

112TH CONGRESS
2D SESSION

S. _____

To eliminate certain subsidies for fossil-fuel production.

IN THE SENATE OF THE UNITED STATES

Mr. SANDERS introduced the following bill; which was read twice and referred to the Committee on _____

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 2012”.

6 **SEC. 2. FINDINGS.**

7 Congress finds that—

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

11 (2) the Environmental Law Institute found that
12 from 2002 through 2008, Federal fossil-fuel sub-

1 subsidies in the United States totaled over
2 \$72,000,000,000, while Federal renewable-energy in-
3 vestments totaled \$12,200,000,000;

4 (3) the Congressional Research Service esti-
5 mates that from 1948 to the present, United States
6 investments in fossil-fuel research and development
7 totaled over \$48,000,000,000 (in 2011 dollars),
8 while investments in renewable energy totaled over
9 \$22,000,000,000;

10 (4) the 5 largest oil corporations have made
11 more than \$1,000,000,000 in profits in the decade
12 prior to the date of enactment of this Act; and

13 (5) United States taxpayers should not be sub-
14 sidizing oil, natural gas, and coal companies in a pe-
15 riod of record debt.

16 **SEC. 3. ROYALTY RELIEF.**

17 (a) IN GENERAL.—

18 (1) OUTER CONTINENTAL SHELF LANDS ACT.—
19 Section 8(a)(3) of the Outer Continental Shelf
20 Lands Act (43 U.S.C. 1337(a)(3)) is amended—

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

22 (B) by redesignating subparagraph (C) as
23 subparagraph (B).

24 (2) ENERGY POLICY ACT OF 2005.—

1 (A) INCENTIVES FOR NATURAL GAS PRO-
2 DUCTION FROM DEEP WELLS IN THE SHALLOW
3 WATERS OF THE GULF OF MEXICO.—Section
4 344 of the Energy Policy Act of 2005 (42
5 U.S.C. 15904) is repealed.

6 (B) DEEP WATER PRODUCTION.—Section
7 345 of the Energy Policy Act of 2005 (42
8 U.S.C. 15905) is repealed.

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

14 **SEC. 4. ROYALTIES UNDER MINERAL LEASING ACT.**

15 (a) COAL LEASES.—Section 7(a) of the Mineral
16 Leasing Act (30 U.S.C. 207(a)) is amended by striking
17 “12½” and inserting “18¾”.

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

22 (c) LEASES ON LAND KNOWN OR BELIEVED TO CON-
23 TAIN OIL OR NATURAL GAS.—Section 17 of the Mineral
24 Leasing Act (30 U.S.C. 226) is amended—

25 (1) in subsection (b)—

1 (A) in paragraph (1)(A), by striking “12.5
2 percent” and inserting “18³/₄ per centum”; and

3 (B) in paragraph (2)(A)(ii), by striking
4 “12¹/₂” and inserting “18³/₄”;

5 (2) in subsection (c)(1), by striking “12.5 per-
6 cent” and inserting “18³/₄ per centum”;

7 (3) in subsection (l), by striking “12¹/₂” each
8 time it appears and inserting “18³/₄”; and

9 (4) in subsection (n)(1)(C), by striking “12¹/₂”
10 and inserting “18³/₄”.

11 **SEC. 5. ULTRA-DEEPWATER AND UNCONVENTIONAL NAT-
12 URAL GAS AND OTHER PETROLEUM RE-
13 SOURCES.**

14 Subtitle J of title IX of the Energy Policy Act of
15 2005 (42 U.S.C. 16371 et seq.) is repealed.

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

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

20 (1) in paragraph (3), by striking “plus
21 \$75,000,000; and” and inserting “and the liability
22 of the responsible party under section 1002;”;

23 (2) in paragraph (4)—

24 (A) by inserting “(except an onshore pipe-
25 line transporting diluted bitumen, bituminous

1 mixtures, or any oil manufactured from bitu-
2 men)” after “for any onshore facility”; and

3 (B) by striking the period at the end and
4 inserting “; and”; and

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

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

10 **SEC. 7. FUNDS TO WORLD BANK FOR FINANCING**
11 **PROJECTS THAT SUPPORT COAL, OIL, OR**
12 **NATURAL GAS.**

13 (a) **RESCISSION OF FUNDS.**—Effective on the date
14 of enactment of this Act, there are rescinded all unobli-
15 gated balances of the amounts made available to the Inter-
16 national Bank for Reconstruction and Development and
17 the International Development Association (commonly
18 known as the “World Bank”), and each other similar
19 international financing entity that has received amounts
20 from the United States, as determined by the Secretary
21 of the Treasury, to carry out any project that supports
22 coal, oil, or natural gas.

23 (b) **FUTURE FUNDS.**—Notwithstanding any other
24 provision of law, any amounts made available to the World
25 Bank or any other international financing entity shall not

1 be used to carry out any project that supports coal, oil,
2 or natural gas.

3 **SEC. 8. OFFICE OF FOSSIL ENERGY RESEARCH AND DEVEL-**
4 **OPMENT.**

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

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

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

11 (3) by redesignating subparagraph (E) as sub-
12 paragraph (D).

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

18 **SEC. 9. ADVANCED RESEARCH PROJECTS AGENCY—EN-**
19 **ERGY.**

20 None of the funds made available to the Advanced
21 Research Projects Agency—Energy shall be used to carry
22 out any project that supports coal, oil, or natural gas.

23 **SEC. 10. INCENTIVES FOR INNOVATIVE TECHNOLOGIES.**

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

1 (1) in subsection (b)—

2 (A) by striking paragraph (2);

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

4 (C) by redesignating paragraphs (3)
5 through (9) as paragraphs (2) through (8) re-
6 spectively;

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

8 (3) by redesignating subsections (d) and (e) as
9 paragraphs (c) and (d) respectively.

10 (b) CONFORMING AMENDMENT.—Section 1704 of the
11 Energy Policy Act of 2005 is amended—

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

14 (2) by striking subsection (b).

15 **SEC. 11. RURAL UTILITY SERVICE LOAN GUARANTEES.**

16 The Secretary of Agriculture shall not make a loan
17 under title III of the Rural Electrification Act of 1936
18 (7 U.S.C. 931 et seq.) to an applicant for the purpose
19 of carrying out any project that will use coal, oil, or nat-
20 ural gas.

1 **SEC. 12. FUNDS TO THE OVERSEAS PRIVATE INVESTMENT**
2 **CORPORATION OR THE EXPORT-IMPORT**
3 **BANK OF THE UNITED STATES FOR FINANC-**
4 **ING PROJECTS, TRANSACTIONS, OR OTHER**
5 **ACTIVITIES THAT SUPPORT COAL, OIL, OR**
6 **NATURAL GAS.**

7 (a) **RESCISSION OF FUNDS.**—Effective on the date
8 of enactment of this Act, there are rescinded all unobli-
9 gated balances of the amounts made available to the Over-
10 seas Private Investment Corporation or the Export-Import
11 Bank of the United States to carry out any project, trans-
12 action, or other activity that supports coal, oil, or natural
13 gas production.

14 (b) **FUTURE FUNDS.**—Notwithstanding any other
15 provision of law, any amounts made available to the Over-
16 seas Private Investment Corporation or the Export-Import
17 Bank of the United States shall not be used to carry out
18 any project, transaction, or other activity that supports
19 coal, oil, or natural gas production.

20 **SEC. 13. TRANSPORTATION FUNDS FOR GRANTS, LOANS,**
21 **LOAN GUARANTEES, AND OTHER DIRECT AS-**
22 **SISTANCE.**

23 Notwithstanding any other provision of law, any
24 amounts made available to the Department of Transpor-
25 tation (including the Federal Railroad Administration)
26 shall not be used to award any grant, loan, loan guarantee,

1 or provide any other direct assistance to any rail or port
2 project that transports coal, oil, or natural gas.

3 **SEC. 14. TERMINATION OF VARIOUS TAX EXPENDITURES**
4 **RELATING TO FOSSIL FUELS.**

5 (a) IN GENERAL.—Subchapter C of chapter 90 of the
6 Internal Revenue Code of 1986 is amended by adding at
7 the end the following new section:

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

10 “(a) IN GENERAL.—The following provisions shall
11 not apply to taxable years beginning after the date of the
12 enactment of the End Polluter Welfare Act of 2012:

13 “(1) Section 43 (relating to enhanced oil recov-
14 ery credit).

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

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

19 “(4) Section 193 (relating to tertiary
20 injectants).

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

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

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

3 “(8) Section 613A (relating to limitations on
4 percentage depletion in case of oil and natural gas
5 wells).

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

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

10 “(b) PROVISIONS RELATING TO PROPERTY.—The
11 following provisions shall not apply to property placed in
12 service after the date of the enactment of the End Polluter
13 Welfare Act of 2012:

14 “(1) Subparagraphs (C)(iii) and (E)(viii) of
15 section 168(e)(3) (relating to classification of certain
16 property).

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

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

22 “(c) PROVISIONS RELATING TO COSTS AND EX-
23 PENSES.—The following provisions shall not apply to costs
24 or expenses paid or incurred after the date of the enact-
25 ment of the End Polluter Welfare Act of 2012:

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

4 “(2) Section 198 (relating to expensing of envi-
5 ronmental remediation costs).

6 “(3) Section 263(c) (relating to intangible drill-
7 ing and development costs) with respect to costs in
8 the case of oil and natural gas wells.

9 “(4) Section 468 (relating to special rules for
10 mining and solid waste reclamation and closing
11 costs).

12 “(d) 5-YEAR CARRYBACK FOR MARGINAL OIL AND
13 NATURAL GAS WELL PRODUCTION CREDIT.—Section
14 39(a)(3) (relating to 5-year carryback for marginal oil and
15 natural gas well production credit) shall not apply to cred-
16 its determined in taxable years beginning after the date
17 of the enactment of the End Polluter Welfare Act of 2012.

18 “(e) CREDIT FOR CARBON DIOXIDE SEQUESTRA-
19 TION.—Section 45Q (relating to credit for carbon dioxide
20 sequestration) shall not apply to carbon dioxide captured
21 after the date of the enactment of the End Polluter Wel-
22 fare Act of 2012.

23 “(f) ALLOCATED CREDITS.—No new credits shall be
24 certified under section 48A (relating to qualifying ad-
25 vanced coal project credit) or section 48B (relating to

1 qualifying gasification project credit) after the date of the
2 enactment of the End Polluter Welfare Act of 2012.

3 “(g) ARBITRAGE BONDS.—Section 148(b)(4) (relat-
4 ing to safe harbor for prepaid natural gas) shall not apply
5 to obligations issued after the date of the enactment of
6 the End Polluter Welfare Act of 2012”.

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

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

10 **SEC. 15. TERMINATION OF ALTERNATIVE FUEL VEHICLE**
11 **REFUELING PROPERTY CREDIT WITH RE-**
12 **SPECT TO FOSSIL FUELS.**

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

15 (1) by striking “, natural gas, compressed nat-
16 ural gas, liquefied natural gas, liquefied petroleum
17 gas,” in subparagraph (A),

18 (2) by striking subparagraph (B), and

19 (3) by redesignating subparagraph (C) as sub-
20 paragraph (B).

21 (b) TECHNICAL AMENDMENT.—Paragraph (2) of
22 section 30C(g) of the Internal Revenue Code of 1986 is
23 amended by striking the second period.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to property placed in service after
3 December 31, 2011.

4 **SEC. 16. UNIFORM SEVEN-YEAR AMORTIZATION FOR GEO-**
5 **LOGICAL AND GEOPHYSICAL EXPENDITURES.**

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

8 (1) by striking “24-month period” each place it
9 appears in paragraphs (1) and (4) and inserting “7-
10 year period”, and

11 (2) by striking paragraph (5).

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

15 **SEC. 17. NATURAL GAS GATHERING LINES TREATED AS 15-**
16 **YEAR PROPERTY.**

17 (a) IN GENERAL.—Subparagraph (E) of section
18 168(e)(3) of the Internal Revenue Code of 1986 is amend-
19 ed by striking “and” at the end of clause (viii), by striking
20 the period at the end of clause (ix) and inserting “, and”,
21 and by adding at the end the following new clause:

22 “(x) any natural gas gathering line
23 the original use of which commences with
24 the taxpayer after the date of the enact-
25 ment of this clause.”.

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

“(E)(x) 22”.

5 (c) CONFORMING AMENDMENT.—Clause (iv) of sec-
 6 tion 168(e)(3)(C) of the Internal Revenue Code of 1986
 7 is amended by inserting “and on or before the date of the
 8 enactment of the End Polluter Welfare Act of 2012” after
 9 “April 11, 2005”.

10 (d) EFFECTIVE DATE.—

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

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

21 **SEC. 18. REPEAL OF DOMESTIC MANUFACTURING DEDUC-**
 22 **TION FOR HARD MINERAL MINING.**

23 (a) IN GENERAL.—Subparagraph (B) of section
 24 199(c)(4) of the Internal Revenue Code of 1986 is amend-
 25 ed by striking “and” at the end of clause (ii), by striking

1 the period at the end of clause (iii) and inserting “, and”,
2 and by adding at the end the following new clause:

3 “(iv) the mining of any hard min-
4 eral.”.

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

8 **SEC. 19. LIMITATION ON DEDUCTION FOR INCOME ATTRIB-**
9 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**
10 **NATURAL GAS, OR PRIMARY PRODUCTS**
11 **THEREOF.**

12 (a) **DENIAL OF DEDUCTION.**—Paragraph (4) of sec-
13 tion 199(c) of the Internal Revenue Code of 1986 is
14 amended by adding at the end the following new subpara-
15 graph:

16 “(E) **SPECIAL RULE FOR OIL, NATURAL**
17 **GAS, AND COAL INCOME.**—The term ‘domestic
18 production gross receipts’ shall not include
19 gross receipts from the production, refining,
20 processing, transportation, or distribution of oil,
21 natural gas, or coal, or any primary product
22 (within the meaning of subsection (d)(9)) there-
23 of.”.

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

4 **SEC. 20. TERMINATION OF LAST-IN, FIRST-OUT METHOD OF**
5 **INVENTORY FOR OIL, NATURAL GAS, AND**
6 **COAL COMPANIES.**

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

10 “(h) TERMINATION FOR OIL, NATURAL GAS, AND
11 COAL COMPANIES.—Subsection (a) shall not apply to any
12 taxpayer that is in the trade or business of the production,
13 refining, processing, transportation, or distribution of oil,
14 natural gas, or coal for any taxable year beginning after
15 December 31, 2012.”.

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

19 “(h) TERMINATION FOR OIL, NATURAL GAS, AND
20 COAL COMPANIES.—This section shall not apply to any
21 taxpayer that is in the trade or business of the production,
22 refining, processing, transportation, or distribution of oil,
23 natural gas, or coal for any taxable year beginning after
24 December 31, 2012.”.

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

4 **SEC. 21. REPEAL OF PERCENTAGE DEPLETION FOR COAL**
5 **AND HARD MINERAL FOSSIL FUELS.**

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

9 “(f) TERMINATION WITH RESPECT TO COAL AND
10 HARD MINERAL FOSSIL FUELS.—In the case of coal, lig-
11 nite, and oil shale (other than oil shale described in sub-
12 section (b)(5)), the allowance for depletion shall be com-
13 puted without reference to this section. for any taxable
14 year beginning after the date of the enactment of the End
15 Polluter Welfare Act of 2012.”.

16 (b) CONFORMING AMENDMENTS.—

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

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

22 “(2) 15 PERCENT.—If, from deposits in the
23 United States, gold, silver, copper, and iron ore.”.

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

4 **SEC. 22. TERMINATION OF CAPITAL GAINS TREATMENT**
5 **FOR ROYALTIES FROM COAL.**

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

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

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

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

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

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

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

1 **SEC. 23. 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. 24. 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, 2012, 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. 25. 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. 26. 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. 27. 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. 5896. Imposition of tax.

“Sec. 5897. Taxable crude oil or natural gas and removal price.

“Sec. 5898. Special rules and definitions.

18 **“SEC. 5896. 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. 5897. 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. 5898. 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 5896 on a
19 quarterly basis.

20 “(2) RECORDS AND INFORMATION.—Each tax-
21 payer liable for tax under section 5896 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 5896.

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 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. 29. 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 an oil, natural gas, or coal company
17 for the production 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 Rev-
5 enue, shall submit to Congress a report on the appli-
6 cable recovery period under the accelerated cost re-
7 covery system provided in section 168 of the Inter-
8 nal 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 Inter-
15 nal 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.