

[DISCUSSION DRAFT]

APRIL 24, 2007

110TH CONGRESS
1ST SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to reduce emissions of carbon dioxide by imposing a tax on primary fossil fuels based on their carbon content.

IN THE HOUSE OF REPRESENTATIVES

Mr. STARK introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to reduce emissions of carbon dioxide by imposing a tax on primary fossil fuels based on their carbon content.

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 “Save Our Climate Act
5 of 2007”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds as follows:

1 (1) The United States emits approximately 6
2 billion metric tons of carbon dioxide each year, com-
3 prising nearly 24 percent of the world's total carbon
4 dioxide emissions.

5 (2) The concentration of carbon dioxide in the
6 atmosphere has increased from 280 parts per million
7 to 380 parts per million since 1850.

8 (3) The Intergovernmental Panel on Climate
9 Change (IPCC) has concluded that warming of the
10 earth's climate is unequivocal and is caused by
11 human emissions of greenhouse gases, particularly
12 carbon dioxide, into the atmosphere.

13 (4) The IPCC has estimated that global tem-
14 peratures will rise between 3.2-7.2 degrees Fahr-
15 enheit in the next 100 years if carbon dioxide emis-
16 sions are not dramatically reduced.

17 (5) An increase of even a few degrees could
18 have major adverse impacts on both the human and
19 man-made environments, due to rising sea-levels, in-
20 tensification of weather events, mass extinction of
21 species, and scarcity of water.

22 (6) In order to stabilize the earth's climate and
23 prevent catastrophic global climate change, the level
24 of worldwide carbon dioxide emissions need to be re-
25 duced 80 percent by 2050.

1 (7) A tax on fossil fuels based on carbon con-
2 tent will reduce the incentive to burn those fuels,
3 thereby reducing carbon dioxide emissions.

4 (8) Revenue collected from a tax on fossil fuels
5 could be used to decrease taxes on low and middle-
6 income taxpayers, to fund research and development
7 of alternative green energy sources, or to increase
8 funding for other domestic social priorities.

9 **SEC. 3. IMPOSITION OF CARBON TAX ON PRIMARY FOSSIL**
10 **FUELS.**

11 (a) GENERAL RULE.—Chapter 38 of the Internal
12 Revenue Code of 1986 (relating to environmental taxes)
13 is amended by adding at the end thereof the following new
14 subchapter:

15 **“Subchapter E—Carbon Tax on Primary**
16 **Fossil Fuels**

“Sec. 4691. Imposition of tax.

17 **“SEC. 4691. IMPOSITION OF TAX.**

18 “(a) GENERAL RULE.—There is hereby imposed a
19 tax on any taxable fuel sold by the manufacturer, pro-
20 ducer, or importer thereof.

21 “(b) AMOUNT OF TAX.—

22 “(1) IN GENERAL.—The amount of tax imposed
23 by subsection (a) on any taxable fuel shall be an
24 equivalent basis of \$10 per ton of carbon content in

1 such fuel, as determined by the Secretary in con-
2 sultation with the Secretary of Energy.

3 “(2) ANNUAL INCREASE IN AMOUNT OF TAX.—

4 For each calendar year beginning after 2008, para-
5 graph (1) shall be applied by substituting for ‘\$10’
6 the following: ‘the amount in effect under paragraph
7 (1) for the preceding calendar year, increased by
8 \$10.’.

9 “(c) TAXABLE FUEL.—For purposes of this section,
10 the term ‘taxable fuel’ means—

11 “(1) coal (including lignite and peat),

12 “(2) petroleum and any petroleum product (as
13 defined in section 4612(a)(3)), and

14 “(3) natural gas,

15 which is extracted, manufactured, or produced in the
16 United States or entered into the United States for con-
17 sumption, use, or warehousing.

18 “(d) OTHER DEFINITIONS.—For purposes of this
19 section—

20 “(1) UNITED STATES.—The term ‘United
21 States’ has the meaning given such term by section
22 4612(a)(4).

23 “(2) IMPORTER.—The term ‘importer’ means
24 the person entering the taxable fuel for consumption,
25 use, or warehousing.

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

6 “(e) EXCEPTION.—No tax shall be imposed by sub-
7 section (a) on the sale or in-kind exchange of any taxable
8 fuel for deposit in the Strategic Petroleum Reserve estab-
9 lished under part B of title I of the Energy Policy and
10 Conservation Act.

11 “(f) SPECIAL RULES.—

12 “(1) ONLY 1 TAX IMPOSED WITH RESPECT TO
13 ANY PRODUCT.—No tax shall be imposed by sub-
14 section (a) with respect to petroleum or a petroleum
15 product if the person who would be liable for such
16 tax establishes that a prior tax imposed by such sec-
17 tion has been imposed with respect to such product.

18 “(2) FRACTIONAL PART OF TON.—In the case
19 of a fraction of a ton, the tax imposed by subsection
20 (a) shall be the same fraction of the amount of such
21 tax imposed on a whole ton.

22 “(3) USE AND CERTAIN EXCHANGES BY MANU-
23 FACTURER, ETC.—

24 “(A) USE TREATED AS SALE.—If any per-
25 son manufactures, produces, or imports any

1 taxable fuel and uses such fuel, then such per-
2 son shall be liable for tax under subsection (a)
3 in the same manner as if such fuel were sold
4 by such person.

5 “(B) SPECIAL RULES FOR INVENTORY EX-
6 CHANGES.—

7 “(i) IN GENERAL.—Except as pro-
8 vided in this subparagraph, in any case in
9 which a manufacturer, producer, or im-
10 porter of a taxable fuel exchanges such
11 fuel as part of an inventory exchange with
12 another person—

13 “(I) such exchange shall not be
14 treated as a sale, and

15 “(II) such other person shall, for
16 purposes of subsection (a), be treated
17 as the manufacturer, producer, or im-
18 porter of such fuel.

19 “(ii) REGISTRATION REQUIREMENT.—
20 Clause (i) shall not apply to any inventory
21 exchange unless—

22 “(I) both parties are registered
23 with the Secretary as manufacturers,
24 producers, or importers of taxable
25 fuels, and

1 “(II) the person receiving the
2 taxable fuel has, at such time as the
3 Secretary may prescribe, notified the
4 manufacturer, producer, or importer
5 of such person’s registration number
6 and the internal revenue district in
7 which such person is registered.

8 “(iii) INVENTORY EXCHANGE.—For
9 purposes of this subparagraph, the term
10 ‘inventory exchange’ means any exchange
11 in which 2 persons exchange property
12 which is, in the hands of each person,
13 property described in section 1221(a)(1).

14 “(g) REFUND OR CREDIT FOR CERTAIN USES.—

15 “(1) IN GENERAL.—Under regulations pre-
16 scribed by the Secretary, if—

17 “(A) a tax under subsection (a) was paid
18 with respect to any taxable fuel, and

19 “(B) such fuel was used by any person in
20 the manufacture or production of any other
21 substance which is a taxable fuel,

22 then an amount equal to the tax so paid shall be al-
23 lowed as a credit or refund (without interest) to
24 such person in the same manner as if it were an
25 overpayment of tax imposed by subsection (a). In

1 any case to which this paragraph applies, the
2 amount of any such credit or refund shall not exceed
3 the amount of tax imposed by subsection (a) on the
4 other taxable fuel manufactured or produced (or
5 which would have been imposed by such subsection
6 on such other fuel but for subsection (h)).

7 “(h) EXEMPTION FOR EXPORTS OF TAXABLE
8 FUELS.—

9 “(1) TAX-FREE SALES.—

10 “(A) IN GENERAL.—No tax shall be im-
11 posed under subsection (a) on the sale by the
12 manufacturer or producer of any taxable fuel
13 for export or for resale by the purchaser to a
14 second purchaser for export.

15 “(B) PROOF OF EXPORT REQUIRED.—
16 Rules similar to the rules of section 4221(b)
17 shall apply for purposes of subparagraph (A).

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

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

21 “(i) tax under subsection (a) was paid
22 with respect to any taxable fuel, and

23 “(ii)(I) such fuel was exported by any
24 person, or

1 “(II) such fuel was used as a material
2 in the manufacture or production of a tax-
3 able fuel which was exported by any person
4 and which, at the time of export, was a
5 taxable fuel,

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

9 “(B) CONDITION TO ALLOWANCE.—No
10 credit or refund shall be allowed or made under
11 subparagraph (A) unless the person who paid
12 the tax establishes that he—

13 “(i) has repaid or agreed to repay the
14 amount of the tax to the person who ex-
15 ported the taxable fuel, or

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

19 “(C) REFUNDS DIRECTLY TO EX-
20 PORTER.—The Secretary shall provide, in regu-
21 lations, the circumstances under which a credit
22 or refund (without interest) of the tax under
23 subsection (a) shall be allowed or made to the
24 person who exported the taxable fuel, where—

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

4 “(ii) the person exporting the taxable
5 fuel or taxable substance provides such in-
6 formation as the Secretary may require in
7 such regulations.

8 “(3) REGULATIONS.—The Secretary shall pre-
9 scribe such regulations as may be necessary to carry
10 out the purposes of this subsection.”.

11 (b) STUDY.—Not later than 5 years after the date
12 of the enactment of this Act, and every 5 years thereafter,
13 the Secretary of the Treasury, in consultation with the
14 Secretary of Energy, shall conduct a study on the environ-
15 mental, economic and revenue impacts regarding the tax
16 imposed by subchapter E of chapter 38 of the Internal
17 Revenue Code of 1986 (relating to carbon tax on primary
18 fossil fuels). The Secretary shall submit each study to the
19 Committee on Ways and Means of the House of Rep-
20 resentatives and the Committee on Finance of the Senate.

21 (c) CLERICAL AMENDMENT.—The table of sub-
22 chapters for chapter 38 of such Code is amended by add-
23 ing at the end thereof the following new item:

 “SUBCHAPTER E. CARBON TAX ON PRIMARY FOSSIL FUELS.”.

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