

114TH CONGRESS
1ST SESSION

S. 1041

To eliminate certain subsidies for fossil-fuel production.

IN THE SENATE OF THE UNITED STATES

APRIL 22, 2015

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

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 2015”.

6 **SEC. 2. FINDINGS.**

7 Congress finds that—

8 (1) President Obama joined other world leaders
9 from the Group of Twenty in 2009, and again in
10 2013, in pledging to phase out wasteful fossil-fuel
11 subsidies;

1 (2) the Environmental Law Institute found that
2 from 2002 through 2008, Federal fossil-fuel sub-
3 sidies in the United States totaled over
4 \$72,000,000,000, while Federal renewable-energy in-
5 vestments totaled \$12,200,000,000;

6 (3) according to Taxpayers for Common Sense,
7 the 5 largest oil corporations have made more than
8 \$1,000,000,000,000 in profits during the past dec-
9 ade;

10 (4) according to the Center for American
11 Progress, the 5 largest oil corporations posted more
12 than \$89,700,000,000 in profits in 2014 alone;

13 (5) according to the Center for Responsive Poli-
14 tics, the oil and gas, coal, utility, and other natural
15 resource extraction industries spent more than
16 \$1,800,000,000 on lobbying during the period of
17 2010 to 2014, which was an effective investment in
18 protecting their extraordinary tax loopholes and sub-
19 sidies; and

20 (6) it is not in the national interest for tax-
21 payers in the United States to subsidize highly prof-
22 itable, polluting fossil-fuel companies.

1 **SEC. 3. DEFINITION OF FOSSIL FUEL.**

2 In this Act, the term “fossil fuel” means coal, petro-
 3 leum, natural gas, or any derivative of coal, petroleum,
 4 or natural gas that is used for fuel.

5 **SEC. 4. ROYALTY RELIEF.**

6 (a) IN GENERAL.—

7 (1) OUTER CONTINENTAL SHELF LANDS ACT.—

8 Section 8(a)(3) of the Outer Continental Shelf
 9 Lands Act (43 U.S.C. 1337(a)(3)) is amended—

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

11 (B) by redesignating subparagraph (C) as
 12 subparagraph (B).

13 (2) ENERGY POLICY ACT OF 2005.—

14 (A) INCENTIVES FOR NATURAL GAS PRO-
 15 Duction FROM DEEP WELLS IN THE SHALLOW
 16 WATERS OF THE GULF OF MEXICO.—Section
 17 344 of the Energy Policy Act of 2005 (42
 18 U.S.C. 15904) is repealed.

19 (B) DEEP WATER PRODUCTION.—Section
 20 345 of the Energy Policy Act of 2005 (42
 21 U.S.C. 15905) is repealed.

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

1 **SEC. 5. ROYALTIES UNDER MINERAL LEASING ACT.**

2 (a) COAL LEASES.—Section 7(a) of the Mineral
3 Leasing Act (30 U.S.C. 207(a)) is amended by striking
4 “12½” and inserting “18¾”.

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

9 (c) LEASES ON LAND KNOWN OR BELIEVED TO
10 CONTAIN OIL OR NATURAL GAS.—Section 17 of the Min-
11 eral Leasing Act (30 U.S.C. 226) is amended—

12 (1) in subsection (b)—

13 (A) in paragraph (1)(A), by striking
14 “12.5” and inserting “18¾”; and

15 (B) in paragraph (2)(A)(ii), by striking
16 “12½” and inserting “18¾”;

17 (2) in subsection (c)(1), by striking “12.5” and
18 inserting “18¾”;

19 (3) in subsection (l), by striking “12½” each
20 time it appears and inserting “18¾”; and

21 (4) in subsection (n)(1)(C), by striking “12½”
22 and inserting “18¾”.

23 **SEC. 6. ELIMINATION OF INTEREST PAYMENTS FOR ROY-**
24 **ALTY OVERPAYMENTS.**

25 Section 111 of the Federal Oil and Gas Royalty Man-
26 agement Act of 1982 (30 U.S.C. 1721) is amended—

1 (1) by striking subsections (h) and (i) and in-
2 serting the following:

3 “(h) PAYMENT OF INTEREST.—Interest shall not be
4 paid on any overpayment.”; and

5 (2) by redesignating subsections (j), (k), and (l)
6 as subsections (i), (j), and (k), respectively.

7 **SEC. 7. REMOVAL OF LIMITS ON LIABILITY FOR OFFSHORE**
8 **FACILITIES AND PIPELINE OPERATORS.**

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

11 (1) in paragraph (3), by striking “plus
12 \$75,000,000; and” and inserting “and the liability
13 of the responsible party under section 1002;”;

14 (2) in paragraph (4)—

15 (A) by inserting “(except an onshore pipe-
16 line transporting diluted bitumen, bituminous
17 mixtures, or any oil manufactured from bitu-
18 men)” after “for any onshore facility”; and

19 (B) by striking the period at the end and
20 inserting “; and”; and

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

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

1 **SEC. 8. FUNDS TO WORLD BANK FOR FINANCING**
2 **PROJECTS THAT SUPPORT FOSSIL FUEL.**

3 (a) **RESCISSION OF FUNDS.**—Except as provided in
4 subsection (c), effective on the date of enactment of this
5 Act, there are rescinded all unobligated balances of the
6 amounts made available to the International Bank for Re-
7 construction and Development and the International De-
8 velopment Association (commonly known as the “World
9 Bank”), and each other similar international financing en-
10 tity that has received amounts from the United States,
11 as determined by the Secretary of the Treasury, to carry
12 out any project that supports fossil-fueled power plants.

13 (b) **FUTURE FUNDS.**—Except as provided in sub-
14 section (c), notwithstanding any other provision of law,
15 any amounts made available to the World Bank or any
16 other international financing entity shall not be used to
17 carry out any project that supports fossil fuel.

18 (c) **EXCEPTION.**—Subsections (a) and (b) shall not
19 apply to a fossil-fueled power plant project located in a
20 Least Developed Country (as that term is defined by the
21 United Nations General Assembly), on the condition
22 that—

23 (1) no other economically feasible alternative
24 exists; and

25 (2) the project uses the most efficient tech-
26 nology available.

1 **SEC. 9. OFFICE OF FOSSIL ENERGY RESEARCH AND DEVEL-**
2 **OPMENT.**

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

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

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

9 (3) by redesignating subparagraph (E) as sub-
10 paragraph (D).

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

16 **SEC. 10. ADVANCED RESEARCH PROJECTS AGENCY—EN-**
17 **ERGY.**

18 None of the funds made available to the Advanced
19 Research Projects Agency—Energy shall be used to carry
20 out any project that supports fossil fuel.

21 **SEC. 11. INCENTIVES FOR INNOVATIVE TECHNOLOGIES.**

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

24 (1) in subsection (b)—

25 (A) by striking paragraph (2);

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

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

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

5 (3) by redesignating subsections (d) and (e) as
 6 paragraphs (c) and (d) respectively.

7 (b) CONFORMING AMENDMENT.—Section 1704 of the
 8 Energy Policy Act of 2005 (42 U.S.C. 16514) is amend-
 9 ed—

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

12 (2) by striking subsection (b).

13 **SEC. 12. RURAL UTILITY SERVICE LOAN GUARANTEES.**

14 The Secretary of Agriculture shall not make a loan
 15 under title III of the Rural Electrification Act of 1936
 16 (7 U.S.C. 931 et seq.) to an applicant for the purpose
 17 of carrying out any project that will use fossil fuel.

18 **SEC. 13. FUNDS TO THE OVERSEAS PRIVATE INVESTMENT**
 19 **CORPORATION OR THE EXPORT-IMPORT**
 20 **BANK OF THE UNITED STATES FOR FINANC-**
 21 **ING PROJECTS, TRANSACTIONS, OR OTHER**
 22 **ACTIVITIES THAT SUPPORT FOSSIL FUEL.**

23 (a) RESCISSION OF FUNDS.—Except as provided in
 24 subsection (c), effective on the date of enactment of this
 25 Act, there are rescinded all unobligated balances of the

1 amounts made available to the Overseas Private Invest-
2 ment Corporation or the Export-Import Bank of the
3 United States to carry out any project, transaction, or
4 other activity that supports fossil-fuel production or use.

5 (b) FUTURE FUNDS.—Except as provided in sub-
6 section (c), notwithstanding any other provision of law,
7 any amounts made available to the Overseas Private In-
8 vestment Corporation or the Export-Import Bank of the
9 United States shall not be used to carry out any project,
10 transaction, or other activity that supports fossil-fuel pro-
11 duction or use.

12 (c) EXCEPTION.—Subsections (a) and (b) shall not
13 apply to a fossil-fueled power plant project located in a
14 Least Developed Country (as that term is defined by the
15 United Nations General Assembly), on the condition
16 that—

17 (1) no other economically feasible alternative
18 exists; and

19 (2) the project uses the most efficient tech-
20 nology available.

21 **SEC. 14. TRANSPORTATION FUNDS FOR GRANTS, LOANS,**
22 **LOAN GUARANTEES, AND OTHER DIRECT AS-**
23 **SISTANCE.**

24 Notwithstanding any other provision of law, any
25 amounts made available to the Department of Transpor-

1 tation (including the Federal Railroad Administration)
2 shall not be used to award any grant, loan, loan guarantee,
3 or provide any other direct assistance to any rail or port
4 project that transports fossil fuel.

5 **SEC. 15. TERMINATION OF VARIOUS TAX EXPENDITURES**
6 **RELATING TO FOSSIL FUELS.**

7 (a) IN GENERAL.—Subchapter C of chapter 80 of the
8 Internal Revenue Code of 1986 is amended by adding at
9 the end the following new section:

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

12 “(a) IN GENERAL.—The following provisions shall
13 not apply to taxable years beginning after the date of the
14 enactment of the End Polluter Welfare Act of 2015:

15 “(1) Section 43 (relating to enhanced oil recov-
16 ery credit).

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

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

21 “(4) Section 193 (relating to tertiary
22 injectants).

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

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

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

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

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

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 2015:

14 “(1) Subparagraph (C)(iii) of section 168(e)(3)
15 (relating to classification of certain property).

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

19 “(c) PROVISIONS RELATING TO COSTS AND EX-
20 PENSES.—The following provisions shall not apply to costs
21 or expenses paid or incurred after the date of the enact-
22 ment of the End Polluter Welfare Act of 2015:

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

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

4 “(3) Section 468 (relating to special rules for
5 mining and solid waste reclamation and closing
6 costs).

7 “(d) 5-YEAR CARRYBACK FOR MARGINAL OIL AND
8 NATURAL GAS WELL PRODUCTION CREDIT.—Section
9 39(a)(3) (relating to 5-year carryback for marginal oil and
10 natural gas well production credit) shall not apply to cred-
11 its determined in taxable years beginning after the date
12 of the enactment of the End Polluter Welfare Act of 2015.

13 “(e) CREDIT FOR CARBON DIOXIDE SEQUESTRA-
14 TION.—Section 45Q (relating to credit for carbon dioxide
15 sequestration) shall not apply to carbon dioxide captured
16 after the date of the enactment of the End Polluter Wel-
17 fare Act of 2015.

18 “(f) ALLOCATED CREDITS.—No new credits shall be
19 certified under section 48A (relating to qualifying ad-
20 vanced coal project credit) or section 48B (relating to
21 qualifying gasification project credit) after the date of the
22 enactment of the End Polluter Welfare Act of 2015.

23 “(g) ARBITRAGE BONDS.—Section 148(b)(4) (relat-
24 ing to safe harbor for prepaid natural gas) shall not apply

1 to obligations issued after the date of the enactment of
2 the End Polluter Welfare Act of 2015.”.

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

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

6 **SEC. 16. UNIFORM SEVEN-YEAR AMORTIZATION FOR GEO-**
7 **LOGICAL AND GEOPHYSICAL EXPENDITURES.**

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

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

13 (2) by striking paragraph (5).

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

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

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

24 “(x) any natural gas gathering line
25 the original use of which commences with

1 the taxpayer after the date of the enact-
2 ment of this clause.”.

3 (b) ALTERNATIVE SYSTEM.—The table contained in
4 section 168(g)(3)(B) of the Internal Revenue Code of
5 1986 is amended by inserting after the item relating to
6 subparagraph (E)(ix) the following new item:

“ (E)(x) 22”.

7 (c) CONFORMING AMENDMENT.—Clause (iv) of sec-
8 tion 168(e)(3)(C) of the Internal Revenue Code of 1986
9 is amended by inserting “and on or before the date of the
10 enactment of the End Polluter Welfare Act of 2015” after
11 “April 11, 2005”.

12 (d) EFFECTIVE DATE.—

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

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

1 **SEC. 18. REPEAL OF DOMESTIC MANUFACTURING DEDUC-**
 2 **TION FOR HARD MINERAL MINING.**

3 (a) **IN GENERAL.**—Subparagraph (B) of section
 4 199(c)(4) of the Internal Revenue Code of 1986 is amend-
 5 ed by striking “or” at the end of clause (ii), by striking
 6 the period at the end of clause (iii) and inserting “, or”,
 7 and by adding at the end the following new clause:

8 “(iv) the mining of any hard min-
 9 eral.”.

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

13 **SEC. 19. LIMITATION ON DEDUCTION FOR INCOME ATTRIB-**
 14 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**
 15 **NATURAL GAS, OR PRIMARY PRODUCTS**
 16 **THEREOF.**

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

21 “(E) **SPECIAL RULE FOR OIL, NATURAL**
 22 **GAS, AND COAL INCOME.**—The term ‘domestic
 23 production gross receipts’ shall not include
 24 gross receipts from the production, refining,
 25 processing, transportation, or distribution of oil,
 26 natural gas, or coal, or any primary product

1 (within the meaning of subsection (d)(9)) there-
2 of.”.

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

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

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

12 “(h) **TERMINATION FOR OIL, NATURAL GAS, AND**
13 **COAL COMPANIES.**—Subsection (a) shall not apply to any
14 taxpayer that is in the trade or business of the production,
15 refining, processing, transportation, or distribution of oil,
16 natural gas, or coal for any taxable year beginning after
17 the date of enactment of the End Polluter Welfare Act
18 of 2015.”.

19 (b) **ADDITIONAL TERMINATION.**—Section 473 of the
20 Internal Revenue Code of 1986 is amended by adding at
21 the end the following new subsection:

22 “(h) **TERMINATION FOR OIL, NATURAL GAS, AND**
23 **COAL COMPANIES.**—This section shall not apply to any
24 taxpayer that is in the trade or business of the production,
25 refining, processing, transportation, or distribution of oil,

1 natural gas, or coal for any taxable year beginning after
2 the date of enactment of the End Polluter Welfare Act
3 of 2015.”.

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

7 **SEC. 21. REPEAL OF PERCENTAGE DEPLETION FOR COAL**
8 **AND HARD MINERAL FOSSIL FUELS.**

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

12 “(f) TERMINATION WITH RESPECT TO COAL AND
13 HARD MINERAL FOSSIL FUELS.—In the case of coal, lig-
14 nite, and oil shale (other than oil shale described in sub-
15 section (b)(5)), the allowance for depletion shall be com-
16 puted without reference to this section for any taxable
17 year beginning after the date of the enactment of the End
18 Polluter Welfare Act of 2015.”.

19 (b) CONFORMING AMENDMENTS.—

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

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

1 “(2) 15 PERCENT.—If, from deposits in the
2 United States, gold, silver, copper, and iron ore.”.

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

6 **SEC. 22. TERMINATION OF CAPITAL GAINS TREATMENT**
7 **FOR ROYALTIES FROM COAL.**

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

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

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

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

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

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

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to dispositions after the date of
22 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, 2016, 8 cents a barrel,

11 “(ii) in the case of crude oil received
12 or petroleum products entered after De-
13 cember 31, 2015, 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. 5901. Imposition of tax.

“Sec. 5902. Taxable crude oil or natural gas and removal price.

“Sec. 5903. Special rules and definitions.

18 **“SEC. 5901. 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. 5902. 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. 5903. 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 5901 on a
19 quarterly basis.

20 “(2) RECORDS AND INFORMATION.—Each tax-
21 payer liable for tax under section 5901 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 5901.

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 “(d) REGULATIONS.—The Secretary shall prescribe
2 such regulations as may be necessary or appropriate to
3 carry out the purposes of this chapter.”.

4 (b) DEDUCTIBILITY OF TAX.—The first sentence of
5 section 164(a) of the Internal Revenue Code of 1986 is
6 amended by inserting after paragraph (4) the following
7 new paragraph:

8 “(5) The tax imposed by section 5901(a) (after
9 application of section 5901(b)) on the severance of
10 crude oil or natural gas from the outer Continental
11 Shelf in the Gulf of Mexico.”.

12 (c) CLERICAL AMENDMENT.—The table of chapters
13 for subtitle E is amended by adding at the end the fol-
14 lowing new item:

“CHAPTER 56. Tax on severance of crude oil and natural gas
from the outer Continental Shelf in the Gulf of
Mexico.”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to crude oil or natural gas removed
17 after December 31, 2015.

18 **SEC. 28. REPEAL OF CORPORATE INCOME TAX EXEMPTION**
19 **FOR PUBLICLY TRADED PARTNERSHIPS**
20 **WITH QUALIFYING INCOME AND GAINS FROM**
21 **ACTIVITIES RELATING TO FOSSIL FUELS.**

22 (a) IN GENERAL.—Section 7704(d)(1) of the Inter-
23 nal Revenue Code of 1986 is amended—

24 (1) by striking subparagraph (E),

1 (2) by redesignating subparagraphs (F) and
2 (G) as subparagraphs (E) and (F), respectively, and
3 (3) by striking the flush matter at the end.

4 (b) CONFORMING AMENDMENT.—Section
5 988(c)(1)(E)(iii)(III) of the Internal Revenue Code of
6 1986 is amended by striking “or (G)” and inserting “or
7 (F)”.

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

11 **SEC. 29. POWDER RIVER BASIN.**

12 (a) DESIGNATION OF THE POWDER RIVER BASIN AS
13 A COAL PRODUCING REGION.—The Director of the Bu-
14 reau of Land Management shall designate the Powder
15 River Basin as a coal producing region.

16 (b) REPORT.—Not later than 1 year after the date
17 of enactment of this Act, the Director of the Bureau of
18 Land Management shall submit to Congress a report that
19 includes—

20 (1) a study of the fair market value and the
21 amount of royalties paid on coal leases in the Pow-
22 der River Basin compared to other national and
23 international coal markets; and

1 (2) any policy recommendations to capture the
2 future market value of the coal leases in the Powder
3 River Basin.

4 **SEC. 30. REPORTS.**

5 (a) DEFINITION OF FOSSIL-FUEL PRODUCTION SUB-
6 SIDY.—In this section, the term “subsidy for fossil-fuel
7 production” means any direct funding, tax treatment or
8 incentive, risk-reduction benefit, financing assistance or
9 guarantee, royalty relief, or other provision that provides
10 a financial benefit to a fossil-fuel company for the produc-
11 tion of fossil fuels.

12 (b) REPORT TO CONGRESS.—Not later than 1 year
13 after the date of enactment of this Act, the Secretary of
14 the Treasury, in coordination with the Secretary of En-
15 ergy, shall submit to Congress a report detailing each Fed-
16 eral law (including regulations), other than those amended
17 by this Act, as in effect on the date on which the report
18 is submitted, that includes a subsidy for fossil-fuel produc-
19 tion.

20 (c) REPORT ON MODIFIED RECOVERY PERIOD.—

21 (1) IN GENERAL.—Not later than 1 year after
22 the date of enactment of this Act, the Secretary, in
23 coordination with the Commissioner of Internal Rev-
24 enue, shall submit to Congress a report on the appli-
25 cable recovery period under the accelerated cost re-

1 covery system provided in section 168 of the Inter-
2 nal Revenue Code of 1986 for each type of property
3 involved in fossil-fuel production, including pipelines,
4 power generation property, refineries, and drilling
5 equipment, to determine if any assets are receiving
6 a subsidy for fossil-fuel production.

7 (2) ELIMINATION OF SUBSIDY.—In the case of
8 any type of property that the Commissioner of Inter-
9 nal Revenue determines is receiving a subsidy for
10 fossil-fuel production under such section 168, for
11 property placed in service in taxable years beginning
12 after the date of such determination, such section
13 168 shall not apply. The preceding sentence shall
14 not apply to any property with respect to a taxable
15 year unless such determination is published before
16 the first day of such taxable year.

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