

111TH CONGRESS  
1ST SESSION

# H. R. 2380

To amend the Internal Revenue Code of 1986 to reduce social security payroll taxes and to reduce the reliance of the United States economy on carbon-based energy sources.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 13, 2009

Mr. INGLIS (for himself, Mr. LIPINSKI, and Mr. FLAKE) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to reduce social security payroll taxes and to reduce the reliance of the United States economy on carbon-based energy sources.

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 “Raise Wages, Cut Car-  
5 bon Act of 2009”.

1 **SEC. 2. REDUCTION OF SOCIAL SECURITY TAXES; TAX ON**  
 2 **COMBUSTIBLE FOSSIL FUELS.**

3 (a) IN GENERAL.—Chapter 38 of the Internal Rev-  
 4 enue Code of 1986 (relating to environmental taxes) is  
 5 amended by adding at the end thereof the following new  
 6 subchapter:

7 **“Subchapter E—Reduction of Social Security**  
 8 **Taxes; Tax on Combustible Fossil Fuels**

“PART I. CARBON TAX REVENUES TO OFFSET SOCIAL SECURITY TAXES.

“PART II. TAX ON COMBUSTIBLE FOSSIL FUELS.

“PART III. TAX ON CERTAIN ADDITIONAL IMPORTED SUBSTANCES.

“PART IV. SUPERMAJORITY REQUIRED TO CHANGE REVENUE NEUTRALITY

9 **“PART I—CARBON TAX REVENUES TO OFFSET**  
 10 **SOCIAL SECURITY TAXES**

“Sec. 4691. Disposition of revenues.

11 **“SEC. 4691. DISPOSITION OF REVENUES.**

12 “(a) AMOUNTS APPROPRIATED TO SOCIAL SECURITY  
 13 TRUST FUNDS.—

14 “(1) IN GENERAL.—There are hereby appro-  
 15 priated to the social security trust funds an amount  
 16 equal to the net revenues received in the Treasury  
 17 from the taxes imposed by parts II and III.

18 “(2) ALLOCATION AMONG FUNDS.—Amounts  
 19 shall be appropriated to such funds under paragraph  
 20 (1) in the same proportions as amounts would (but  
 21 for this subchapter) be appropriated to such funds

1 under the Social Security Act and the Railroad Re-  
2 tirement Act of 1974.

3 “(b) REDUCTION IN SOCIAL SECURITY TAXES.—

4 “(1) IN GENERAL.—The rate of each social se-  
5 curity tax for each calendar year (determined with-  
6 out regard to this section) shall be reduced by the  
7 number of percentage points equal to—

8 “(A) such rate, multiplied by

9 “(B) the reduction percentage determined  
10 by the Secretary for such year.

11 “(2) REDUCTION PERCENTAGE.—The reduction  
12 percentage determined by the Secretary under para-  
13 graph (1) for any calendar year shall be the highest  
14 percentage which the Secretary estimates will result  
15 in deposits into each trust fund equal to the amount  
16 which would (without regard to this section) be ap-  
17 propriated to each trust fund for such year on ac-  
18 count of social security taxes.

19 “(c) INCREASE IN PAYMENTS TO SOCIAL SECURITY  
20 RECIPIENTS FOR 2010 TO OFFSET COST OF CARBON TAX  
21 BEFORE TAX REFLECTED IN COST-OF-LIVING ADJUST-  
22 MENTS.—The Secretary shall notify the Managing Trust-  
23 ee of the Federal Old-Age and Survivors Insurance Trust  
24 Fund established under section 201 of the Social Security  
25 Act to increase the payments to which an individual is en-

1 titled under section 205(i) of such Act for 2010 by the  
2 average cost of the taxes imposed by parts II and III  
3 which is borne by individuals who are so entitled by reason  
4 of price increases in the costs of products and services.

5 “(d) DEFINITIONS.—For purposes of this sub-  
6 chapter—

7 “(1) SOCIAL SECURITY TAX.—The term ‘social  
8 security tax’ means—

9 “(A) the tax imposed by section 3101(a)  
10 (and so much of the tax imposed by section  
11 3201(a) as is determined by reference to the  
12 tax imposed by section 3101(a)),

13 “(B) the tax imposed by section 3111(a)  
14 (and so much of the tax imposed by section  
15 3221(a) as is determined by reference to the  
16 tax imposed by section 3111(a)), and

17 “(C) the tax imposed by section 1401(a)  
18 (and so much of the tax imposed by section  
19 3211(a) as is determined by reference to the  
20 taxes imposed by sections 3101(a) and  
21 3111(a)).

22 “(2) SOCIAL SECURITY TRUST FUND.—The  
23 term ‘social security trust fund’ means—

1           “(A) the Federal Old-Age and Survivors  
2           Insurance Trust Fund established by section  
3           202 of the Social Security Act, and

4           “(B) the Social Security Equivalent Ben-  
5           efit Account established under section 15A of  
6           the Railroad Retirement Act of 1974.

7           “(e) DETERMINATION BASED ON ESTIMATES.—De-  
8           termination under subsections (a) and (b) shall be made  
9           on the basis of estimates by the Secretary. Proper adjust-  
10          ments shall be made to the extent prior estimates were  
11          in excess of or less than more accurate amounts.

12          “(f) PUBLICATION OF RATE REDUCTIONS.—Any ad-  
13          justment under this section of social security tax rates for  
14          any calendar year shall be published in the Federal Reg-  
15          ister on or before November 1 of the preceding calendar  
16          year.

17          **“PART II—TAX ON COMBUSTIBLE FOSSIL FUELS**

          “Sec. 4692. Imposition of tax.

          “Sec. 4693. Refunds or credits.

          “Sec. 4694. Other definitions and special rules.

18          **“SEC. 4692. IMPOSITION OF TAX.**

19          “(a) IN GENERAL.—There is hereby imposed a tax  
20          on any taxable carbon substance sold by the manufacturer,  
21          producer, or importer thereof.

22          “(b) AMOUNT OF TAX.—

23                  “(1) IN GENERAL.—The amount of tax imposed  
24          by subsection (a) on any taxable carbon substance

1 shall be the applicable amount per ton of the carbon  
 2 dioxide emissions potential of such substance, as de-  
 3 termined by the Secretary in consultation with the  
 4 Secretary of Energy.

5 “(2) FRACTIONAL PART OF TON.—In the case  
 6 of a fraction of a ton, the tax imposed by subsection  
 7 (a) shall be the same fraction of the amount of such  
 8 tax imposed on a whole ton.

9 “(3) APPLICABLE AMOUNT.—For purposes of  
 10 paragraph (1)—

11 “(A) IN GENERAL.—The applicable  
 12 amount for any calendar year is the amount de-  
 13 termined under the following table for such  
 14 year, as adjusted under subparagraph (B):

<b>“In the case of calendar year—</b>	<b>The applicable amount is—</b>
2010 .....	\$ 15.00
2011 .....	15.98
2012 .....	17.02
2013 .....	18.13
2014 .....	19.32
2015 .....	20.58
2016 .....	21.92
2017 .....	23.35
2018 .....	24.88
2019 .....	26.50
2020 .....	28.23
2021 .....	30.07
2022 .....	32.04
2023 .....	34.13
2024 .....	36.36
2025 .....	38.73
2026 .....	41.26
2027 .....	43.95
2028 .....	46.82
2029 .....	49.88
2030 .....	53.13
2031 .....	56.60
2032 .....	60.30

2033 .....	64.23
2034 .....	68.43
2035 .....	72.89
2036 .....	77.65
2037 .....	82.72
2038 .....	88.12
2039 .....	93.87
2040 or thereafter .....	100.00.

1                   “(B) INFLATION ADJUSTMENT.—

2                   “ (i) IN GENERAL.—The applicable  
3 amount contained in the table under sub-  
4 paragraph (A) for any calendar year after  
5 2010 shall be increased by an amount  
6 equal to—

7                   “ (I) such applicable amount,  
8 multiplied by

9                   “ (II) the cost-of-living adjust-  
10 ment determined under section 1(f)(3)  
11 for such calendar year, determined by  
12 substituting ‘calendar year 2009’ for  
13 ‘calendar year 1992’ in subparagraph  
14 (B) thereof.

15                   “ (ii) ROUNDING.—Any increase deter-  
16 mined under clause (i) shall be rounded to  
17 the nearest cent.

18                   “(c) TAXABLE CARBON SUBSTANCE.—For purposes  
19 of this subchapter, the term ‘taxable carbon substance’  
20 means—

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

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

3           “(3) natural gas,  
4           which is extracted, manufactured, or produced in the  
5           United States or entered into the United States for con-  
6           sumption, use, or warehousing.

7           “(d) SUBSTANCE TAXED ONLY ONCE.—No tax shall  
8           be imposed by subsection (a) with respect to a taxable car-  
9           bon substance if the person who would be liable for such  
10          tax establishes that a prior tax imposed by such section  
11          has been imposed with respect to such substance.

12          **“SEC. 4693. REFUNDS OR CREDITS.**

13          “(a) SEQUESTERED CARBON.—Under regulations  
14          prescribed by the Secretary, if a person uses a taxable car-  
15          bon substance so that the carbon associated with such sub-  
16          stance will not be emitted, then an amount equal to the  
17          amount of tax in effect under section 4692(b) with respect  
18          to such substance for the calendar year in which such use  
19          begins shall be allowed as a credit or refund (without in-  
20          terest) to such person in the same manner as if it were  
21          an overpayment of tax imposed by section 4692.

22          “(b) PREVIOUSLY TAXED CARBON SUBSTANCES  
23          USED TO MAKE ANOTHER TAXABLE CARBON SUB-  
24          STANCE.—Under regulations prescribed by the Secretary,  
25          if—

1           “(1) a tax under section 4692 was paid with re-  
2           spect to any taxable carbon substance, and

3           “(2) such substance was used by any person in  
4           the manufacture or production of any other sub-  
5           stance which is a taxable carbon substance,

6 then an amount equal to the tax so paid shall be allowed  
7 as a credit or refund (without interest) to such person in  
8 the same manner as if it were an overpayment of tax im-  
9 posed by section 4692. In any case to which this sub-  
10 section applies, the amount of any such credit or refund  
11 shall not exceed the amount of tax imposed by section  
12 4692 on the other taxable fuel manufactured or produced  
13 (or which would have been imposed by such subsection on  
14 such other fuel but for section 4692(d)).

15           “(c) EXEMPTION FOR EXPORTS.—

16           “(1) TAX-FREE SALES.—

17           “(A) IN GENERAL.—No tax shall be im-  
18           posed under subsection (a) on the sale by the  
19           manufacturer or producer of any taxable carbon  
20           substance for export or for resale by the pur-  
21           chaser to a second purchaser for export.

22           “(B) PROOF OF EXPORT REQUIRED.—

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

25           “(2) CREDIT OR REFUND.—If—

1 “(A) any person exports—

2 “(i) a taxable carbon substance, or

3 “(ii) any other product any portion of  
4 the cost of which is attributable to the use  
5 of any taxable carbon substance as an en-  
6 ergy source for the manufacture or produc-  
7 tion of such product, and

8 “(B) such person establishes to the satis-  
9 faction of the Secretary the portion of such cost  
10 which is attributable to the tax under section  
11 4692,

12 credit or refund (without interest) of such tax shall  
13 be allowed or made to such person.

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

17 **“SEC. 4694. OTHER DEFINITIONS AND SPECIAL RULES.**

18 “(a) DEFINITIONS.—For purposes of this sub-  
19 chapter—

20 “(1) UNITED STATES.—The term ‘United  
21 States’ has the meaning given such term by section  
22 4612(a)(4).

23 “(2) IMPORTER.—The term ‘importer’ means  
24 the person entering the article for consumption, use,  
25 or warehousing.

1           “(3) TON.—The term ‘ton’ means 2,000  
2           pounds. In the case of any taxable carbon substance  
3           which is a gas, the term ‘ton’ means the amount of  
4           such gas in cubic feet which is the equivalent of  
5           2,000 pounds on a molecular weight basis.

6           “(b) USE TREATED AS SALE.—If any person manu-  
7           factures, produces, or imports any taxable carbon sub-  
8           stance and uses such substance, then such person shall  
9           be liable for tax under section 4692 in the same manner  
10          as if such substance were sold by such person.

11          “(c) SPECIAL RULES FOR INVENTORY EX-  
12          CHANGES.—

13                 “(1) IN GENERAL.—Except as provided in para-  
14                 graph (2), in any case in which a manufacturer, pro-  
15                 ducer, or importer of a taxable carbon substance ex-  
16                 changes such substance as part of an inventory ex-  
17                 change with another person—

18                         “(A) such exchange shall not be treated as  
19                         a sale, and

20                         “(B) such other person shall, for purposes  
21                         of section 4692, be treated as the manufac-  
22                         turer, producer, or importer of such substance.

23                 “(2) REGISTRATION REQUIREMENT.—Para-  
24                 graph (1) shall not apply to any inventory exchange  
25                 unless—



1           “(1) the taxable carbon substances used in the  
2           manufacture or production of such product, or

3           “(2) the carbon dioxide emissions attributable  
4           to the manufacture or production of such product.

5           “(c) PROCEDURE TO CHALLENGE INFORMATION  
6 PROVIDED BY IMPORTER.—The Secretary shall establish  
7 a procedure under which interested persons may examine  
8 the information provided by an importer for purposes of  
9 this section, and bring to the attention of the Secretary  
10 any suspected errors in such information.

11 **“SEC. 4696. IMPORTED TAXABLE PRODUCT.**

12           “(a) IN GENERAL.—For purposes of this part, the  
13 term ‘imported taxable product’ means any article which,  
14 at the time of such article’s sale or use by the importer,  
15 is described in the same heading of the Harmonized Tariff  
16 Schedule of the United States as a like article produced  
17 in a listed industry.

18           “(b) LISTED INDUSTRY.—For purposes of this sec-  
19 tion—

20           “(1) IN GENERAL.—Except as provided in para-  
21 graph (2), the term ‘listed industry’ means any in-  
22 dustry listed by the Administrator as being among  
23 the industries which, in the aggregate, account for  
24 95 percent of the taxable carbon substances used in  
25 the United States. An industry may not be omitted

1 from the list under the preceding sentence if it uses  
2 more taxable carbon substances per unit of output  
3 than any industry which is so listed.

4 “(2) SPECIAL RULE FOR 2010 THROUGH 2012.—

5 “(A) 2010.—During 2010, the term ‘listed  
6 industry’ shall include only the 6 industries on  
7 the list under paragraph (1) having the highest  
8 average use of taxable carbon substances per  
9 unit of output.

10 “(B) 2011 AND 2012.—During 2011 and  
11 2012, the term ‘listed industry’ shall include  
12 only—

13 “(i) the industries described in sub-  
14 paragraph (A), and

15 “(ii)(I) in the case of 2011, the  $\frac{1}{3}$  of  
16 the remaining industries on such list hav-  
17 ing the highest average use of taxable car-  
18 bon substances per unit of output, or

19 “(II) in the case of 2012, the  $\frac{2}{3}$  of  
20 the remaining industries on such list hav-  
21 ing the highest average use of taxable car-  
22 bon substances per unit of output.

23 “(c) OTHER DEFINITIONS.—For purposes of this  
24 part, the terms ‘importer’, ‘taxable carbon substance’, and

1 ‘United States’ have the respective meanings given such  
 2 terms by part II.

3       **“PART IV—SUPERMAJORITY REQUIRED TO**  
 4               **CHANGE REVENUE NEUTRALITY**

5       **“SEC. 4697. SUPERMAJORITY REQUIRED.**

6       “A bill, joint resolution, amendment to a bill or joint  
 7 resolution, or conference report that increases aggregate  
 8 revenues under parts II and III greater than the aggre-  
 9 gate reduction in revenues under part I may not be consid-  
 10 ered as passed or agreed to by the House of Representa-  
 11 tives or the Senate unless so determined by a vote of not  
 12 less than two-thirds of the Members of the House of Rep-  
 13 resentatives or the Senate (as the case may be) voting,  
 14 a quorum being present.”.

15       (b) CLERICAL AMENDMENT.—The table of sub-  
 16 chapters for chapter 38 of such Code is amended by add-  
 17 ing at the end the following new item:

“SUBCHAPTER F. REDUCTION OF SOCIAL SECURITY TAXES; TAX ON  
 COMBUSTIBLE FOSSIL FUELS”.

18       (c) EFFECTIVE DATE.—The amendments made by  
 19 this section shall take effect on January 1, 2010.

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