End Polluter Welfare Act Section by Section

Sec. 1. Short title.

Sec. 2. Table of contents.

Sec. 3. Definition of fossil fuel.

- Defines "fossil fuel" as coal, petroleum, natural gas, or any derivative of coal, petroleum, or natural gas that is used for fuel.

Sec. 4. Royalty Relief.

- Repeals the Department of Interior's authority to provide discretionary royalty relief, and also repeals special royalty relief for deep water drilling.

Sec. 5. Royalties under Mineral Leasing Act.

- Increases onshore royalty rates to 18.75 percent to bring them in line with offshore royalty rates.

Sec. 6. Elimination of interest payments for royalty overpayments.

- Eliminates any interest payments for royalty overpayments.

Sec. 7. Removal of limits on liability for offshore facilities and pipeline operators.

- Makes liability unlimited so that corporations are fully responsible for the damage they cause from offshore oil spills; under current law, corporations will not pay more than $75 million in damages. Also removes the liability cap for spill damages on tar sands pipeline operators, currently limited to $350 million.

Sec. 8. Restrictions on use of appropriated funds by international financial institutions for projects that support fossil fuel.

- Rescinds existing funding for, and imposes a future prohibition on, using U.S. taxpayer funds to finance fossil fuel projects through the World Bank.

Sec. 9. Fossil Energy Research and Development Program.

- Eliminates taxpayer-backed Department of Energy research and development programs for the fossil fuel industry.

Sec. 10. Advanced Research Projects Agency—Energy.

- Eliminates taxpayer-backed Advanced Research Projects Agency research and development programs for the fossil fuel industry.

Sec. 11. Incentives for innovative technologies.

- Eliminates Department of Energy loan guarantees for advanced coal projects.

Sec. 12. Rural Utility Service loan guarantees.

- Eliminates USDA loans or loan guarantees for coal plants, as well as other fossil fuel plants or projects.

Sec. 13. Prohibition on use of funds by the United States International Development Finance Corporation or the Export-Import Bank of the United States for financing projects, transactions, or other activities that support fossil fuel.

- Rescinds existing funds which use, and imposes a future prohibition on using, U.S. taxpayer funds to finance fossil fuel projects through the United States International Development Finance Corporation and Export-Import Bank.

Sec. 14. Transportation funds for grants, loans, loan guarantees, and other direct assistance.

- Prohibits using federal transportation funds for rail or port projects designed to transport and/or export fossil fuels.

Sec. 15. Elimination of exclusion of certain lenders as owners or operators under CERCLA.

- Eliminates the liability loophole in the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), which allows large financial institutions or major investors to avoid liability for the environmental damage caused by their investments.

Sec. 16. Termination of various tax expenditures relating to fossil fuels.

- Section 43 (relating to enhanced oil recovery credit).
    - Eliminates the 15 percent income tax credit for advanced oil recovery investments.
- Section 45I (relating to credit for producing oil and natural gas from marginal wells).
    - Eliminates the tax credit for production from marginal and inefficient wells.
- Section 461(i)(2) (relating to special rule for spudding of oil or natural gas wells).
    - Eliminates the special rule for oil and gas wells that allows oil and gas corporations to accelerate deductions on expenses related to wells.
- Section 469(c)(3) (relating to working interests in oil and natural gas property).
    - Eliminates the ability of oil and gas company owners and investors to use losses from fossil fuel investments to shelter other income.
- Section 613A (relating to limitations on percentage depletion in case of oil and natural gas wells).

    - Eliminates the ability of oil and gas companies to deduct 15 percent of their sales revenues to reflect declining value of their investment without regard to the actual decline in value of their investment.
- Section 168(e)(3)(C)(iii) (relating to classification of certain property).
    - Eliminates the special depreciation provision that allows a 7-year depreciation period for Alaskan natural gas pipelines instead of the standard 15-year depreciation period.
- Section 169 (relating to amortization of pollution control facilities) with respect to any atmospheric pollution control facility.
    - Eliminates the set of special 5-year amortization rules for pollution control facilities.
- Section 179B (relating to deduction for capital costs incurred in complying with Environmental Protection Agency sulfur regulations).
    - Eliminates special deductions related to cost of compliance with EPA low-sulfur pollution rules for certain oil refineries
- Section 468 (relating to special rules for mining and solid waste reclamation and closing costs).
    - Eliminates the tax deduction for certain costs related to mining and waste site reclamation and closure.
- Section 48A (relating to qualifying advanced coal project credit) and Section 48B (relating to qualifying gasification project credit).
    - Eliminate tax credits for construction of advanced coal plants.
- Section 148(b)(4) (relating to safe harbor for prepaid natural gas).
    - Eliminates the oil and gas arbitrage bonds exemption.

Sec. 17. Termination of certain deductions and credits related to fossil fuels.

- Removes the eligibility of companies to receive 100 percent bonus depreciation, research credit, 20 percent deduction on pass-through income, tax break on foreign derived intangible income, or like-kind exchange treatment on fossil fuel activities.

Sec. 18. Uniform seven-year amortization for geological and geophysical expenditures.

- A tax break created in 2005 currently allows certain oil and gas corporations to amortize more quickly incidental drilling costs, which reduces taxes paid. This section extends the current 2-year amortization to 7 years.

Sec. 19. Natural gas gathering lines treated as 15-year property.

- Eliminates the special provision allowing for 7-year depreciation for natural gas pipelines and returns it to a 15-year depreciation period.

Sec. 20. Termination of last-in, first-out method of inventory for oil, natural gas, and coal companies.

- Eliminates a provision that allows oil and gas companies to minimize the value of their inventories for tax purposes.

Sec. 21. Repeal of percentage depletion for coal and hard mineral fossil fuels.

- Eliminates the ability of coal companies to deduct 10 percent of their sales revenue to reflect declining value of their investment, regardless of actual value of their investment.

Sec. 22. Termination of capital gains treatment for royalties from coal.

- Eliminates a 1951 rule that allows coal companies to treat income from coal mines as a capital gain, taxed at 15 percent maximum, instead of regular income taxed at the standard, higher rate for income.

Sec. 23. Modifications of foreign tax credit rules applicable to oil and gas industry taxpayers receiving specific economic benefits.

- Eliminates the ability of oil and gas companies operating overseas to classify royalty payments to foreign governments as taxes (which are creditable against US taxes due), more accurately reflecting the payments as deductible expenses instead.

Sec. 24. Increase in oil spill liability trust fund financing rate.

- Increases and makes permanent a rate of 10 cents a barrel to finance the Oil Spill Liability Trust Fund.

Sec. 25. Application of certain environmental taxes to synthetic crude oil.

- Extends the oil spill liability trust fund tax to tar sands oils, which are currently exempt from it though also transported through the pipelines.

Sec. 26. Denial of deduction for removal costs and damages for certain oil spills.

- Ensures corporations responsible for oil spill damages and clean up do not receive tax breaks for these expenses by denying them deductions for said expenses.

Sec. 27. Tax on crude oil and natural gas produced from the outer Continental Shelf in the Gulf of Mexico.

- Imposes a 13 percent excise tax to ensure corporations not already paying royalties pay their fair share. In the 1990s, certain offshore leases were provided without requiring royalty payments from industry as a means of encouraging drilling when prices were very low. These leases did not have a provision to institute royalties when prices increased, causing a significant loss of tens of billions of dollars to the taxpayer over the life of the leases.

Sec. 28. Repeal of corporate income tax exemption for publicly traded partnerships with qualifying income and gains from activities relating to fossil fuels.

- Eliminates the special partnership option for fossil fuel corporations and investors, which is currently not available for clean energy companies.

Sec. 29. Amortization of qualified tertiary injectant expenses.

- Eliminates the immediate expensing of tertiary injectants and requires that they be amortized over a 7-year period.

Sec. 30. Amortization of development expenditures.

- Eliminates the immediate expensing of certain mine development expenditures and requires they be amortized over a 7-year period.

Sec. 31. Amortization of certain mining exploration expenditures.

- Eliminates the immediate expensing of certain mining exploration expenditures and requires they be amortized over a 7-year period.

Sec. 32. Amortization of intangible drilling and development costs in the case of oil and gas wells and geothermal wells.

- Eliminates the immediate expensing of intangible and development costs of oil and gas wells and geothermal wells, and requires these expenses be amortized over a 7-year period.

Sec. 33. Permanent excise tax rate for funding of Black Lung Disability Trust Fund.

- Permanently increases the excise tax rate on coal (used to fund the Black Lung Disability Trust Fund) to $1.38 per ton for underground-mined and $0.69 per ton for surface-mined coal. According to a GAO study of the Trust Fund, these higher permanent rates would make the fund solvent until 2050.

Sec. 34. Termination of renewable electricity production credit eligibility for refined coal.

- Eliminates refined coal's eligibility for the Renewable Electricity Production Credit.

Sec. 35. Treatment of foreign oil related income as subpart F income.

- Reverses a Tax Cuts and Jobs Act change by restoring foreign base company oil related income as a category of foreign base company income.

Sec. 36. Repeal of exclusion of foreign oil and gas extraction income from the determination of tested income.

- Repeals the exclusion of foreign oil and gas extraction income from the global minimum tax placed on offshore income known as the tax on global intangible low-taxed income or GILTI.

Sec. 37. Termination of credit for carbon oxide sequestration.

- Eliminates the tax credit of between $10 and $20 per metric ton of carbon sequestered available to industrial facilities such as coal plants. Also requires that Treasury produce a public study on the current and past recipients of the tax credit.

Sec. 38. Powder River Basin.

- Requires BLM to designate Powder River Basin a “coal-producing region” giving federal government more impetus and authority to get a fair return on leases, and not to provide leases simply based on industry needs. Also requires BLM to do a fair market value study of Powder River Basin to determine if taxpayers are getting a fair return for leases.

Sec. 39. Study and Elimination of Additional Fossil Fuel Subsidies.

- Requires the Treasury Department identify any additional fossil fuel production subsidies not already eliminated in this bill, and issue a report to Congress quantifying their cost to the taxpayer.

For more information on the bill’s energy policy, please contact Ethan Hinch (Ethan_Hinch@sanders.senate.gov; 202-407-2264) in Senator Sanders’ office, or Maria Martirosyan (Maria.Martirosyan@mail.house.gov; 5-4755) in Congresswoman Omar’s office.

For more information on the bill’s tax policy, please contact Richard Phillips (Richard_Phillips@budget.senate.gov; 4-2775) on the Senate Budget Committee.