

110TH CONGRESS
1ST SESSION

S. 103

To amend the Internal Revenue Code of 1986 to provide that major oil and gas companies will not be eligible for the effective rate reductions enacted in 2004 for domestic manufacturers.

IN THE SENATE OF THE UNITED STATES

JANUARY 4, 2007

Mr. KERRY (for himself, Mrs. FEINSTEIN, and Mr. WYDEN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide that major oil and gas companies will not be eligible for the effective rate reductions enacted in 2004 for domestic manufacturers.

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 “Restore a Rational
5 Tax Rate on Petroleum Production Act of 2007”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds that—

1 (1) like many other countries, the United States
2 has long provided export-related benefits under its
3 tax law,

4 (2) producers and refiners of oil and natural
5 gas were specifically denied the benefits of those ex-
6 port-related tax provisions,

7 (3) those export-related tax provisions were suc-
8 cessfully challenged by the European Union as being
9 inconsistent with our trade agreements,

10 (4) the Congress responded by repealing the ex-
11 port-related benefits and enacting a substitute ben-
12 efit that was an effective rate reduction for United
13 States manufacturers,

14 (5) producers and refiners of oil and natural
15 gas were made eligible for the rate reduction even
16 though they suffered no detriment from repeal of the
17 export-related benefits, and

18 (6) the decision to provide the effective rate re-
19 duction to producers and refiners of oil and natural
20 gas has operated as a reverse windfall profits tax,
21 lowering the tax rate on the windfall profits they are
22 currently enjoying.

1 **SEC. 3. DENIAL OF DEDUCTION FOR INCOME ATTRIB-**
2 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**
3 **NATURAL GAS, OR PRIMARY PRODUCTS**
4 **THEREOF.**

5 (a) **IN GENERAL.**—Subparagraph (B) of section
6 199(c)(4) of the Internal Revenue Code of 1986 (relating
7 to exceptions) is amended by striking “or” at the end of
8 clause (ii), by striking the period at the end of clause (iii)
9 and inserting “, or”, and by inserting after clause (iii) the
10 following new clause:

11 “(iv) in the case of any major inte-
12 grated oil company (as defined in section
13 167(h)(5)(B)), the production, refining,
14 processing, transportation, or distribution
15 of oil, natural gas, or any primary product
16 thereof during any taxable year described
17 in section 167(h)(A).”.

18 (b) **CONFORMING AMENDMENTS.**—Section 199(c)(4)
19 of such Code is amended—

20 (1) in subparagraph (A)(i)(III) by striking
21 “electricity, natural gas,” and inserting “electricity”,
22 and

23 (2) in subparagraph (B)(ii) by striking “elec-
24 tricity, natural gas,” and inserting “electricity”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2006.

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