

113TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To eliminate certain fuel subsidies and to amend the Internal Revenue Code of 1986 to extend certain energy tax incentives.

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IN THE SENATE OF THE UNITED STATES

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Mr. SANDERS introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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## **A BILL**

To eliminate certain fuel subsidies and to amend the Internal Revenue Code of 1986 to extend certain energy tax incentives.

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 “Sustainable Energy  
5 Act”.

6 **TITLE I—ELIMINATION OF FUEL**  
7 **SUBSIDIES**

8 **SEC. 101. FINDINGS.**

9 Congress finds that—

1           (1) President Obama joined other world leaders  
2           from the Group of Twenty in pledging to phase out  
3           wasteful fossil-fuel subsidies;

4           (2) the Environmental Law Institute found that  
5           from 2002 through 2008, Federal fossil-fuel sub-  
6           sidies in the United States totaled over  
7           \$72,000,000,000, while Federal renewable-energy in-  
8           vestments totaled \$12,200,000,000;

9           (3) the Congressional Research Service esti-  
10          mates that from 1948 to the present, United States  
11          investments in fossil-fuel research and development  
12          totaled over \$48,000,000,000 (in 2011 dollars),  
13          while investments in renewable energy totaled over  
14          \$22,000,000,000;

15          (4) the 5 largest oil corporations have made  
16          more than \$1,000,000,000 in profits in the decade  
17          prior to the date of enactment of this Act; and

18          (5) United States taxpayers should not be sub-  
19          sidizing oil, natural gas, and coal companies in a pe-  
20          riod of record debt.

21 **SEC. 102. ROYALTY RELIEF.**

22       (a) IN GENERAL.—

23           (1) OUTER CONTINENTAL SHELF LANDS ACT.—

24       Section 8(a)(3) of the Outer Continental Shelf  
25       Lands Act (43 U.S.C. 1337(a)(3)) is amended—

1 (A) by striking subparagraph (B); and  
2 (B) by redesignating subparagraph (C) as  
3 subparagraph (B).

4 (2) ENERGY POLICY ACT OF 2005.—

5 (A) INCENTIVES FOR NATURAL GAS PRO-  
6 DUCION FROM DEEP WELLS IN THE SHALLOW  
7 WATERS OF THE GULF OF MEXICO.—Section  
8 344 of the Energy Policy Act of 2005 (42  
9 U.S.C. 15904) is repealed.

10 (B) DEEP WATER PRODUCTION.—Section  
11 345 of the Energy Policy Act of 2005 (42  
12 U.S.C. 15905) is repealed.

13 (b) FUTURE PROVISIONS.—Notwithstanding any  
14 other provision of law (including regulations), royalty re-  
15 lief shall not be permitted under a lease issued under sec-  
16 tion 8 of the Outer Continental Shelf Lands Act (43  
17 U.S.C. 1337).

18 **SEC. 103. ROYALTIES UNDER MINERAL LEASING ACT.**

19 (a) COAL LEASES.—Section 7(a) of the Mineral  
20 Leasing Act (30 U.S.C. 207(a)) is amended by striking  
21 “12½” and inserting “18¾”.

22 (b) LEASES ON LAND ON WHICH OIL OR NATURAL  
23 GAS IS DISCOVERED.—Section 14 of the Mineral Leasing  
24 Act (30 U.S.C. 223) is amended by striking “12½” and  
25 inserting “18¾”.

1 (c) LEASES ON LAND KNOWN OR BELIEVED TO CON-  
2 TAIN OIL OR NATURAL GAS.—Section 17 of the Mineral  
3 Leasing Act (30 U.S.C. 226) is amended—

4 (1) in subsection (b)—

5 (A) in paragraph (1)(A), by striking  
6 “12.5” and inserting “18<sup>3</sup>/<sub>4</sub>”; and

7 (B) in paragraph (2)(A)(ii), by striking  
8 “12<sup>1</sup>/<sub>2</sub>” and inserting “18<sup>3</sup>/<sub>4</sub>”;

9 (2) in subsection (c)(1), by striking “12.5” and  
10 inserting “18<sup>3</sup>/<sub>4</sub>”;

11 (3) in subsection (l), by striking “12<sup>1</sup>/<sub>2</sub>” each  
12 time it appears and inserting “18<sup>3</sup>/<sub>4</sub>”; and

13 (4) in subsection (n)(1)(C), by striking “12<sup>1</sup>/<sub>2</sub>”  
14 and inserting “18<sup>3</sup>/<sub>4</sub>”.

15 **SEC. 104. ULTRA-DEEPWATER AND UNCONVENTIONAL NAT-**  
16 **URAL GAS AND OTHER PETROLEUM RE-**  
17 **SOURCES.**

18 Subtitle J of title IX of the Energy Policy Act of  
19 2005 (42 U.S.C. 16371 et seq.) is repealed.

20 **SEC. 105. REMOVAL OF LIMITS ON LIABILITY FOR OFF-**  
21 **SHORE FACILITIES AND PIPELINE OPERA-**  
22 **TORS.**

23 Section 1004(a) of the Oil Pollution Act of 1990 (33  
24 U.S.C. 2704(a)) is amended—

1           (1) in paragraph (3), by striking “plus  
2           \$75,000,000; and” and inserting “and the liability  
3           of the responsible party under section 1002;”;

4           (2) in paragraph (4)—

5                 (A) by inserting “(except an onshore pipe-  
6           line transporting diluted bitumen, bituminous  
7           mixtures, or any oil manufactured from bitu-  
8           men)” after “for any onshore facility”; and

9                 (B) by striking the period at the end and  
10           inserting “; and”; and

11           (3) by adding at the end the following:

12                 “(5) for any onshore facility transporting di-  
13           luted bitumen, bituminous mixtures, or any oil man-  
14           ufactured from bitumen, the liability of the respon-  
15           sible party under section 1002.”.

16 **SEC. 106. FUNDS TO WORLD BANK FOR FINANCING**  
17 **PROJECTS THAT SUPPORT COAL, OIL, OR**  
18 **NATURAL GAS.**

19           (a) **RESCISSION OF FUNDS.**—Effective on the date  
20 of enactment of this Act, there are rescinded all unobli-  
21 gated balances of the amounts made available to the Inter-  
22 national Bank for Reconstruction and Development and  
23 the International Development Association (commonly  
24 known as the “World Bank”), and each other similar  
25 international financing entity that has received amounts

1 from the United States, as determined by the Secretary  
2 of the Treasury, to carry out any project that supports  
3 coal, oil, or natural gas.

4 (b) **FUTURE FUNDS.**—Notwithstanding any other  
5 provision of law, any amounts made available to the World  
6 Bank or any other international financing entity shall not  
7 be used to carry out any project that supports coal, oil,  
8 or natural gas.

9 **SEC. 107. OFFICE OF FOSSIL ENERGY RESEARCH AND DE-**  
10 **VELOPMENT.**

11 (a) **IN GENERAL.**—Section 203(a)(2) of the Depart-  
12 ment of Energy Organization Act (42 U.S.C. 7133(a)(2))  
13 is amended—

14 (1) in subparagraph (C), by inserting “and”  
15 after the semicolon at the end;

16 (2) by striking subparagraph (D); and

17 (3) by redesignating subparagraph (E) as sub-  
18 paragraph (D).

19 (b) **TERMINATION.**—Notwithstanding any other pro-  
20 vision of law, the Office of Fossil Energy Research and  
21 Development and the authority to carry out any program  
22 or activity of the Office (as in existence on the day before  
23 the date of enactment of this Act) is terminated.

1 **SEC. 108. ADVANCED RESEARCH PROJECTS AGENCY—EN-**  
2 **ERGY.**

3 None of the funds made available to the Advanced  
4 Research Projects Agency—Energy shall be used to carry  
5 out any project that supports coal, oil, or natural gas.

6 **SEC. 109. INCENTIVES FOR INNOVATIVE TECHNOLOGIES.**

7 (a) IN GENERAL.—Section 1703 of the Energy Policy  
8 Act of 2005 (42 U.S.C. 16513) is amended—

9 (1) in subsection (b)—

10 (A) by striking paragraph (2);

11 (B) by striking paragraph (10); and

12 (C) by redesignating paragraphs (3)  
13 through (9) as paragraphs (2) through (8) re-  
14 spectively;

15 (2) by striking subsection (c); and

16 (3) by redesignating subsections (d) and (e) as  
17 paragraphs (c) and (d) respectively.

18 (b) CONFORMING AMENDMENT.—Section 1704 of the  
19 Energy Policy Act of 2005 (42 U.S.C. 16514) is amend-  
20 ed—

21 (1) in subsection (a), by striking “(a) IN GEN-  
22 ERAL.—”; and

23 (2) by striking subsection (b).

24 **SEC. 110. RURAL UTILITY SERVICE LOAN GUARANTEES.**

25 The Secretary of Agriculture shall not make a loan  
26 under title III of the Rural Electrification Act of 1936

1 (7 U.S.C. 931 et seq.) to an applicant for the purpose  
2 of carrying out any project that will use coal, oil, or nat-  
3 ural gas. Nothing in this section shall be construed to af-  
4 fect the eligibility for landfill gas and agricultural methane  
5 digesters for loans under such Act.

6 **SEC. 111. FUNDS TO THE OVERSEAS PRIVATE INVESTMENT**  
7 **CORPORATION OR THE EXPORT-IMPORT**  
8 **BANK OF THE UNITED STATES FOR FINANC-**  
9 **ING PROJECTS, TRANSACTIONS, OR OTHER**  
10 **ACTIVITIES THAT SUPPORT COAL, OIL, OR**  
11 **NATURAL GAS.**

12 (a) **RESCISSION OF FUNDS.**—Effective on the date  
13 of enactment of this Act, there are rescinded all unobli-  
14 gated balances of the amounts made available to the Over-  
15 seas Private Investment Corporation or the Export-Import  
16 Bank of the United States to carry out any project, trans-  
17 action, or other activity that supports coal, oil, or natural  
18 gas production.

19 (b) **FUTURE FUNDS.**—Notwithstanding any other  
20 provision of law, any amounts made available to the Over-  
21 seas Private Investment Corporation or the Export-Import  
22 Bank of the United States shall not be used to carry out  
23 any project, transaction, or other activity that supports  
24 coal, oil, or natural gas production.



1 **SEC. 112. TRANSPORTATION FUNDS FOR GRANTS, LOANS,**  
2 **LOAN GUARANTEES, AND OTHER DIRECT AS-**  
3 **SISTANCE.**

4 Notwithstanding any other provision of law, any  
5 amounts made available to the Department of Transpor-  
6 tation (including the Federal Railroad Administration)  
7 shall not be used to award any grant, loan, loan guarantee,  
8 or provide any other direct assistance to any rail or port  
9 project that transports coal, oil, or natural gas.

10 **SEC. 113. TERMINATION OF VARIOUS TAX EXPENDITURES**  
11 **RELATING TO FOSSIL FUELS.**

12 (a) IN GENERAL.—Subchapter C of chapter 90 of the  
13 Internal Revenue Code of 1986 is amended by adding at  
14 the end the following new section:

15 **“SEC. 7875. TERMINATION OF CERTAIN PROVISIONS RELAT-**  
16 **ING TO FOSSIL FUEL INCENTIVES.**

17 “(a) IN GENERAL.—The following provisions shall  
18 not apply to taxable years beginning after the date of the  
19 enactment of the Sustainable Energy Act:

20 “(1) Section 43 (relating to enhanced oil recov-  
21 ery credit).

22 “(2) Section 45I (relating to credit for pro-  
23 ducing oil and natural gas from marginal wells).

24 “(3) Section 45K (relating to credit for pro-  
25 ducing fuel from a nonconventional source).

1           “(4) Section 193 (relating to tertiary  
2 injectants).

3           “(5) Section 199(d)(9) (relating to special rule  
4 for taxpayers with oil related qualified production  
5 activities income).

6           “(6) Section 461(i)(2) (relating to special rule  
7 for spudding of oil or natural gas wells).

8           “(7) Section 469(c)(3) (relating to working in-  
9 terests in oil and natural gas property).

10           “(8) Section 613A (relating to limitations on  
11 percentage depletion in case of oil and natural gas  
12 wells).

13           “(9) Section 617 (relating to deduction and re-  
14 capture of certain mining exploration expenditures).

15           “(10) Section 7704(d)(1)(E) (relating to quali-  
16 fying income).

17           “(b) PROVISIONS RELATING TO PROPERTY.—The  
18 following provisions shall not apply to property placed in  
19 service after the date of the enactment of the Sustainable  
20 Energy Act:

21           “(1) Subparagraphs (C)(iii) and (E)(viii) of  
22 section 168(e)(3) (relating to classification of certain  
23 property).

1           “(2) Section 169 (relating to amortization of  
2           pollution control facilities) with respect to any at-  
3           mospheric pollution control facility.

4           “(3) Section 179C (relating to election to ex-  
5           pense certain refineries).

6           “(c) PROVISIONS RELATING TO COSTS AND EX-  
7           PENSES.—The following provisions shall not apply to costs  
8           or expenses paid or incurred after the date of the enact-  
9           ment of the Sustainable Energy Act:

10           “(1) Section 179B (relating to deduction for  
11           capital costs incurred in complying with Environ-  
12           mental Protection Agency sulfur regulations).

13           “(2) Section 198 (relating to expensing of envi-  
14           ronmental remediation costs).

15           “(3) Section 263(c) (relating to intangible drill-  
16           ing and development costs) with respect to costs in  
17           the case of oil and natural gas wells.

18           “(4) Section 468 (relating to special rules for  
19           mining and solid waste reclamation and closing  
20           costs).

21           “(d) 5-YEAR CARRYBACK FOR MARGINAL OIL AND  
22           NATURAL GAS WELL PRODUCTION CREDIT.—Section  
23           39(a)(3) (relating to 5-year carryback for marginal oil and  
24           natural gas well production credit) shall not apply to cred-

1 its determined in taxable years beginning after the date  
2 of the enactment of the Sustainable Energy Act.

3 “(e) CREDIT FOR CARBON DIOXIDE SEQUESTRA-  
4 TION.—Section 45Q (relating to credit for carbon dioxide  
5 sequestration) shall not apply to carbon dioxide captured  
6 after the date of the enactment of the Sustainable Energy  
7 Act.

8 “(f) ALLOCATED CREDITS.—No new credits shall be  
9 certified under section 48A (relating to qualifying ad-  
10 vanced coal project credit) or section 48B (relating to  
11 qualifying gasification project credit) after the date of the  
12 enactment of the Sustainable Energy Act.

13 “(g) ARBITRAGE BONDS.—Section 148(b)(4) (relat-  
14 ing to safe harbor for prepaid natural gas) shall not apply  
15 to obligations issued after the date of the enactment of  
16 the Sustainable Energy Act.”.

17 (b) CONFORMING AMENDMENT.—The table of sec-  
18 tions for subchapter C of chapter 90 is amended by adding  
19 at the end the following new item:

“Sec. 7875. Termination of certain provisions.”.

20 **SEC. 114. TERMINATION OF ALTERNATIVE FUEL VEHICLE**  
21 **REFUELING PROPERTY CREDIT WITH RE-**  
22 **SPECT TO FOSSIL FUELS.**

23 (a) IN GENERAL.—Paragraph (2) of section 30C(c)  
24 of the Internal Revenue Code of 1986 is amended—



1 **SEC. 116. NATURAL GAS GATHERING LINES TREATED AS 15-**  
 2 **YEAR PROPERTY.**

3 (a) **IN GENERAL.**—Subparagraph (E) of section  
 4 168(e)(3) of the Internal Revenue Code of 1986 is amend-  
 5 ed by striking “and” at the end of clause (viii), by striking  
 6 the period at the end of clause (ix) and inserting “, and”,  
 7 and by adding at the end the following new clause:

8 “(x) any natural gas gathering line  
 9 the original use of which commences with  
 10 the taxpayer after the date of the enact-  
 11 ment of this clause.”.

12 (b) **ALTERNATIVE SYSTEM.**—The table contained in  
 13 section 168(g)(3)(B) of the Internal Revenue Code of  
 14 1986 is amended by inserting after the item relating to  
 15 subparagraph (E)(ix) the following new item:

“(E)(x) ..... 22”.

16 (c) **CONFORMING AMENDMENT.**—Clause (iv) of sec-  
 17 tion 168(e)(3)(C) of the Internal Revenue Code of 1986  
 18 is amended by inserting after “April 11, 2005”.

19 (d) **EFFECTIVE DATE.**—

20 (1) **IN GENERAL.**—The amendments made by  
 21 this section shall apply to property placed in service  
 22 on and after the date of the enactment of this Act.

23 (2) **EXCEPTION.**—The amendments made by  
 24 this section shall not apply to any property with re-  
 25 spect to which the taxpayer or a related party has

1 entered into a binding contract for the construction  
2 thereof on or before the date of the enactment of  
3 this Act, or, in the case of self-constructed property,  
4 has started construction on or before such date.

5 **SEC. 117. REPEAL OF DOMESTIC MANUFACTURING DEDUC-**  
6 **TION FOR HARD MINERAL MINING.**

7 (a) IN GENERAL.—Subparagraph (B) of section  
8 199(c)(4) of the Internal Revenue Code of 1986 is amend-  
9 ed by striking “and” at the end of clause (ii), by striking  
10 the period at the end of clause (iii) and inserting “, and”,  
11 and by adding at the end the following new clause:

12 “(iv) the mining of any hard min-  
13 eral.”.

14 (b) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to taxable years beginning after  
16 the date of the enactment of this Act.

17 **SEC. 118. LIMITATION ON DEDUCTION FOR INCOME AT-**  
18 **TRIBUTABLE TO DOMESTIC PRODUCTION OF**  
19 **OIL, NATURAL GAS, OR PRIMARY PRODUCTS**  
20 **THEREOF.**

21 (a) DENIAL OF DEDUCTION.—Paragraph (4) of sec-  
22 tion 199(c) of the Internal Revenue Code of 1986 is  
23 amended by adding at the end the following new subpara-  
24 graph:

1           “(E) SPECIAL RULE FOR OIL, NATURAL  
2 GAS, AND COAL INCOME.—The term ‘domestic  
3 production gross receipts’ shall not include  
4 gross receipts from the production, refining,  
5 processing, transportation, or distribution of oil,  
6 natural gas, or coal, or any primary product  
7 (within the meaning of subsection (d)(9)) there-  
8 of.”.

9           (b) EFFECTIVE DATE.—The amendment made by  
10 this section shall apply to taxable years beginning after  
11 the date of the enactment of this Act.

12 **SEC. 119. TERMINATION OF LAST-IN, FIRST-OUT METHOD**  
13 **OF INVENTORY FOR OIL, NATURAL GAS, AND**  
14 **COAL COMPANIES.**

15           (a) IN GENERAL.—Section 472 of the Internal Rev-  
16 enue Code of 1986 is amended by adding at the end the  
17 following new subsection:

18           “(h) TERMINATION FOR OIL, NATURAL GAS, AND  
19 COAL COMPANIES.—Subsection (a) shall not apply to any  
20 taxpayer that is in the trade or business of the production,  
21 refining, processing, transportation, or distribution of oil,  
22 natural gas, or coal for any taxable year beginning after  
23 the date of the enactment of this subsection.”.



1 (b) ADDITIONAL TERMINATION.—Section 473 of the  
2 Internal Revenue Code of 1986 is amended by adding at  
3 the end the following new subsection:

4 “(h) TERMINATION FOR OIL, NATURAL GAS, AND  
5 COAL COMPANIES.—This section shall not apply to any  
6 taxpayer that is in the trade or business of the production,  
7 refining, processing, transportation, or distribution of oil,  
8 natural gas, or coal for any taxable year beginning after  
9 the date of the enactment of this subsection.”.

10 (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to taxable years beginning after  
12 the date of the enactment of this Act.

13 **SEC. 120. REPEAL OF PERCENTAGE DEPLETION FOR COAL**  
14 **AND HARD MINERAL FOSSIL FUELS.**

15 (a) IN GENERAL.—Section 613 of the Internal Rev-  
16 enue Code of 1986 is amended by adding at the end the  
17 following new subsection:

18 “(f) TERMINATION WITH RESPECT TO COAL AND  
19 HARD MINERAL FOSSIL FUELS.—In the case of coal, lig-  
20 nite, and oil shale (other than oil shale described in sub-  
21 section (b)(5)), the allowance for depletion shall be com-  
22 puted without reference to this section. for any taxable  
23 year beginning after the date of the enactment of the Sus-  
24 tainable Energy Act.”.

25 (b) CONFORMING AMENDMENTS.—

1           (1) COAL AND LIGNITE.—Section 613(b)(4) of  
2 the Internal Revenue Code of 1986 is amended by  
3 striking “coal, lignite,”.

4           (2) OIL SHALE.—Section 613(b)(2) of such  
5 Code is amended to read as follows:

6           “(2) 15 PERCENT.—If, from deposits in the  
7 United States, gold, silver, copper, and iron ore.”.

8           (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years beginning after  
10 the date of the enactment of this Act.

11 **SEC. 121. TERMINATION OF CAPITAL GAINS TREATMENT**  
12 **FOR ROYALTIES FROM COAL.**

13           (a) IN GENERAL.—Subsection (c) of section 631 of  
14 the Internal Revenue Code of 1986 is amended—

15           (1) by striking “coal (including lignite), or iron  
16 ore” and inserting “iron ore”,

17           (2) by striking “coal or iron ore” each place it  
18 appears and inserting “iron ore”,

19           (3) by striking “iron ore or coal” each place it  
20 appears and inserting “iron ore”, and

21           (4) by striking “COAL OR” in the heading.

22           (b) CONFORMING AMENDMENT.—The heading of sec-  
23 tion 631 of the Internal Revenue Code of 1986 is amended  
24 by striking “, **COAL,**”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to dispositions after the date of  
3 the enactment of this Act.

4 **SEC. 122. MODIFICATIONS OF FOREIGN TAX CREDIT RULES**  
5 **APPLICABLE TO OIL, NATURAL GAS, AND**  
6 **COAL COMPANIES WHICH ARE DUAL CAPAC-**  
7 **ITY TAXPAYERS.**

8 (a) IN GENERAL.—Section 901 of the Internal Rev-  
9 enue Code of 1986 is amended by redesignating subsection  
10 (n) as subsection (o) and by inserting after subsection (m)  
11 the following new subsection:

12 “(n) SPECIAL RULES RELATING TO OIL, NATURAL  
13 GAS, AND COAL COMPANIES WHICH ARE DUAL CAPACITY  
14 TAXPAYERS.—

15 “(1) GENERAL RULE.—Notwithstanding any  
16 other provision of this chapter, any amount paid or  
17 accrued to a foreign country or possession of the  
18 United States for any period by a dual capacity tax-  
19 payer which is in the trade or business of the pro-  
20 duction, refining, processing, transportation, or dis-  
21 tribution of oil, natural gas, or coal shall not be con-  
22 sidered a tax—

23 “(A) if, for such period, the foreign coun-  
24 try or possession does not impose a generally  
25 applicable income tax, or

1           “(B) to the extent such amount exceeds  
2           the amount (determined in accordance with reg-  
3           ulations) which—

4                   “(i) is paid by such dual capacity tax-  
5                   payer pursuant to the generally applicable  
6                   income tax imposed by the country or pos-  
7                   session, or

8                   “(ii) would be paid if the generally ap-  
9                   plicable income tax imposed by the country  
10                  or possession were applicable to such dual  
11                  capacity taxpayer.

12           Nothing in this paragraph shall be construed to  
13           imply the proper treatment of any such amount not  
14           in excess of the amount determined under subpara-  
15           graph (B).

16           “(2) DUAL CAPACITY TAXPAYER.—For pur-  
17           poses of this subsection, the term ‘dual capacity tax-  
18           payer’ means, with respect to any foreign country or  
19           possession of the United States, a person who—

20                   “(A) is subject to a levy of such country or  
21                   possession, and

22                   “(B) receives (or will receive) directly or  
23                   indirectly a specific economic benefit (as deter-  
24                   mined in accordance with regulations) from  
25                   such country or possession.

1           “(3) GENERALLY APPLICABLE INCOME TAX.—

2           For purposes of this subsection—

3                   “(A) IN GENERAL.—The term ‘generally  
4                   applicable income tax’ means an income tax (or  
5                   a series of income taxes) which is generally im-  
6                   posed under the laws of a foreign country or  
7                   possession on income derived from the conduct  
8                   of a trade or business within such country or  
9                   possession.

10                   “(B) EXCEPTIONS.—Such term shall not  
11                   include a tax unless it has substantial applica-  
12                   tion, by its terms and in practice, to—

13                           “(i) persons who are not dual capacity  
14                           taxpayers, and

15                           “(ii) persons who are citizens or resi-  
16                           dents of the foreign country or posses-  
17                           sion.”.

18           (b) EFFECTIVE DATE.—

19                   (1) IN GENERAL.—The amendments made by  
20                   this section shall apply to taxes paid or accrued in  
21                   taxable years beginning after the date of the enact-  
22                   ment of this Act.

23                   (2) CONTRARY TREATY OBLIGATIONS  
24                   UPHELD.—The amendments made by this section

1 shall not apply to the extent contrary to any treaty  
2 obligation of the United States.

3 **SEC. 123. INCREASE IN OIL SPILL LIABILITY TRUST FUND**  
4 **FINANCING RATE.**

5 (a) IN GENERAL.—Subparagraph (B) of section  
6 4611(c)(2) of the Internal Revenue Code of 1986 is  
7 amended to read as follows:

8 “(B) the Oil Spill Liability Trust Fund fi-  
9 nancing rate is—

10 “(i) in the case of crude oil received  
11 or petroleum products entered before Jan-  
12 uary 1, 2014, 8 cents a barrel,

13 “(ii) in the case of crude oil received  
14 or petroleum products entered after De-  
15 cember 31, 2013, and before January 1,  
16 2018, 9 cents a barrel, and

17 “(iii) in the case of crude oil received  
18 or petroleum products entered after De-  
19 cember 31, 2017, 10 cents a barrel.”.

20 (b) EFFECTIVE DATE.—The amendment made by  
21 this section shall apply to crude oil received and petroleum  
22 products entered after the date of the enactment of this  
23 Act.

1 **SEC. 124. APPLICATION OF CERTAIN ENVIRONMENTAL**  
2 **TAXES TO SYNTHETIC CRUDE OIL.**

3 (a) **IN GENERAL.**—Paragraph (1) of section 4612(a)  
4 of the Internal Revenue Code of 1986 is amended to read  
5 as follows:

6 “(1) **CRUDE OIL.**—

7 “(A) **IN GENERAL.**—The term ‘crude oil’  
8 includes crude oil condensates, natural gasoline,  
9 and synthetic crude oil.

10 “(B) **SYNTHETIC CRUDE OIL.**—For pur-  
11 poses of subparagraph (A), the term ‘synthetic  
12 crude oil’ means any bitumen and bituminous  
13 mixtures, any oil manufactured from bitumen  
14 and bituminous mixtures, and any liquid fuel  
15 manufactured from coal.”.

16 (b) **EFFECTIVE DATE.**—The amendment made by  
17 this section shall apply to oil and petroleum products re-  
18 ceived or entered during calendar quarters beginning more  
19 than 60 days after the date of the enactment of this Act.

20 **SEC. 125. DENIAL OF DEDUCTION FOR REMOVAL COSTS**  
21 **AND DAMAGES FOR CERTAIN OIL SPILLS.**

22 (a) **IN GENERAL.**—Part IX of subchapter B of chap-  
23 ter 1 of the Internal Revenue Code of 1986 is amended  
24 by adding at the end the following new section:

1 **“SEC. 280I. EXPENSES FOR REMOVAL COSTS AND DAMAGES**  
2 **RELATING TO CERTAIN OIL SPILL LIABILITY.**

3 “No deduction shall be allowed under this chapter for  
4 any amount paid or incurred with respect to any costs or  
5 damages for which the taxpayer is liable under section  
6 1002 of the Oil Pollution Act of 1990 (33 U.S.C. 2702).”.

7 (b) CLERICAL AMENDMENT.—The table of sections  
8 for part IX of subchapter B of chapter 1 of such Code  
9 is amended by adding at the end the following new item:

“Sec. 280I. Expenses for removal costs and damages relating to certain oil spill  
liability.”.

10 (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply with respect to any liability arising  
12 in taxable years ending after the date of the enactment  
13 of this Act.

14 **SEC. 126. TAX ON CRUDE OIL AND NATURAL GAS PRO-**  
15 **DUCE FROM THE OUTER CONTINENTAL**  
16 **SHELF IN THE GULF OF MEXICO.**

17 (a) IN GENERAL.—Subtitle E of the Internal Rev-  
18 enue Code of 1986 is amended by adding at the end the  
19 following new chapter:

20 **“CHAPTER 56—TAX ON SEVERANCE OF**  
21 **CRUDE OIL AND NATURAL GAS FROM**  
22 **THE OUTER CONTINENTAL SHELF IN**  
23 **THE GULF OF MEXICO**

“Sec. 5896. Imposition of tax.



“Sec. 5897. Taxable crude oil or natural gas and removal price.

“Sec. 5898. Special rules and definitions.

1 **“SEC. 5896. IMPOSITION OF TAX.**

2 “(a) IN GENERAL.—In addition to any other tax im-  
3 posed under this title, there is hereby imposed a tax equal  
4 to 13 percent of the removal price of any taxable crude  
5 oil or natural gas removed from the premises during any  
6 taxable period.

7 “(b) CREDIT FOR FEDERAL ROYALTIES PAID.—

8 “(1) IN GENERAL.—There shall be allowed as a  
9 credit against the tax imposed by subsection (a) with  
10 respect to the production of any taxable crude oil or  
11 natural gas an amount equal to the aggregate  
12 amount of royalties paid under Federal law with re-  
13 spect to such production.

14 “(2) LIMITATION.—The aggregate amount of  
15 credits allowed under paragraph (1) to any taxpayer  
16 for any taxable period shall not exceed the amount  
17 of tax imposed by subsection (a) for such taxable pe-  
18 riod.

19 “(c) TAX PAID BY PRODUCER.—The tax imposed by  
20 this section shall be paid by the producer of the taxable  
21 crude oil or natural gas.

1 **“SEC. 5897. TAXABLE CRUDE OIL OR NATURAL GAS AND RE-**  
2 **MOVAL PRICE.**

3 “(a) TAXABLE CRUDE OIL OR NATURAL GAS.—For  
4 purposes of this chapter, the term ‘taxable crude oil or  
5 natural gas’ means crude oil or natural gas which is pro-  
6 duced from Federal submerged lands on the outer Conti-  
7 nental Shelf in the Gulf of Mexico pursuant to a lease  
8 entered into with the United States which authorizes the  
9 production.

10 “(b) REMOVAL PRICE.—For purposes of this chap-  
11 ter—

12 “(1) IN GENERAL.—Except as otherwise pro-  
13 vided in this subsection, the term ‘removal price’  
14 means—

15 “(A) in the case of taxable crude oil, the  
16 amount for which a barrel of such crude oil is  
17 sold, and

18 “(B) in the case of taxable natural gas, the  
19 amount per 1,000 cubic feet for which such  
20 natural gas is sold.

21 “(2) SALES BETWEEN RELATED PERSONS.—In  
22 the case of a sale between related persons, the re-  
23 moval price shall not be less than the constructive  
24 sales price for purposes of determining gross income  
25 from the property under section 613.

1           “(3) OIL OR NATURAL GAS REMOVED FROM  
2           PROPERTY BEFORE SALE.—If crude oil or natural  
3           gas is removed from the property before it is sold,  
4           the removal price shall be the constructive sales  
5           price for purposes of determining gross income from  
6           the property under section 613.

7           “(4) REFINING BEGUN ON PROPERTY.—If the  
8           manufacture or conversion of crude oil into refined  
9           products begins before such oil is removed from the  
10          property—

11                   “(A) such oil shall be treated as removed  
12                   on the day such manufacture or conversion be-  
13                   gins, and

14                   “(B) the removal price shall be the con-  
15                   structive sales price for purposes of determining  
16                   gross income from the property under section  
17                   613.

18           “(5) PROPERTY.—The term ‘property’ has the  
19           meaning given such term by section 614.

20   **“SEC. 5898. SPECIAL RULES AND DEFINITIONS.**

21           “(a) ADMINISTRATIVE REQUIREMENTS.—

22                   “(1) WITHHOLDING AND DEPOSIT OF TAX.—  
23           The Secretary shall provide for the withholding and  
24           deposit of the tax imposed under section 5896 on a  
25           quarterly basis.

1           “(2) RECORDS AND INFORMATION.—Each tax-  
2           payer liable for tax under section 5896 shall keep  
3           such records, make such returns, and furnish such  
4           information (to the Secretary and to other persons  
5           having an interest in the taxable crude oil or natural  
6           gas) with respect to such oil as the Secretary may  
7           by regulations prescribe.

8           “(3) TAXABLE PERIODS; RETURN OF TAX.—

9           “(A) TAXABLE PERIOD.—Except as pro-  
10          vided by the Secretary, each calendar year shall  
11          constitute a taxable period.

12          “(B) RETURNS.—The Secretary shall pro-  
13          vide for the filing, and the time for filing, of the  
14          return of the tax imposed under section 5896.

15          “(b) DEFINITIONS.—For purposes of this chapter—

16          “(1) PRODUCER.—The term ‘producer’ means  
17          the holder of the economic interest with respect to  
18          the crude oil or natural gas.

19          “(2) CRUDE OIL.—The term ‘crude oil’ includes  
20          crude oil condensates and natural gasoline.

21          “(3) PREMISES AND CRUDE OIL PRODUCT.—  
22          The terms ‘premises’ and ‘crude oil product’ have  
23          the same meanings as when used for purposes of de-  
24          termining gross income from the property under sec-  
25          tion 613.

1       “(c) ADJUSTMENT OF REMOVAL PRICE.—In deter-  
2 mining the removal price of oil or natural gas from a prop-  
3 erty in the case of any transaction, the Secretary may ad-  
4 just the removal price to reflect clearly the fair market  
5 value of oil or natural gas removed.

6       “(d) REGULATIONS.—The Secretary shall prescribe  
7 such regulations as may be necessary or appropriate to  
8 carry out the purposes of this chapter.”.

9       (b) DEDUCTIBILITY OF TAX.—The first sentence of  
10 section 164(a) is amended by inserting after paragraph  
11 (6) the following new paragraph:

12               “(7) The tax imposed by section 5896(a) (after  
13 application of section 5896(b)) on the severance of  
14 crude oil or natural gas from the outer Continental  
15 Shelf in the Gulf of Mexico.”.

16       (c) CLERICAL AMENDMENT.—The table of chapters  
17 for subtitle E is amended by adding at the end the fol-  
18 lowing new item:

“CHAPTER 56. Tax on severance of crude oil and natural gas  
from the outer Continental Shelf in the Gulf of  
Mexico.”.

19       (d) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to crude oil or natural gas removed  
21 after December 31, 2013.

22 **SEC. 127. POWDER RIVER BASIN.**

23       (a) DESIGNATION OF THE POWDER RIVER BASIN AS  
24 A COAL PRODUCING REGION.—The Director of the Bu-

1 reau of Land Management shall designate the Powder  
2 River Basin as a coal producing region.

3 (b) REPORT.—Not later than 1 year after the date  
4 of enactment of this Act, the Director of the Bureau of  
5 Land Management shall submit to Congress a report that  
6 includes—

7 (1) a study of the fair market value and the  
8 amount of royalties paid on coal leases in the Pow-  
9 der River Basin compared to other national and  
10 international coal markets; and

11 (2) any policy recommendations to capture the  
12 future market value of the coal leases in the Powder  
13 River Basin.

14 **SEC. 128. REPORTS.**

15 (a) DEFINITION OF FOSSIL-FUEL-PRODUCTION SUB-  
16 SIDY.—In this section, the term “subsidy for fossil-fuel  
17 production” means any direct funding, tax treatment or  
18 incentive, risk-reduction benefit, financing assistance or  
19 guarantee, royalty relief, or other provision that provides  
20 a financial benefit to an oil, natural gas, or coal company  
21 for the production of fossil fuels.

22 (b) REPORT TO CONGRESS.—Not later than 1 year  
23 after the date of enactment of this Act, the Secretary of  
24 the Treasury, in coordination with the Secretary of En-  
25 ergy, shall submit to Congress a report detailing each Fed-

1 eral law (including regulations), other than those amended  
2 by this Act, as in effect on the date on which the report  
3 is submitted, that includes a subsidy for fossil-fuel produc-  
4 tion.

5 (c) REPORT ON MODIFIED RECOVERY PERIOD.—

6 (1) IN GENERAL.—Not later than 1 year after  
7 the date of enactment of this Act, the Secretary, in  
8 coordination with the Commissioner of Internal Rev-  
9 enue, shall submit to Congress a report on the appli-  
10 cable recovery period under the accelerated cost re-  
11 covery system provided in section 168 of the Inter-  
12 nal Revenue Code of 1986 for each type of property  
13 involved in fossil-fuel production, including pipelines,  
14 power generation property, refineries, and drilling  
15 equipment, to determine if any assets are receiving  
16 a subsidy for fossil-fuel production.

17 (2) ELIMINATION OF SUBSIDY.—In the case of  
18 any type of property that the Commissioner of Inter-  
19 nal Revenue determines is receiving a subsidy for  
20 fossil-fuel production under such section 168, for  
21 property placed in service in taxable years beginning  
22 after the date of such determination, such section  
23 168 shall not apply. The preceding sentence shall  
24 not apply to any property with respect to a taxable

1 year unless such determination is published before  
2 the first day of such taxable year.

3 **TITLE II—EXTENSION OF CER-**  
4 **TAIN ENERGY TAX INCEN-**  
5 **TIVES**

6 **SEC. 201. EXTENSION OF CREDIT FOR ELECTRICITY PRO-**  
7 **DUCTION FROM CERTAIN RENEWABLE RE-**  
8 **SOURCES.**

9 (a) IN GENERAL.—Subsection (d) of section 45 of the  
10 Internal Revenue Code of 1986 is amended by striking  
11 “2014” each place it appears in paragraphs (1), (2), (3),  
12 (4), (6), (7), (9), and (11) and inserting “2021”.

13 (b) ELECTION OF INVESTMENT CREDIT IN LIEU OF  
14 PRODUCTION CREDIT.—Clause (ii) of section 48(a)(5)(C)  
15 of such Code, as amended by the American Taxpayer Re-  
16 lief Act of 2012, is amended by striking “2014” and in-  
17 serting “2021”.

18 (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall take effect on the date of the enactment  
20 of this Act.

21 **SEC. 202. EXTENSION OF ENERGY CREDIT.**

22 (a) EXTENSION.—

23 (1) SOLAR ENERGY PROPERTY.—

24 (A) GENERATION OF ELECTRICITY.—Sub-  
25 clause (II) of section 48(a)(2)(A)(i) of the In-



1           ternal Revenue Code of 1986 is amended by  
2           striking “January 1, 2017” and inserting “Jan-  
3           uary 1, 2021”.

4                   (B) ILLUMINATION.—Clause (ii) of section  
5           48(a)(3)(A) of such Code is amended by strik-  
6           ing “January 1, 2017” and inserting “January  
7           1, 2021”.

8                   (2) GEOTHERMAL HEAT PUMP SYSTEMS.—  
9           Clause (vii) of section 48(a)(3)(A) of such Code is  
10          amended by striking “January 1, 2017” and insert-  
11          ing “January 1, 2021”.

12                   (3) FUEL CELL PROPERTY.—Subparagraph (D)  
13          of section 48(c)(1) of such Code is amended by  
14          striking “December 31, 2016” and inserting “De-  
15          cember 31, 2020”.

16                   (4) QUALIFIED MICROTURBINE PROPERTY.—  
17          Subparagraph (D) of section 48(c)(2) of such Code  
18          is amended by striking “December 31, 2016” and  
19          inserting “December 31, 2020”.

20                   (5) COMBINED HEAT AND POWER SYSTEMS.—  
21          Clause (iv) of section 48(c)(3)(A) of such Code is  
22          amended by striking “January 1, 2017” and insert-  
23          ing “January 1, 2021”.

24                   (6) QUALIFIED SMALL WIND ENERGY PROP-  
25          ERTY.—Subparagraph (C) of section 48(c)(4) of

1 such Code is amended by striking “December 31,  
2 2016” and inserting “December 31, 2020”.

3 (b) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to property placed in service after  
5 the date of the enactment of this Act.

6 **SEC. 203. EXTENSION AND MODIFICATION OF THE AD-**  
7 **VANCED ENERGY PROJECT CREDIT.**

8 (a) IN GENERAL.—Subsection (d) of section 48C of  
9 the Internal Revenue Code of 1986 is amended by adding  
10 at the end the following new paragraph:

11 “(6) ADDITIONAL ALLOCATIONS.—

12 “(A) IN GENERAL.—Not later than 180  
13 days after the date of the enactment of this  
14 paragraph, the Secretary, in consultation with  
15 the Secretary of Energy, shall establish a pro-  
16 gram to consider and award certifications for  
17 qualified investments eligible for credits under  
18 this section to qualifying advanced energy  
19 project sponsors with respect to applications re-  
20 ceived in calendar years during the 5-year pe-  
21 riod beginning with the calendar year which in-  
22 cludes the date of the enactment of this para-  
23 graph.

24 “(B) LIMITATION.—The total amount of  
25 credits that may be allocated under the pro-

1           gram described in subparagraph (A) for any  
2           calendar year shall not exceed  
3           \$2,300,000,000.

4           “(C) APPLICATION OF CERTAIN RULES.—  
5           Rules similar to the rules of paragraphs (2),  
6           (3), (4), and (5) shall apply for purposes of the  
7           program described in subparagraph (A).”.

8           (b) EFFECTIVE DATE.—The amendments made by  
9           this section shall take effect on the date of the enactment  
10          of this Act.