# H. R. 3242

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

OCTOBER 24, 2011

Mr. Stark (for himself, Mr. Grijalva, Mr. Moran, Mr. Filner, Mr. Blumenauer, Mr. Honda, Mr. McDermott, Mr. Holt, and Mr. Hastings of Florida) introduced the following bill; which was referred to the Committee on Ways and Means

## 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 2011".
- 6 SEC. 2. FINDINGS.
- 7 The Congress finds as follows:

- 1 (1) The Intergovernmental Panel on Climate 2 Change (IPCC) has concluded that human emissions 3 of greenhouse gases, particularly carbon dioxide are 4 responsible for global climate change.
  - (2) The IPCC has estimated that global temperatures will rise between 3.2–7.2 degrees Fahrenheit in the next 100 years if carbon dioxide emissions are not dramatically reduced.
  - (3) An increase of even a few degrees could have major adverse impacts on both the natural and man-made environments, due to rising sea-levels, intensification of weather events, mass extinction of species, and scarcity of water.
  - (4) The United States is responsible for nearly 18 percent of the world's annual carbon dioxide emissions, equaling approximately 5.5 billion metric tons of carbon dioxide per year.
  - (5) In order to stabilize the earth's climate and prevent catastrophic global climate change, the level of worldwide carbon dioxide emissions needs to be reduced 80 percent below 1990 levels by 2050.
  - (6) A tax on the carbon content of fossil fuels will create incentives for investment and development of low and zero carbon alternatives, thereby re-

1	ducing carbon	dioxide	emissions	and	while	gener-
2	ating funds to	reduce ou	ar deficits.			

- (7) Revenue from a carbon tax can reduce the deficit. Dedicating the revenue from a \$10 per ton of carbon dioxide tax could reduce the deficit by more than \$480 billion over ten years.
- 7 (8) In order to protect consumers from higher 8 energy prices, all carbon tax revenue not targeted 9 for deficit reduction shall be returned to individuals 10 through a dividend distributed on an annual basis.

#### 11 SEC. 3. IMPOSITION OF CARBON TAX ON PRIMARY FOSSIL

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

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## 17 "Subchapter E—Carbon Tax on Primary

## 18 Fossil Fuels

"Sec. 4691. Imposition of tax.

#### 19 "SEC. 4691. IMPOSITION OF TAX.

- 20 "(a) General Rule.—There is hereby imposed a
- 21 tax on any taxable fuel sold by the manufacturer, pro-
- 22 ducer, or importer thereof.
- 23 "(b) Amount of Tax.—

- 1 "(1) IN GENERAL.—The amount of tax imposed 2 by subsection (a) on any taxable fuel shall be an 3 equivalent amount to \$10 per ton of carbon dioxide 4 produced by combustion in such fuel, as determined 5 by the Secretary in consultation with the Secretary 6 of Energy.
  - "(2) Annual increase in amount of tax.—
    For each calendar year beginning after 2011 which is not the year after a target attainment year, paragraph (1) shall be applied by substituting for '\$10' the following: 'the amount in effect under this paragraph for the preceding calendar year, increased by \$10'.
    - "(3) RATE FREEZE AFTER TARGET ATTAIN-MENT.—For each calendar year after a target attainment year, the amount in effect under paragraph (1) shall be the amount in effect under paragraph (1) for the preceding calendar year.
    - "(4) TARGET ATTAINMENT YEAR.—For purposes of paragraph (2), a calendar year is a target attainment year if the level of carbon dioxide emissions in the United States for the calendar year does not exceed 20 percent of the level of carbon dioxide emissions in the United States for calendar year

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- 1990, as determined by the Energy Information Ad-1 2 ministration, Department of Energy. 3 "(c) Taxable Fuel.—For purposes of this section, the term 'taxable fuel' means— "(1) coal (including lignite and peat), 5 "(2) petroleum and any petroleum product (as 6 7 defined in section 4612(a)(3)). "(3) natural gas, and 8 "(4) biomass, municipal solid waste, and any 9 10 organic material other than coal, petroleum, and 11 natural gas that is sold for the purpose of energy 12 production, as determined by the Secretary of En-13 ergy, which is extracted, manufactured, or produced in the 14 15 United States or entered into the United States for consumption, use, or warehousing. 16 "(d) OTHER DEFINITIONS.—For purposes of this 17 section— 18 19 UNITED STATES.—The term 20 States' has the meaning given such term by section 21 4612(a)(4). "(2) Importer.—The term 'importer' means 22
- the person entering the taxable fuel for consumption,use, or warehousing.

- "(3) Ton.—The term 'ton' means 2,000 1 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 subsection (a) on the sale or in-kind exchange of any taxable 7 8 fuel for deposit in the Strategic Petroleum Reserve established 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 a taxable fuel if, with re-15 spect to such fuel, the person who would be liable 16 for such tax establishes that a prior tax imposed by 17 such subsection has been imposed and no refund or 18 credit with respect to such tax is allowed under sub-19 section (g). "(2) Fractional part of ton.—In the case 20 21 of a fraction of a ton, the tax imposed by subsection 22 (a) shall be the same fraction of the amount of such 23 tax imposed on a whole ton.
- 24 "(3) USE AND CERTAIN EXCHANGES BY MANU-25 FACTURER, ETC.—

1	"(A) USE TREATED AS SALE.—If any per-
2	son manufactures, produces, or imports any
3	taxable fuel and uses such fuel, then such per-
4	son shall be liable for tax under subsection (a)
5	in the same manner as if such fuel were sold
6	by such person.
7	"(B) Special rules for inventory ex-
8	CHANGES.—
9	"(i) In general.—Except as pro-
10	vided in this subparagraph, in any case in
11	which a manufacturer, producer, or im-
12	porter of a taxable fuel exchanges such
13	fuel as part of an inventory exchange with
14	another person—
15	"(I) such exchange shall not be
16	treated as a sale, and
17	"(II) such other person shall, for
18	purposes of subsection (a), be treated
19	as the manufacturer, producer, or im-
20	porter of such fuel.
21	"(ii) Registration requirement.—
22	Clause (i) shall not apply to any inventory
23	exchange unless—
24	"(I) both parties are registered
25	with the Secretary as manufacturers,

1	producers, or importers of taxable
2	fuels, and
3	"(II) the person receiving the
4	taxable fuel has, at such time as the
5	Secretary may prescribe, notified the
6	manufacturer, producer, or importer
7	of such person's registration number
8	and the internal revenue district in
9	which such person is registered.
10	"(iii) Inventory exchange.—For
11	purposes of this subparagraph, the term
12	'inventory exchange' means any exchange
13	in which 2 persons exchange property
14	which is, in the hands of each person,
15	property described in section 1221(a)(1).
16	"(g) Refund or Credit for Certain Uses.—
17	"(1) Manufacture or production of an-
18	OTHER TAXABLE FUEL.—Under regulations pre-
19	scribed by the Secretary, if—
20	"(A) a tax under subsection (a) was paid
21	with respect to any taxable fuel, and
22	"(B) such fuel was used by any person in
23	the manufacture or production of any other
24	substance which is a taxable fuel,

1	then a credit or refund (without interest) shall be al-
2	lowed, in the same manner as if it were an overpay-
3	ment of tax imposed by subsection (a), to such per-
4	son in an amount equal to the tax so paid.
5	"(2) Embedded or sequestered carbon.—
6	Under regulations prescribed by the Secretary, if—
7	"(A) a tax under subsection (a) was paid
8	with respect to any taxable fuel,
9	"(B) a person uses such fuel in the manu-
10	facture or production of any substance which is
11	not a taxable fuel, and
12	"(C) in the process of such manufacture or
13	production, carbon in such fuel is embedded or
14	sequestered,
15	then a credit or refund (without interest) shall be al-
16	lowed to such person in the same manner as if it
17	were an overpayment of tax imposed by subsection
18	(a). The amount of such credit or refund shall be an
19	amount equal to the amount of tax in effect under
20	subsection (a) with respect to such fuel for the cal-
21	endar year in which such manufacture or production
22	occurred, determined on the basis of carbon so em-
23	bedded or sequestered.
24	"(3) Limitation.—In any case to which para-
25	graph (1) or (2) applies, the amount of any such

1	credit or refund shall not exceed the amount of tax
2	imposed by subsection (a) on the taxable fuel used
3	in such manufacture or production (or which would
4	have been imposed by such subsection on such other
5	fuel but for subsection (h)).
6	"(h) Exemption for Exports of Taxable
7	Fuels.—
8	"(1) Tax-free sales.—
9	"(A) In general.—No tax shall be im-
10	posed by subsection (a) on the sale by the man-
11	ufacturer or producer of any taxable fuel for ex-
12	port or for resale by the purchaser to a second
13	purchaser for export.
14	"(B) Proof of export required.—
15	Rules similar to the rules of section 4221(b)
16	shall apply for purposes of subparagraph (A).
17	"(2) Credit or refund where tax paid.—
18	"(A) In general.—Except as provided in
19	subparagraph (B), if—
20	"(i) tax under subsection (a) was paid
21	with respect to any taxable fuel, and
22	"(ii)(I) such fuel was exported by any
23	person, or
24	"(II) such fuel was used as a material
25	in the manufacture or production of a tax-

1	able fuel which was exported by any person
2	and which, at the time of export, was a
3	taxable fuel,
4	credit or refund (without interest) of such tax
5	shall be allowed or made to the person who paid
6	such tax.
7	"(B) Condition to allowance.—No
8	credit or refund shall be allowed or made under
9	subparagraph (A) unless the person who paid
10	the tax establishes that he—
11	"(i) has repaid or agreed to repay the
12	amount of the tax to the person who ex-
13	ported the taxable fuel, or
14	"(ii) has obtained the written consent
15	of such exporter to the allowance of the
16	credit or the making of the refund.
17	"(C) REFUNDS DIRECTLY TO EX-
18	PORTER.—The Secretary shall provide, in regu-
19	lations, the circumstances under which a credit
20	or refund (without interest) of the tax under
21	subsection (a) shall be allowed or made to the
22	person who exported the taxable fuel, where—
23	"(i) the person who paid the tax
24	waives his claim to the amount of such
25	credit or refund, and

1 "(ii) the person exporting the taxable 2 fuel provides such information as the Sec-3 retary may require in such regulations.

"(3) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.

#### "(i) Border Adjustments.—

- "(1) IN GENERAL.—The Secretary shall make harmonization adjustments on the importation of any product.
- "(2) FEE.—In the case that taxes paid by manufacturers and producers under this section with respect to comparable products exceeds the sum of any similar carbon content tax imposed by a foreign country on the imported product, plus the amount imposed under subsection (a), the adjustment under subsection (a) shall be the imposition of a fee in the amount the Secretary determines is equal to such excess. Such fee shall be treated as a tax for purposes of subtitle F.
- "(3) CREDIT OR REFUND.—In the case that any similar carbon content tax imposed by a foreign country on the imported product exceeds the taxes paid by manufacturers and producers under this section with respect to comparable products, the adjust-

- 1 ment under subsection (a) shall be a credit or refund
- 2 (without interest) in the amount the Secretary deter-
- 3 mines is equal to such excess. Such credit or refund
- 4 shall be allowed in the same manner as if it were an
- 5 overpayment of tax.
- 6 "(4) Regulations.—The Secretary shall issue
- 7 such regulations as may be necessary to carry out
- 8 this subsection.".
- 9 (b) STUDY.—Not later than 5 years after the date
- 10 of the enactment of this Act, and every 5 years thereafter,
- 11 the Secretary of the Treasury, in consultation with the
- 12 Secretary of Energy and the Administrator of the Envi-
- 13 ronmental Protection Agency, shall conduct a study on the
- 14 environmental, economic, and revenue impacts, and the
- 15 carbon dioxide emissions in the United States, regarding
- 16 the tax imposed by subchapter E of chapter 38 of the In-
- 17 ternal Revenue Code of 1986 (relating to carbon tax on
- 18 primary fossil fuels). The Secretary shall submit each
- 19 study to the Committee on Ways and Means of the House
- 20 of Representatives and the Committee on Finance of the
- 21 Senate.
- (c) Clerical Amendment.—The table of sub-
- 23 chapters for chapter 38 of such Code is amended by add-
- 24 ing at the end thereof the following new item:

<sup>&</sup>quot;SUBCHAPTER E. CARBON TAX ON PRIMARY FOSSIL FUELS.".

1	(d) Effective Date.—The amendments made by
2	this section shall apply to sales after December 31, 2011.
3	SEC. 4. HEALTHY CLIMATE TRUST FUND.
4	(a) ESTABLISHMENT OF TRUST FUND.—Subchapter
5	A of chapter 98 of such Code (relating to trust fund code)
6	is amended by adding at the end the following:
7	"SEC. 9512. HEALTHY CLIMATE TRUST FUND.
8	"(a) Establishment.—There is established in the
9	Treasury of the United States a trust fund to be known
10	as the 'Healthy Climate Trust Fund', consisting of such
11	amounts as may be appropriated to such trust fund as
12	provided for in this section.
13	"(b) Transfers.—There are appropriated to the
14	Healthy Climate Trust Fund—
15	"(1) for calendar year 2012, amounts equiva-
16	lent to the taxes received under section 6691, and
17	"(2) for any calendar year after 2012, amounts
18	equivalent to the taxes received under section 6691
19	that are attributable to the excess of—
20	"(A) the rate of tax in effect under such
21	section for the calendar year, over
22	"(B) \$10.
23	"(c) Expenditures.—
24	"(1) Administrative expenses.—Such
25	amounts as may be necessary from the Healthy Cli-

- mate Trust Fund shall be available to pay the administrative expenses necessary to carry out this section for each year, but not exceeding 0.50 percent of the amounts appropriated to such trust fund under subsection (b) in such year.
  - "(2) Consumer dividend payments.—
    Amounts in the Healthy Climate Trust Fund not used under paragraph (1) for any year shall be available for making consumer dividend payments under subsection (d) before February 15 of the following year.

#### 12 "(d) Payment of Consumer Dividend.—

- "(1) IN GENERAL.—From amounts made available under subsection (c)(2), the Secretary shall make annual consumer dividend payments to each individual who is an eligible individual for that year.
- "(2) Consumer dividend payment' means the individual pro-rata share, as determined by the Secretary, of amounts available for the year in the Healthy Climate Trust Fund under subsection (c)(2).
- "(3) ELIGIBLE INDIVIDUAL.—The term 'eligible individual' means, with respect to any year, any individual with a TIN (other than a nonresident alien

- 1 individual) who is lawfully present in the United
- 2 States for such month, as determined and verified
- 3 by the Secretary in consultation with any other Fed-
- 4 eral entity the Secretary determines appropriate.
- 5 "(4) TAX TREATMENT OF PAYMENTS.—
- 6 Amounts paid under this subsection shall be includ-
- 7 ible in gross income.
- 8 "(e) Report to Congress.—Not later than June
- 9 1, 2013, and at least annually thereafter, the Secretary
- 10 shall transmit to Congress a report accounting for the dis-
- 11 position of amounts in the Healthy Climate Trust Fund
- 12 in the previous calendar year.
- 13 "(f) Healthy Climate Trust Fund Website.—
- 14 Not later than 90 days after the date of the enactment
- 15 of this section, the Secretary shall establish and maintain
- 16 a website to provide the public with information on the
- 17 disposition of any amounts in the Healthy Climate Trust
- 18 Fund.
- 19 "(g) Regulations.—The Secretary shall prescribe
- 20 such regulations and other guidance as may be necessary
- 21 or appropriate to carry out this section.".
- 22 (b) Clerical Amendment.—The table of sections
- 23 for subchapter A of chapter 98 of such Code is amended
- 24 by adding at the end the following new item:

<sup>&</sup>quot;Sec. 9512. Healthy Climate Trust Fund.".

1 (c) Effective Date.—The amendments made by 2 this section shall take effect on January 1, 2011. 3 SEC. 5. DISCLOSURE OF INFORMATION. 4 (a) Limited Disclosure of Identity.—Subsection (l) of section 6103 of the Internal Revenue Code of 1986 is amended by adding at the end the following new para-7 graph: 8 "(22) Limited disclosure of identity in-9 FORMATION RELATING TO CONSUMER DIVIDEND 10 PAYMENTS.— 11 "(A) DEPARTMENT OF THE TREASURY.— 12 Individual identity information shall, without 13 written request, be open to inspection by or dis-14 closure to officers and employees of the Depart-15 ment of the Treasury whose official duties re-16 quire such inspection or disclosure for purposes 17 of section 9512(d). 18 "(B) COMMISSIONER OF SOCIAL SECU-19 RITY.—The Commissioner of Social Security 20 shall, on written request, disclose to officers 21 and employees of the Department of the Treas-22 ury individual identity information which has 23 been disclosed to the Social Security Adminis-

tration as provided by paragraph (1) or (5).

1	"(C) Restriction on disclosure.—In-
2	formation disclosed under this paragraph shall
3	be disclosed only for purposes of, and to the ex-
4	tent necessary in, carrying out section
5	9512(d).".
6	(b) Conforming Amendments.—Section
7	6103(p)(3)(A) of the Internal Revenue Code of 1986 is
8	amended by striking "or (21)" and inserting ", (21), or
9	(22)".

## 10 SEC. 6. EFFECTIVE DATE.

The amendments made by this Act shall take effect on the date of the enactment of this Act.

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