

111TH CONGRESS  
2D SESSION

# S. 552

To reduce the Federal budget deficit by creating a surtax on high income individuals and eliminating big oil and gas company tax loopholes.

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IN THE SENATE OF THE UNITED STATES

MARCH 10, 2011

Mr. SANDERS (for himself and Ms. MIKULSKI) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To reduce the Federal budget deficit by creating a surtax on high income individuals and eliminating big oil and gas company tax loopholes.

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 “Emergency Deficit Re-

5       duction Act”.

6       **SEC. 2. FINDINGS.**

7       The Senate finds the following:

8               (1) At a time when our Nation has a \$14.2 tril-

9       lion national debt and a \$1.6 trillion annual deficit,

10       moving aggressively toward deficit reduction means

1 that we must include not only well-targeted budget  
2 cuts, but revenue raised in a fair and economically  
3 just way. Questions every Member of Congress  
4 should be asking are the following:

5 (A) Do we ask the highest paid executives  
6 on Wall Street to give up a \$1 million a year  
7 tax break, or do we ask senior citizens to go  
8 cold in the winter by cutting the Low Income  
9 Home Energy Assistance Program?

10 (B) Do we ask Exxon Mobil and other big  
11 oil companies to give up their tax breaks, or do  
12 we ask over 9 million college students to go fur-  
13 ther into debt by cutting Pell Grants by \$5.7  
14 billion?

15 (C) Do we stop cutting taxes for the rich-  
16 est 400 American families, who earned an aver-  
17 age of \$345 million in 2007, or do we delay So-  
18 cial Security benefits to 500,000 Americans by  
19 a \$1.7 billion cut in the Social Security Admin-  
20 istration?

21 (D) Do we establish an emergency deficit  
22 reduction surtax on millionaires and billion-  
23 aires, or do we deny over 200,000 little children  
24 the opportunity to enroll in Head Start by cut-  
25 ting this program by \$1.1 billion?

1           (E) Do we finally tax hedge fund man-  
2           agers who make at least \$1 billion at a higher  
3           rate than police officers, teachers, firefighters,  
4           and nurses, or will 11 million Americans be de-  
5           nied access to quality primary healthcare by a  
6           \$1.3 billion cut in community health centers?

7           (2) At a time when the wealthiest people in this  
8           country are doing phenomenally well, when the effec-  
9           tive Federal tax rates for the richest Americans are  
10          the lowest on record, and when the top 2 percent of  
11          taxpayers have received hundreds of billions of dol-  
12          lars in tax breaks in recent years, it would be mor-  
13          ally wrong for the United States Congress to move  
14          towards a balanced budget on the backs of the mid-  
15          dle class, the elderly, the sick, and the most vulner-  
16          able people in our society while asking nothing of  
17          the highest income earners and most profitable cor-  
18          porations.

19          (3) Creating an emergency deficit reduction  
20          surtax on income over \$1 million will reduce the def-  
21          icit in a fair and economically just way by increasing  
22          revenue from those who can afford it the most.

23          (4) From 2000 to 2010, the 5 largest oil com-  
24          panies in the United States made nearly \$1 trillion  
25          in profits, yet some of them paid nothing in Federal

1 income taxes in recent years. Ending outdated and  
 2 unnecessary tax credits, deductions, and subsidies  
 3 for big oil companies is a fair and economically just  
 4 way to raise revenue and reduce the deficit.

5 (5) In the midst of the worst recession since the  
 6 Great Depression, America's middle class and work-  
 7 ing families have already paid a very heavy price in  
 8 terms of lost jobs, lost homes, lost wages, and lost  
 9 opportunity. The time has come to ask the wealthi-  
 10 est in our society and the most profitable corpora-  
 11 tions in America to help our Nation address its def-  
 12 icit crisis. Any deficit reduction package must in-  
 13 clude raising revenue from the wealthy and elimi-  
 14 nating tax breaks for big oil companies.

15 **SEC. 3. EMERGENCY DEFICIT REDUCTION SURCHARGE ON**  
 16 **HIGH INCOME INDIVIDUALS.**

17 (a) IN GENERAL.—Subchapter A of chapter 1 of the  
 18 Internal Revenue Code of 1986 is amended by adding at  
 19 the end the following new part:

20 **“PART VIII—EMERGENCY DEFICIT REDUCTION**  
 21 **SURCHARGE ON HIGH INCOME INDIVIDUALS**

“Sec. 59B. Emergency deficit reduction surcharge on high income individuals.

1 **“SEC. 59B. EMERGENCY DEFICIT REDUCTION SURCHARGE**  
2 **ON HIGH INCOME INDIVIDUALS.**

3 “(a) GENERAL RULE.—In the case of a taxpayer  
4 other than a corporation, there is hereby imposed (in addi-  
5 tion to any other tax imposed by this subtitle) a tax equal  
6 to 5.4 percent of so much of the modified adjusted gross  
7 income of the taxpayer as exceeds \$1,000,000 (\$2,000,000  
8 in the case of any taxpayer making a joint return under  
9 section 6013).

10 “(b) MODIFIED ADJUSTED GROSS INCOME.—For  
11 purposes of this section, the term ‘modified adjusted gross  
12 income’ means adjusted gross income reduced by any de-  
13 duction (not taken into account in determining adjusted  
14 gross income) allowed for investment interest (as defined  
15 in section 163(d)). In the case of an estate or trust, ad-  
16 justed gross income shall be determined as provided in sec-  
17 tion 67(e).

18 “(c) SPECIAL RULES.—

19 “(1) NONRESIDENT ALIEN.—In the case of a  
20 nonresident alien individual, only amounts taken  
21 into account in connection with the tax imposed  
22 under section 871(b) shall be taken into account  
23 under this section.

24 “(2) CITIZENS AND RESIDENTS LIVING  
25 ABROAD.—The dollar amount in effect under sub-  
26 section (a) shall be decreased by the excess of—

1           “(A) the amounts excluded from the tax-  
2           payer’s gross income under section 911, over

3           “(B) the amounts of any deductions or ex-  
4           clusions disallowed under section 911(d)(6)  
5           with respect to the amounts described in sub-  
6           paragraph (A).

7           “(3) CHARITABLE TRUSTS.—Subsection (a)  
8           shall not apply to a trust all the unexpired interests  
9           in which are devoted to one or more of the purposes  
10          described in section 170(c)(2)(B).

11          “(4) NOT TREATED AS TAX IMPOSED BY THIS  
12          CHAPTER FOR CERTAIN PURPOSES.—The tax im-  
13          posed under this section shall not be treated as tax  
14          imposed by this chapter for purposes of determining  
15          the amount of any credit under this chapter or for  
16          purposes of section 55.”.

17          (b) CLERICAL AMENDMENT.—The table of parts for  
18          subchapter A of chapter 1 of the Internal Revenue Code  
19          of 1986 is amended by adding at the end the following  
20          new item:

“PART VIII. EMERGENCY DEFICIT REDUCTION SURCHARGE ON HIGH INCOME  
INDIVIDUALS.”.

21          (c) SECTION 15 NOT TO APPLY.—The amendment  
22          made by subsection (a) shall not be treated as a change  
23          in a rate of tax for purposes of section 15 of the Internal  
24          Revenue Code of 1986.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2010.

4 **SEC. 4. REPEAL OF EXPENSING AND 60-MONTH AMORTIZA-**  
5 **TION OF INTANGIBLE DRILLING COSTS.**

6 Subsection (c) of section 263 of the Internal Revenue  
7 Code of 1986 is amended by striking the period at the  
8 end of the third sentence and inserting “, or to any costs  
9 paid or incurred after December 31, 2010.”.

10 **SEC. 5. REPEAL OF PERCENTAGE DEPLETION FOR OIL AND**  
11 **GAS WELLS.**

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

15 “(f) TERMINATION OF PERCENTAGE DEPLETION  
16 FOR OIL AND GAS PROPERTIES.—In the case of oil and  
17 gas properties, this section shall not apply to any taxable  
18 year beginning after December 31, 2010.”.

19 (b) LIMITATIONS ON PERCENTAGE DEPLETION IN  
20 CASE OF OIL AND GAS WELLS.—Section 613A of the In-  
21 ternal Revenue Code of 1986 is amended by adding at the  
22 end the following new subsection:

23 “(f) TERMINATION.—This section shall not apply to  
24 any taxable year beginning after December 31, 2010.”.

1 **SEC. 6. 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 is amend-  
 7 ed by striking “or” at the end of clause (ii), by striking  
 8 the period at the end of clause (iii) and inserting “, or”,  
 9 and by inserting after clause (iii) the following new clause:

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

14 (b) PRIMARY PRODUCT.—Section 199(c)(4)(B) of the  
 15 Internal Revenue Code of 1986 is amended by adding at  
 16 the end the following flush sentence:

17 “For purposes of clause (iv), the term ‘primary  
 18 product’ has the same meaning as when used in  
 19 section 927(a)(2)(C), as in effect before its re-  
 20 peal.”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 199(c)(4) of the Internal Revenue  
 23 Code of 1986 is amended—

24 (A) in subparagraph (A)(i)(III) by striking  
 25 “electricity, natural gas,” and inserting “elec-  
 26 tricity”, and



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

4           (2) Section 199(d) of such Code is amended by  
5           striking paragraph (9) and by redesignating para-  
6           graph (10) as paragraph (9).

7           (d) EFFECTIVE DATE.—The amendments made by  
8           this section shall apply to taxable years beginning after  
9           December 31, 2010.

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