amount per ton of carbon di-

oxide content of such substance, as determined by

the Secretary in consultation with the Secretary of

Energy.

“(2) FRACTIONAL PART OF TON.—In the case

of a fraction of a ton, the tax imposed by subsection

(a) shall be the same fraction of the amount of such

tax imposed on a whole ton.
“(3) APPLICABLE AMOUNT.—For purposes of paragraph (1)—

“(A) CALENDAR YEAR 2008.—The applicable amount for calendar year 2008 is $15.

“(B) YEARS AFTER 2008.—For a calendar year after 2008, the applicable amount is the product of—

“(i) the amount in effect under this paragraph for the preceding calendar year,

“(ii) 1.1, and

“(iii) 1 plus the cost of living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting ‘calendar year 2007’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(c) SUBSTANCE TAXED ONLY ONCE.—No tax shall be imposed by subsection (a) with respect to a taxable carbon substance if the person who would be liable for such tax establishes that a prior tax imposed by such section has been imposed with respect to such product.

“SEC. 4692. REFUNDS OR CREDITS.

“(a) SEQUESTERED CARBON.—Under regulations prescribed by the Secretary, if a person uses a taxable carbon substance as a feedstock so that the carbon associated with such substance will not be emitted, then an amount
equal to the amount of tax in effect under section 4691(b) with respect to such substance for the calendar year in which such use begins shall be allowed as a credit or refund (without interest) to such person in the same manner as if it were an overpayment of tax imposed by section 4691.

“(b) OFFSET PROJECTS.—

“(1) IN GENERAL.—Under regulations prescribed by the Secretary, if a person carries out a qualified offset project, then an amount equal to the amount of tax in effect under section 4691(b) with respect to such substance for the calendar year in which such project is completed shall be allowed as a credit or refund (without interest) to such person in the same manner as if it were an overpayment of tax imposed by section 4691.

“(2) QUALIFIED OFFSET PROJECT.—For purposes of paragraph (1), the term ‘qualified offset project’ means a project carried out in the United States that—

“(A) reduces greenhouse gas emissions,

“(B) sequesters a greenhouse gas, or

“(C) destroys hydrofluorocarbons.

“(3) EXCEPTION.—Such term does not include a project that involves enhanced oil recovery.
“(c) PREVIOUSLY TAXED CARBON SUBSTANCES USED TO MAKE ANOTHER TAXABLE CARBON SUBSTANCE.—Under regulations prescribed by the Secretary, if—

“(1) a tax under section 4691 was paid with respect to any taxable carbon substance, and

“(2) such substance was used by any person in the manufacture or production of any other substance which is a taxable carbon substance,

then an amount equal to the tax so paid shall be allowed as a credit or refund (without interest) to such person in the same manner as if it were an overpayment of tax imposed by subsection (a). In any case to which this paragraph applies, the amount of any such credit or refund shall not exceed the amount of tax imposed by subsection (a) on the other taxable fuel manufactured or produced (or which would have been imposed by such subsection on such other fuel but for subsection (c)).

“(d) EXEMPTION FOR EXPORTS.—

“(1) TAX-FREE SALES.—

“(A) IN GENERAL.—No tax shall be imposed under subsection (a) on the sale by the manufacturer or producer of any taxable carbon substance for export or for resale by the purchaser to a second purchaser for export.
“(B) PROOF OF EXPORT REQUIRED.—

Rules similar to the rules of section 4221(b) shall apply for purposes of subparagraph (A).

“(2) CREDIT OR REFUND WHERE TAX PAID.—

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

“(i) tax under subsection (a) was paid with respect to any taxable carbon substance, and

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

“(II) such substance was used as a material in the manufacture or production of a taxable carbon substance which was exported by any person and which, at the time of export, was a taxable carbon substance,

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

“(B) CONDITION TO ALLOWANCE.—No credit or refund shall be allowed or made under subparagraph (A) unless the person who paid the tax establishes that he—
“(i) has repaid or agreed to repay the amount of the tax to the person who exported the taxable carbon substance, or

“(ii) has obtained the written consent of such exporter to the allowance of the credit or the making of the refund.

“(C) REFUNDS DIRECTLY TO EXPORTER.—The Secretary shall provide, in regulations, the circumstances under which a credit or refund (without interest) of the tax under subsection (a) shall be allowed or made to the person who exported the taxable carbon substance, where—

“(i) the person who paid the tax waives his claim to the amount of such credit or refund, and

“(ii) the person exporting the taxable carbon substance provides such information as the Secretary may require in such regulations.

“(3) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.
SEC. 4693. DEFINITIONS AND SPECIAL RULES.

“(a) DEFINITIONS.—For purposes of this subchapter—

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

“(A) coal (including lignite and peat),

“(B) petroleum and any petroleum product (as defined in section 4612(a)(3)), and

“(C) natural gas,

which is extracted, manufactured, or produced in the United States or entered into the United States for consumption, use, or warehousing.

“(2) UNITED STATES.—The term ‘United States’ has the meaning given such term by section 4612(a)(4).

“(3) IMPORTER.—The term ‘importer’ means the person entering the taxable carbon substance for consumption, use, or warehousing.

“(4) TON.—The term ‘ton’ means 2,000 pounds. In the case of any taxable carbon substance which is a gas, the term ‘ton’ means the amount of such gas in cubic feet which is the equivalent of 2,000 pounds on a molecular weight basis.

“(b) USE TREATED AS SALE.—If any person manufactures, produces, or imports any taxable carbon substance and uses such substance, then such person shall
be liable for tax under section 4691 in the same manner as if such substance were sold by such person.

“(c) Special Rules for Inventory Exchanges.—

“(1) In General.—Except as provided in this paragraph, in any case in which a manufacturer, producer, or importer of a taxable carbon substance exchanges such substance as part of an inventory exchange with another person—

“(A) such exchange shall not be treated as a sale, and

“(B) such other person shall, for purposes of section 4691, be treated as the manufacturer, producer, or importer of such substance.

“(2) Registration Requirement.—Paragraph (1) shall not apply to any inventory exchange unless—

“(A) both parties are registered with the Secretary as manufacturers, producers, or importers of taxable carbon substances, and

“(B) the person receiving the taxable carbon substance has, at such time as the Secretary may prescribe, notified the manufacturer, producer, or importer of such person’s
registration number and the internal revenue
district in which such person is registered.

“(3) INVENTORY EXCHANGE.—For purposes of
this subsection, the term ‘inventory exchange’ means
any exchange in which 2 persons exchange property
which is, in the hands of each person, property de-
scribed in section 1221(a)(1).”.

(b) ESTABLISHMENT OF AMERICA’S ENERGY SECU-
RITY TRUST FUND.—Subchapter A of chapter 98 of such
Code (relating to trust fund code) is amended by adding
at the end the following:

“SEC. 9511. AMERICA’S ENERGY SECURITY TRUST FUND.

“(a) CREATION OF TRUST FUND.—There is estab-
lished in the Treasury of the United States a trust fund
to be known as ‘America’s Energy Security Trust Fund’
(referred to in this section as the ‘Trust Fund’), consisting
of such amounts as may be appropriated or credited to
the Trust Fund as provided in this section or section
9602(b).

“(b) TRANSFERS TO TRUST FUND.—There is hereby
appropriated to the Trust Fund an amount equivalent to
the increase in revenues received in the Treasury as the
result of the tax imposed under section 4691.

“(c) DISTRIBUTION OF AMOUNTS IN TRUST FUND.—
Amounts in the Trust Fund equivalent to the taxes re-
received in the Treasury under section 4691 for a calendar year shall be available without further appropriation, as follows:

“(1) First, the lesser of 1/6 of such amount or $10,000,000,000 shall be available for a tax credit for research and development into clean energy technology.

“(2) Second, the affected industry transition assistance amount shall be available for transition assistance to industries negatively affected by this Act, as determined by the Secretary of the Treasury in consultation with the Secretary of Labor.

“(3) Third, the amount remaining after the application of paragraphs (1) and (2) shall be available for payroll tax relief under rebate paid under section 36.

“(d) AFFECTED INDUSTRY TRANSITION ASSISTANCE AMOUNT.—For purposes of subsection (c)(2), the affected industry transition assistance amount is the amount determined as follows:

“(1) For calendar year 2008, 1/12 of the amount in the Trust Fund equivalent to the taxes received in the Treasury under section 4691 for calendar year 2008, determined after the application of subsection (c)(1).
“(2) For calendar year 2009, \(\frac{9}{10}\) of the amount made available under paragraph (1) for calendar year 2008.

“(3) For calendar year 2010, \(\frac{4}{5}\) of the amount made available under paragraph (1) for calendar year 2008.

“(4) For calendar year 2011, \(\frac{7}{10}\) of the amount made available under paragraph (1) for calendar year 2008.

“(5) For calendar year 2012, \(\frac{3}{5}\) of the amount made available under paragraph (1) for calendar year 2008.

“(6) For calendar year 2013, \(\frac{1}{2}\) of the amount made available under paragraph (1) for calendar year 2008.

“(7) For calendar year 2014, \(\frac{2}{5}\) of the amount made available under paragraph (1) for calendar year 2008.

“(8) For calendar year 2015, \(\frac{3}{10}\) of the amount made available under paragraph (1) for calendar year 2008.

“(9) For calendar year 2016, \(\frac{1}{5}\) of the amount made available under paragraph (1) for calendar year 2008.
“(10) For calendar year 2017, 1/10 of the
amount made available under paragraph (1) for cal-
endar year 2008.
“(11) For calendar years after 2017, zero.”.

(c) CLERICAL AMENDMENTS.—

(1) The table of subchapters for chapter 38 of
such Code is amended by adding at the end thereof
the following new item:
“SUBCHAPTER E. TAX ON CARBON DIOXIDE CONTENT OF CERTAIN
SUBSTANCES.”.

(2) The table of sections for subchapter A of
chapter 98 of such Code is amended by adding at
the end the following:
“Sec. 9511. Taxable Carbon Substances Trust Fund.”.

(d) EFFECTIVE DATE.—The amendments made by
this section shall take effect on January 1, 2008.

SEC. 3. CARBON TAX REBATE OF PAYROLL TAX.

(a) IN GENERAL.—Subpart C of part IV of sub-
chapter A of chapter 1 of the Internal Revenue Code of
1986 (relating to refundable credits) is amended by redes-
ignating section 36 as section 37 and inserting after sec-
tion 35 the following new section:
“SEC. 36. CARBON TAX REBATE OF PAYROLL TAX.
“(a) IN GENERAL.—In the case of an individual,
there shall be allowed as a credit against the tax imposed
by this subtitle for the taxable year an amount equal to
the carbon tax rebate.

“(b) Carbon Tax Rebate.—

“(1) In general.—For purposes of this sec-
tion, the term ‘carbon tax rebate’ means with re-
spect to a taxable year the individual’s share of the
amount determined by the Secretary on a per capita
basis to be the amount available under section
9511(c)(3) for the calendar year in which or with
which the taxable year begins.

“(2) Determination Based on Estimates.—
The determination under paragraph (1) shall be
made on the basis of estimates by the Secretary, and
proper adjustments shall be made in amounts avail-
able under section 9511(c)(3) for the succeeding tax-
able year to the extent prior estimates were in excess
of or less than the amounts actually available under
such section for the prior taxable year.

“(c) Limitation Based on Payroll Taxes Paid
And Social Security Benefits.—

“(1) In general.—The amount allowed as a
credit under subsection (a) with respect to any indi-
vidual for a taxable year shall not exceed the greater
of—
“(A) the total amount of taxes paid with respect to such individual for such taxable year under section 1401 and chapters 21 and 22, determined after taking into account any refund under section 31(b) and 6413(c), or

“(B) 10 percent of the aggregate amount of social security benefits (within the meaning of section 86(d)) received by such individual for the taxable year.

“(2) Special rule for social security benefits received for less than 12 months.—

For purposes of paragraph (1)(B), if Social Security benefits (as so defined) were not received for each month in the taxable year, such benefits shall be annualized by multiplying the Social Security benefits received by 12 and dividing the result by the number of months in such taxable year for which such benefits were received.

“(d) Denial of credit to dependents.—No credit shall be allowed under subsection (a) to an individual for such individual’s taxable year if a deduction under section 151 with respect to such individual is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins.”.
(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period “, or from section 36 of such Code”.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by redesignating section 36 as section 37 and inserting after section 35 the following new section:

“Sec. 36. Carbon tax rebate of payroll tax.
“Sec. 37. Overpayments of tax.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

SEC. 4. STUDY OF TAXATION OF NON-CARBON GREENHOUSE GASES.

(a) IN GENERAL.—The Secretary of the Treasury, in consultation with the Secretary of Energy shall conduct a study of the best methods to assess and collect tax on non-carbon greenhouse gases similar to the tax imposed by section 4691 of the Internal Revenue Code of 1986 (as added by this Act).

(b) REPORT.—Not later than 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall submit to the Congress the findings of the report required under subsection (a) together with such legisla-
tive recommendations as the Secretary determine appropriate for the assessment and collection of such tax.

SEC. 5. SENSE OF CONGRESS THAT OTHER NATIONS WILL JOIN WITH THE UNITED STATES IN REDUCING GREENHOUSE GAS EMISSIONS.

It is the sense of Congress that the major greenhouse gas emitting countries join with the United States in reducing greenhouse gas emissions.