

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

# S. 2672

To amend the Internal Revenue Code of 1986 to provide that oil and gas companies will not be eligible for the effective rate reductions enacted in 2004 for domestic manufacturers.

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## IN THE SENATE OF THE UNITED STATES

APRIL 27, 2006

Mr. REID (for Mr. KERRY) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide that oil and gas companies will not be eligible for the effective rate reductions enacted in 2004 for domestic manufacturers.

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 “Restore a Rational  
5       Tax Rate on Petroleum Production Act of 2006”.

6       **SEC. 2. FINDINGS.**

7       The Congress finds that—

1           (1) like many other countries, the United States  
2 has long provided export-related benefits under its  
3 tax law,

4           (2) producers and refiners of oil and natural  
5 gas were specifically denied the benefits of those ex-  
6 port-related tax provisions,

7           (3) those export-related tax provisions were suc-  
8 cessfully challenged by the European Union as being  
9 inconsistent with our trade agreements,

10          (4) the Congress responded by repealing the ex-  
11 port-related benefits and enacting a substitute ben-  
12 efit that was an effective rate reduction for United  
13 States manufacturers,

14          (5) producers and refiners of oil and natural  
15 gas were made eligible for the rate reduction even  
16 though they suffered no detriment from repeal of the  
17 export-related benefits, and

18          (6) the decision to provide the effective rate re-  
19 duction to producers and refiners of oil and natural  
20 gas has operated as a reverse windfall profits tax,  
21 lowering the tax rate on the windfall profits they are  
22 currently enjoying.

1 **SEC. 3. DENIAL OF DEDUCTION FOR INCOME ATTRIB-**  
2 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**  
3 **NATURAL GAS, OR PRIMARY PRODUCTS**  
4 **THEREOF.**

5 (a) **IN GENERAL.**—Subparagraph (B) of section  
6 199(c)(4) of the Internal Revenue Code of 1986 (relating  
7 to exceptions) is amended by striking “or” at the end of  
8 clause (ii), by striking the period at the end of clause (iii)  
9 and inserting “, or”, and by inserting after clause (iii) the  
10 following new clause:

11 “(iv) the production, refining, proc-  
12 essing, transportation, or distribution of  
13 oil, natural gas, or any primary product  
14 thereof.”.

15 (b) **CONFORMING AMENDMENTS.**—Section 199(c)(4)  
16 of such Code is amended—

17 (1) in subparagraph (A)(i)(III) by striking  
18 “electricity, natural gas,” and inserting “electricity”,  
19 and

20 (2) in subparagraph (B)(ii) by striking “elec-  
21 tricity, natural gas,” and inserting “electricity”.

22 (c) **EFFECTIVE DATE.**—The amendments made by  
23 this section shall apply to taxable years beginning after  
24 December 31, 2005.

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