

112TH CONGRESS
1ST SESSION

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.

5 (2) The IPCC has estimated that global tem-
6 peratures will rise between 3.2–7.2 degrees Fahr-
7 enheit in the next 100 years if carbon dioxide emis-
8 sions are not dramatically reduced.

9 (3) An increase of even a few degrees could
10 have major adverse impacts on both the natural and
11 man-made environments, due to rising sea-levels, in-
12 tensification of weather events, mass extinction of
13 species, and scarcity of water.

14 (4) The United States is responsible for nearly
15 18 percent of the world’s annual carbon dioxide
16 emissions, equaling approximately 5.5 billion metric
17 tons of carbon dioxide per year.

18 (5) In order to stabilize the earth’s climate and
19 prevent catastrophic global climate change, the level
20 of worldwide carbon dioxide emissions needs to be
21 reduced 80 percent below 1990 levels by 2050.

22 (6) A tax on the carbon content of fossil fuels
23 will create incentives for investment and develop-
24 ment of low and zero carbon alternatives, thereby re-

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

3 (7) Revenue from a carbon tax can reduce the
4 deficit. Dedicating the revenue from a \$10 per ton
5 of carbon dioxide tax could reduce the deficit by
6 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:

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.

7 “(2) ANNUAL INCREASE IN AMOUNT OF TAX.—
8 For each calendar year beginning after 2011 which
9 is not the year after a target attainment year, para-
10 graph (1) shall be applied by substituting for ‘\$10’
11 the following: ‘the amount in effect under this para-
12 graph for the preceding calendar year, increased by
13 \$10’.

14 “(3) RATE FREEZE AFTER TARGET ATTAIN-
15 MENT.—For each calendar year after a target at-
16 tainment year, the amount in effect under para-
17 graph (1) shall be the amount in effect under para-
18 graph (1) for the preceding calendar year.

19 “(4) TARGET ATTAINMENT YEAR.—For pur-
20 poses of paragraph (2), a calendar year is a target
21 attainment year if the level of carbon dioxide emis-
22 sions in the United States for the calendar year does
23 not exceed 20 percent of the level of carbon dioxide
24 emissions in the United States for calendar year

1 1990, as determined by the Energy Information Ad-
2 ministration, Department of Energy.

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

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

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

8 “(3) natural gas, and

9 “(4) biomass, municipal solid waste, and any
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,

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

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

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

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

20 “(2) FRACTIONAL PART OF TON.—In the case
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.

4 “(3) REGULATIONS.—The Secretary shall pre-
5 scribe such regulations as may be necessary to carry
6 out the purposes of this subsection.

7 “(i) BORDER ADJUSTMENTS.—

8 “(1) IN GENERAL.—The Secretary shall make
9 harmonization adjustments on the importation of
10 any product.

11 “(2) FEE.—In the case that taxes paid by man-
12 ufacturers and producers under this section with re-
13 spect to comparable products exceeds the sum of any
14 similar carbon content tax imposed by a foreign
15 country on the imported product, plus the amount
16 imposed under subsection (a), the adjustment under
17 subsection (a) shall be the imposition of a fee in the
18 amount the Secretary determines is equal to such
19 excess. Such fee shall be treated as a tax for pur-
20 poses of subtitle F.

21 “(3) CREDIT OR REFUND.—In the case that
22 any similar carbon content tax imposed by a foreign
23 country on the imported product exceeds the taxes
24 paid by manufacturers and producers under this sec-
25 tion 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.

22 (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:

“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-

1 mate Trust Fund shall be available to pay the ad-
2 ministrative expenses necessary to carry out this sec-
3 tion for each year, but not exceeding 0.50 percent of
4 the amounts appropriated to such trust fund under
5 subsection (b) in such year.

6 “(2) CONSUMER DIVIDEND PAYMENTS.—
7 Amounts in the Healthy Climate Trust Fund not
8 used under paragraph (1) for any year shall be
9 available for making consumer dividend payments
10 under subsection (d) before February 15 of the fol-
11 lowing year.

12 “(d) PAYMENT OF CONSUMER DIVIDEND.—

13 “(1) IN GENERAL.—From amounts made avail-
14 able under subsection (c)(2), the Secretary shall
15 make annual consumer dividend payments to each
16 individual who is an eligible individual for that year.

17 “(2) CONSUMER DIVIDEND PAYMENT.—The
18 term ‘consumer dividend payment’ means the indi-
19 vidual pro-rata share, as determined by the Sec-
20 retary, of amounts available for the year in the
21 Healthy Climate Trust Fund under subsection
22 (c)(2).

23 “(3) ELIGIBLE INDIVIDUAL.—The term ‘eligible
24 individual’ means, with respect to any year, any in-
25 dividual 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:

“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
5 (l) of section 6103 of the Internal Revenue Code of 1986
6 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 SECUR-
19 ITY.—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-
24 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.**

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

○