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) The Intergovernmental Panel on Climate Change (IPCC) has concluded that human emissions of greenhouse gases, particularly carbon dioxide are 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 human 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 24 percent of the world’s carbon dioxide emissions, equaling approximately six 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 need to be reduced 80 percent by 2050.

(6) A tax on fossil fuels based on carbon content will reduce the incentive to burn those fuels, thereby reducing carbon dioxide emissions.
(7) Revenue collected from a tax on fossil fuels could be used to decrease taxes on low and middle-income taxpayers, to fund research and development of alternative green energy sources, or to increase funding for other domestic social priorities.

SEC. 3. IMPOSITION OF CARBON TAX ON PRIMARY FOSSIL FUELS.

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

“Subchapter E—Carbon Tax on Primary Fossil Fuels

“Sec. 4691. Imposition of tax.

“SEC. 4691. IMPOSITION OF TAX.

“(a) GENERAL RULE.—There is hereby imposed a tax on any taxable fuel sold by the manufacturer, producer, or importer thereof.

“(b) AMOUNT OF TAX.—

“(1) IN GENERAL.—The amount of tax imposed by subsection (a) on any taxable fuel shall be an equivalent amount to $10 per ton of carbon content in such fuel, as determined by the Secretary in consultation with the Secretary of Energy.
“(2) ANNUAL INCREASE IN AMOUNT OF TAX.—
For each calendar year beginning after 2008 and ending with the year after the 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 ATTAINMENT.—For the second year after the target attainment year and each year thereafter, the amount in effect under paragraph (1) shall be the amount in effect under paragraph (1) for the first year after the target attainment year.

“(4) TARGET ATTAINMENT YEAR.—For purposes of paragraph (2), a calendar year is the 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 1990, as determined by the Energy Information Administration, Department of Energy.

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

“(1) coal (including lignite and peat),
“(2) petroleum and any petroleum product (as
defined in section 4612(a)(3)), and
“(3) natural gas,
which is extracted, manufactured, or produced in the
United States or entered into the United States for con-
sumption, use, or warehousing.
“(d) OTHER DEFINITIONS.—For purposes of this
section—
“(1) UNITED STATES.—The term ‘United
States’ has the meaning given such term by section
4612(a)(4).
“(2) IMPORTER.—The term ‘importer’ means
the person entering the taxable fuel for consumption,
use, or warehousing.
“(3) TON.—The term ‘ton’ means 2,000
pounds. In the case of any taxable fuel which is a
gas, the term ‘ton’ means the amount of such gas
in cubic feet which is the equivalent of 2,000 pounds
on a molecular weight basis.
“(e) EXCEPTION.—No tax shall be imposed by sub-
section (a) on the sale or in-kind exchange of any taxable
fuel for deposit in the Strategic Petroleum Reserve estab-
lished under part B of title I of the Energy Policy and
Conservation Act.
“(f) SPECIAL RULES.—
“(1) Only 1 tax imposed with respect to any product.—No tax shall be imposed by subsection (a) with respect to a taxable fuel if, with respect to such fuel, the person who would be liable for such tax establishes that a prior tax imposed by such subsection has been imposed and no refund or credit with respect to such tax is allowed under subsection (g).

“(2) Fractional part of ton.—In the case of a fraction of a ton, the tax imposed by subsection (a) shall be the same fraction of the amount of such tax imposed on a whole ton.

“(3) Use and certain exchanges by manufacturer, etc.—

“(A) Use treated as sale.—If any person manufactures, produces, or imports any taxable fuel and uses such fuel, then such person shall be liable for tax under subsection (a) in the same manner as if such fuel were sold by such person.

“(B) Special rules for inventory exchanges.—

“(i) In general.—Except as provided in this subparagraph, in any case in which a manufacturer, producer, or im-
porter of a taxable fuel exchanges such
fuel as part of an inventory exchange with
another person—

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

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

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

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

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

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

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

“(1) MANUFACTURE OR PRODUCTION OF ANOTHER TAXABLE FUEL.—Under regulations prescribed by the Secretary, if—

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

“(B) such fuel was used by any person in the manufacture or production of any other substance which is a taxable fuel, then a credit or refund (without interest) shall be allowed, in the same manner as if it were an overpayment of tax imposed by subsection (a), to such person in an amount equal to the tax so paid.

“(2) EMBEDDED OR SEQUESTERED CARBON.—

Under regulations prescribed by the Secretary, if—

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

“(B) a person uses such fuel in the manufacture or production of any substance which is not a taxable fuel, and
“(C) in the process of such manufacture or
production, carbon in such fuel is embedded or
sequestered,
then a credit or refund (without interest) shall be al-
lowed to such person in the same manner as if it
were an overpayment of tax imposed by subsection
(a). The amount of such credit or refund shall be an
amount equal to the amount of tax in effect under
subsection (a) with respect to such fuel for the cal-
endar year in which such manufacture or production
occurred, determined on the basis of carbon so em-
bedded or sequestered.
“(3) LIMITATION.—In any case to which para-
graph (1) or (2) applies, the amount of any such
credit or refund shall not exceed the amount of tax
imposed by subsection (a) on the taxable fuel used
in such manufacture or production (or which would
have been imposed by such subsection on such other
fuel but for subsection (h)).
“(h) EXEMPTION FOR EXPORTS OF TAXABLE
FUELS.—
“(1) TAX-FREE SALES.—
“(A) IN GENERAL.—No tax shall be im-
posed by subsection (a) on the sale by the man-
ufacturer or producer of any taxable fuel for ex-
port or for resale by the purchaser to a second purchaser for export.

“(B) Proof of export required.—

Rules similar to the rules of section 4221(b) shall apply for purposes of subparagraph (A).

“(2) Credit or refund where tax paid.—

“(A) In general.—Except as provided in subparagraph (B), if—

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

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

“(II) such fuel was used as a material in the manufacture or production of a taxable fuel which was exported by any person and which, at the time of export, was a taxable fuel,

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

“(B) Condition to allowance.—No credit or refund shall be allowed or made under subparagraph (A) unless the person who paid the tax establishes that he—
“(i) has repaid or agreed to repay the amount of the tax to the person who exported the taxable fuel, or

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

“(C) REFUNDS DIRECTLY TO EXPORTER.—The Secretary shall provide, in regulations, the circumstances under which a credit or refund (without interest) of the tax under subsection (a) shall be allowed or made to the person who exported the taxable fuel, where—

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

“(ii) the person exporting the taxable fuel provides such information as the Secretary 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.”.

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

(e) CLERICAL AMENDMENT.—The table of subchapters for chapter 38 of such Code is amended by adding at the end thereof the following new item:

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

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