

116TH CONGRESS  
2D SESSION

# H. R. 8175

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

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 4, 2020

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 Labor, Science, Space, and Technology, Energy and Commerce, 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

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## 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  
 15 metric ton of carbon dioxide content of the life-cycle  
 16 emissions from the taxable carbon substance.

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

19 “(A) IN GENERAL.—For calendar year  
 20 2021, 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 2021, 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, with re-  
5 spect to that calendar year, a determina-  
6 tion described in subparagraph (A) applies  
7 to that 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.

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

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

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

16               “(1) the tax imposed under section 9901, and  
17               “(2) carbon equivalency fees imposed under this  
18 section on any goods used in the production of such  
19 good.

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

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

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

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

8 **“SEC. 9903. DEFINITIONS.**

9           “For purposes of this subtitle—

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

12                   “(A) coal,

13                   “(B) oil, and

14                   “(C) natural gas.

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

19           “(3) OIL.—The term ‘oil’ includes crude oil  
20 condensates, natural gasoline, shale oil, any bitumen  
21 or bituminous mixture, any oil derived from a bitu-  
22 men or bituminous mixture, and any oil derived  
23 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 follows:

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

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

22 “(i) Worker transition assistance, with  
23 an emphasis on coal workers and coal com-  
24 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, 2021, 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 2022 through 2030—

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 2031 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 2030, 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, 2022.

21 (2) The amendments made by subsection (e)  
22 shall apply to taxable years beginning after Decem-  
23 ber 31, 2021.

○