

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 6417

To repeal tax subsidies enacted by the Energy Policy Act of 2005 for oil and gas and certain other oil and gas subsidies in the Internal Revenue Code of 1986, and to establish a greenhouse gas intensity reduction investment tax credit.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 7, 2006

Mr. MEEHAN introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To repeal tax subsidies enacted by the Energy Policy Act of 2005 for oil and gas and certain other oil and gas subsidies in the Internal Revenue Code of 1986, and to establish a greenhouse gas intensity reduction investment tax credit.

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 “Climate Change In-  
5       vestment Act of 2006”.

1 **SEC. 2. REPEAL OF TAX SUBSIDIES FOR THE OIL AND GAS**  
2 **INDUSTRY.**

3 (a) **REPEAL OF ELECTION TO EXPENSE CERTAIN**  
4 **REFINERIES.—**

5 (1) Subparagraph (B) of section 179C(c)(2) of  
6 the Internal Revenue Code of 1986 is amended by  
7 striking “January 1, 2012” and inserting “the date  
8 of the enactment of the Climate Change Investment  
9 Act of 2006”.

10 (2) Paragraph (2) of section 179C(c) of such  
11 Code is amended by striking “January 1, 2008”  
12 each place it appears and inserting “the date of the  
13 enactment of the Climate Change Investment Act of  
14 2006”.

15 (b) **REPEAL OF AMORTIZATION OF GEOLOGICAL AND**  
16 **GEOPHYSICAL EXPENDITURES.—**Subsection (h) of section  
17 167 of such Code is amended by adding at the end the  
18 following new paragraph:

19 “(5) **TERMINATION.—**This subsection shall not  
20 apply to any expenses paid or incurred in any tax-  
21 able year beginning after the date of the enactment  
22 of this Act.”.

23 (c) **REPEAL OF ENHANCED OIL RECOVERY CRED-**  
24 **IT.—**Section 43 of such Code (relating to enhanced oil re-  
25 covery credit) is amended by adding at the end the fol-  
26 lowing new subsection:

1       “(f) TERMINATION.—This section shall not apply to  
2 taxable years beginning after the date of the enactment  
3 of this subsection.”.

4       (d) REPEAL OF CREDIT FOR PRODUCTION OF LOW  
5 SULFUR DIESEL FUEL.—Section 45H of such Code (re-  
6 lating to credit for production of low sulfur diesel fuel)  
7 is amended by adding at the end the following new sub-  
8 section:

9       “(h) TERMINATION.—This section shall not apply to  
10 taxable years beginning after the date of the enactment  
11 of this subsection.”.

12       (e) REPEAL OF CREDIT FOR PRODUCING FUEL  
13 FROM A NONCONVENTIONAL SOURCE.—Subpart D of  
14 part IV of subchapter A of chapter 1 of such Code is  
15 amended by striking section 45K (relating to credit for  
16 producing fuel from a nonconventional source).

17       (f) REPEAL OF DEDUCTION FOR CAPITAL COSTS IN-  
18 CURRED IN COMPLYING WITH ENVIRONMENTAL PROTEC-  
19 TION AGENCY SULFUR REGULATIONS.—Section 179B of  
20 such Code (relating to deduction for capital costs incurred  
21 in complying with Environmental Protection Agency sul-  
22 fur regulations) is amended by adding at the end the fol-  
23 lowing new subsection:

1       “(f) TERMINATION.—This section shall not apply to  
2 taxable years beginning after the date of the enactment  
3 of this subsection.”.

4       (g) REPEAL OF CERTAIN INTANGIBLE DRILLING  
5 AND DEVELOPMENT COSTS.—Subsection (c) of section  
6 263 of such Code (relating to intangible drilling and devel-  
7 opment costs in the case of oil and gas wells and geo-  
8 thermal wells) is amended by adding at the end the fol-  
9 lowing new sentence: “This subsection shall not apply to  
10 costs incurred after the date of the enactment of this sen-  
11 tence with respect to any oil or gas well.”.

12       (h) REPEAL OF CERTAIN OIL AND GAS PROVI-  
13 SIONS.—

14             (1) IN GENERAL.—Part I of subchapter I of  
15 chapter 1 of such Code (relating to deductions) is  
16 amended by adding at the end the following new sec-  
17 tion:

18 **“SEC. 618. OIL AND GAS LIMITATION.**

19       “**This part shall not apply with respect to any ex-**  
20 **penditure which relates to any oil or gas well and which**  
21 **is paid or incurred after the date of the enactment of this**  
22 **section.”.**

23             (2) CLERICAL AMENDMENT.—The table of sec-  
24 tions for part I of subchapter I of chapter 1 of such

1 Code is amended by adding at the end the following  
2 new item:

“Sec. 618. Oil and gas limitation.”.

3 (i) **EFFECTIVE DATE.**—

4 (1) **IN GENERAL.**—Except as provided in para-  
5 graph (2), the amendments made by this section  
6 shall take effect on the date of the enactment of this  
7 Act.

8 (2) **REPEAL OF CREDIT FOR PRODUCING FUEL**  
9 **FROM A NONCONVENTIONAL SOURCE.**—The amend-  
10 ment made by subsection (e) shall apply with respect  
11 to fuels sold or produced after the date of the enact-  
12 ment of this Act.

13 **SEC. 3. GREENHOUSE GAS INTENSITY REDUCTION INVEST-**  
14 **MENT TAX CREDIT.**

15 (a) **IN GENERAL.**—Subpart D of part IV of sub-  
16 chapter A of chapter 1 (relating to business-related cred-  
17 its) is amended by adding at the end the following new  
18 section:

19 **“SEC. 45N. GREENHOUSE GAS INTENSITY REDUCTION IN-**  
20 **VESTMENT CREDIT.**

21 “(a) **ALLOWANCE OF CREDIT.**—

22 “(1) **IN GENERAL.**—For purposes of section 38,  
23 in the case of a taxpayer’s investment in a green-  
24 house gas intensity reduction project approved by  
25 the Secretary of Energy, the greenhouse gas inten-

1       sity reduction investment credit determined under  
2       this section for the taxable year is an amount equal  
3       to—

4               “(A) the percentage reduction in green-  
5       house gas intensity certified for such project for  
6       such year by the Secretary of Energy, multi-  
7       plied by

8               “(B) the investment in such project during  
9       such year which is attributable, directly or indi-  
10      rectly, to the taxpayer, as determined by the  
11      Secretary of Energy.

12              “(2) AGGREGATE DOLLAR LIMITATION.—The  
13      credit determined under paragraph (1) for any tax-  
14      able year, when added to any credit allowed to the  
15      taxpayer with respect to the such project in any pre-  
16      ceding taxable year, shall not exceed 50 percent of  
17      the investment attributable to the taxpayer with re-  
18      spect to such project through such taxable year.

19              “(b) LIMITATION ON AGGREGATE CREDIT ALLOW-  
20      ABLE.—

21              “(1) IN GENERAL.—The amount of the green-  
22      house gas intensity reduction investment credit de-  
23      termined under subsection (a) for any project, when  
24      added to all such credits allowed to all taxpayers  
25      with respect to the such project shall not exceed the

1 credit dollar amount allocated to such project under  
2 this subsection by the Secretary of Energy from the  
3 greenhouse gas intensity reduction investment credit  
4 limitation for the calendar year in which such alloca-  
5 tion is made.

6 “(2) TIME FOR MAKING ALLOCATION.—An allo-  
7 cation shall be taken into account under paragraph  
8 (1) only if it is made not later than the close of the  
9 calendar year in which the greenhouse gas intensity  
10 reduction project proposal with respect to such  
11 project is approved by the Secretary of Energy.

12 “(3) OVERALL LIMITATION ON AGGREGATE  
13 CREDIT ALLOWABLE.—The Secretary of Energy may  
14 allocate the aggregate credit dollar amount to any  
15 such project for a period not to exceed a 10-year pe-  
16 riod beginning with the calendar year described in  
17 paragraph (2).

18 “(c) LIMITATION ON AMOUNT OF CREDITS ALLO-  
19 CATED.—

20 “(1) IN GENERAL.—There is a greenhouse gas  
21 intensity reduction investment credit limitation  
22 amount for each calendar year. Except as provided  
23 in paragraph (2), such limitation amount is  
24 \$600,000,000 for each of calendar years 2008  
25 through 2012, and zero thereafter.

1           “(2) CARRYOVER OF UNUSED ISSUANCE LIM-  
2           TATION.—If for any calendar year the limitation  
3           amount imposed by paragraph (1) exceeds the  
4           amount of greenhouse gas intensity reduction invest-  
5           ment credits allocated during such year, such excess  
6           shall be carried forward to the succeeding calendar  
7           year as an addition to the limitation imposed by  
8           paragraph (1).

9           “(d) GREENHOUSE GAS INTENSITY REDUCTION  
10          PROJECT; GREENHOUSE GAS INTENSITY.—For purposes  
11          of this section—

12                 “(1) GREENHOUSE GAS INTENSITY REDUCTION  
13          PROJECT.—The term ‘greenhouse gas intensity re-  
14          duction project’ means any project approved under  
15          this section by the Secretary of Energy. Such ap-  
16          proval shall be based on the following criteria:

17                         “(A) The extent of the reduction in green-  
18                         house gas intensity proposed for the project.

19                         “(B) Improvements in system efficiency.

20                         “(C) In the case of projects located outside  
21                         the United States, the extent of technology  
22                         transfer.

23                         “(D) The existence and nature of agree-  
24                         ments for sharing project benefits and liability  
25                         between the taxpayer and any host government.

1           “(2) GREENHOUSE GAS INTENSITY.—The  
2 greenhouse gas intensity for any period is equal to  
3 the volume of emissions divided by the economic ac-  
4 tivity associated with a project.

5           “(e) RECAPTURE OF CREDIT IN CERTAIN CASES.—

6           “(1) IN GENERAL.—If, at any time during the  
7 20-year period of a greenhouse gas intensity reduc-  
8 tion project, there is a recapture event with respect  
9 to such project, then the tax imposed by this chapter  
10 for the taxable year in which such event occurs shall  
11 be increased by the credit recapture amount.

12           “(2) CREDIT RECAPTURE AMOUNT.—For pur-  
13 poses of paragraph (1)—

14           “(A) IN GENERAL.—The credit recapture  
15 amount is an amount equal to the recapture  
16 percentage of all greenhouse gas intensity re-  
17 duction investment credits previously allowable  
18 to a taxpayer with respect to any investment in  
19 such project that is attributable to such tax-  
20 payer.

21           “(B) RECAPTURE PERCENTAGE.—The re-  
22 capture percentage shall be 100 percent if the  
23 recapture event occurs during the first 5 years  
24 of the project, 75 percent if the recapture event  
25 occurs during the second 5 years of the project,

1           50 percent if the recapture event occurs during  
2           the third 5 years of the project, 25 percent if  
3           the recapture event occurs during the fourth 5  
4           years of the project, and 0 percent if the recap-  
5           ture event occurs at any time after the 20th  
6           year of the project.

7           “(3) RECAPTURE EVENT.—For purposes of  
8           paragraph (1), there is a recapture event with re-  
9           spect to a greenhouse gas intensity reduction project  
10          if—

11                   “(A) the taxpayer violates a term or condi-  
12                   tion of the approval of the project by the Sec-  
13                   retary of Energy at any time,

14                   “(B) the taxpayer adopts a practice which  
15                   the Secretary of Energy has specified in its ap-  
16                   proval of the project as a practice which would  
17                   tend to defeat the purposes of the program, or

18                   “(C) the taxpayer disposes of any owner-  
19                   ship interest arising out of its investment that  
20                   the Secretary of Energy has determined is at-  
21                   tributable to the project, unless the Secretary of  
22                   Energy determines that such disposition will  
23                   not have any adverse effect on the greenhouse  
24                   gas intensity reduction project.

1 If an event which otherwise would be a recapture  
2 event is outside the control of the taxpayer, as deter-  
3 mined by the Secretary of Energy, such event shall  
4 not be treated as a recapture event with respect to  
5 such taxpayer.

6 “(4) SPECIAL RULES.—

7 “(A) TAX BENEFIT RULE.—The tax for  
8 the taxable year shall be increased under para-  
9 graph (1) only with respect to credits allowed  
10 by reason of this section which were used to re-  
11 duce tax liability. In the case of credits not so  
12 used to reduce tax liability, the carryforwards  
13 and carrybacks under section 39 shall be appro-  
14 priately adjusted.

15 “(B) NO CREDITS AGAINST TAX.—Any in-  
16 crease in tax under this subsection shall not be  
17 treated as a tax imposed by this chapter for  
18 purposes of determining the amount of any  
19 credit under this chapter or for purposes of sec-  
20 tion 55.

21 “(f) DISALLOWANCE OF DOUBLE BENEFIT.—

22 “(1) BASIS REDUCTION.—The basis of any in-  
23 vestment in a greenhouse gas intensity reduction  
24 project shall be reduced by the amount of any credit

1 determined under this section with respect to such  
2 investment.

3 “(2) CHARITABLE DEDUCTION DISALLOWED.—

4 No deduction shall be allowed to a taxpayer under  
5 section 170 with respect to any contribution which  
6 the Secretary of Energy certifies to the Secretary of  
7 the Treasury constitutes an investment in a green-  
8 house gas intensity reduction project that is attrib-  
9 utable to such taxpayer.

10 “(g) CERTIFICATION TO TREASURY.—The Secretary  
11 of Energy shall certify to the Secretary of the Treasury  
12 before January 31 of each year with respect to each tax-  
13 payer which has made an investment in a greenhouse gas  
14 intensity reduction project—

15 “(1) the amount of the greenhouse gas intensity  
16 reduction investment credit allowable to such tax-  
17 payer for the preceding calendar year,

18 “(2) whether a recapture event occurred with  
19 respect to such taxpayer during the preceding cal-  
20 endar year, and

21 “(3) the credit recapture amount, if any, with  
22 respect to such taxpayer for the preceding calendar  
23 year.

1       “(h) REGULATIONS.—The Secretary of the Treasury  
2 shall prescribe such regulations as may be appropriate to  
3 carry out this section, including regulations—

4               “(1) which limit the credit for investments  
5 which are directly or indirectly subsidized by other  
6 Federal benefits,

7               “(2) which prevent the abuse of the provisions  
8 of this section through the use of related parties,  
9 and

10              “(3) which impose appropriate reporting re-  
11 quirements.”.

12       (b) CREDIT MADE PART OF GENERAL BUSINESS  
13 CREDIT.—Subsection (b) of section 38 is amended by  
14 striking “and” at the end of paragraph (29), by striking  
15 the period at the end of paragraph (30) and inserting “,  
16 and”, and by adding at the end the following new para-  
17 graph:

18              “(31) the greenhouse gas intensity reduction in-  
19 vestment credit determined under section 45N(a).”.

20       (c) DEDUCTION FOR UNUSED CREDIT.—Subsection  
21 (c) of section 196 is amended by striking “and” at the  
22 end of paragraph (12), by striking the period at the end  
23 of paragraph (13) and inserting “, and”, and by adding  
24 at the end the following new paragraph:

1           “(14) the greenhouse gas intensity reduction in-  
2           vestment credit determined under section 45N(a).”.

3           (d) CLERICAL AMENDMENT.—The table of sections  
4 for subpart D of part IV of subchapter A of chapter 1  
5 is amended by adding at the end the following new item:

“Sec. 45N. Greenhouse gas intensity reduction investment credit.”.

6           (e) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to investments made after Decem-  
8 ber 31, 2007.

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