

TITLE V OF THE DEEP SEABED MINERAL RESOURCES ACT

OCTOBER 3 (legislative day, June 21), 1979.—Ordered to be printed

Mr. LONG, from the Committee on Finance,
submitted the following

REPORT

[To accompany S. 493]

The Committee on Finance, to which was referred Title V of the bill (S. 493) to impose an excise tax on mineral resources extracted from the deep seabed, the proceeds of which to be deposited in a Deep Seabed Fund, having considered the same, reports favorably thereon without amendment and recommends the title do pass.

I. SUMMARY

S. 493, the Deep Seabed Mineral Resources Act, was jointly referred to the Committees on Commerce, Science and Transportation; Energy and Natural Resources; and Foreign Relations. On August 9, 1979, the bill was favorably reported by those committees and was sequentially referred to the Finance Committee for a period not exceeding 60 days for its consideration of Title V, which imposes an excise tax on deep seabed mining. The text of Title V is set out below in Part II of this report. This is followed by the committee's explanation of, and reasons for favoring the adoption of, Title V.

Under Title V of the bill, an excise tax is imposed on the removal from the deep seabed of nodules containing manganese, nickel, cobalt, or copper. The tax rate is 3.75 percent of the "imputed value" of the nodules removed. The imputed value is defined as 20 percent of the fair market value of the commercially recoverable metals or minerals contained in the nodule; thus the tax in effect is 0.75 percent of the fair market value of the commercially recoverable metals and minerals in the nodules. The tax will take effect on January 1, 1980, and will terminate 10 years after the effective date of the Act.

The proceeds of the tax are to be paid into a Deep Seabed Fund established by the title. The amounts in the Fund will be available for appropriation by Congress for such purposes as Congress may determine, including payment of any U.S. obligations under an international deep seabed treaty.

II. TITLE V OF THE BILL (S. 493)

TITLE V—TAXATION OF REMOVAL OF DEEP SEABED HARD MINERALS

SHORT TITLE

SEC. 501. This title may be cited as the “Deep Seabed Hard Mineral Removal Tax Act of 1979”.

IMPOSITION OF TAX ON REMOVAL OF HARD MINERAL RESOURCES FROM DEEP SEABED

SEC. 502. (a) GENERAL RULE.—Chapter 36 of the Internal Revenue Code of 1954 (relating to certain other excise taxes) is amended by adding at the end thereof the following new subchapter:

“Subchapter F—Tax on Removal of Hard Mineral Resources from Deep Seabed

“Sec. 4495. Imposition of tax.

“Sec. 4496. Definitions.

“Sec. 4497. Imputed value.

“Sec. 4498. Termination.

“SEC. 4995. IMPOSITION OF TAX

“(a) GENERAL RULE.—There is hereby imposed a tax on any removal of a hard mineral resource from the deep seabed pursuant to a deep seabed permit.

“(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) on any removal shall be 3.75 percent of the imputed value of the resource so removed.

“(c) LIABILITY FOR TAX.—The tax imposed by subsection (a) shall be paid by the person to whom the deep seabed permit is issued.

“(d) TIME FOR PAYING TAX.—The time for paying the tax imposed by subsection (a) shall be the time prescribed by the Secretary by regulations. The time so prescribed with respect to any removal shall be not earlier than the earlier of—

“(1) the commercial use of, or the sale or disposition of, any portion of the resource so removed, or

“(2) the day which is 12 months after the date of the removal of the resource.

“SEC. 4496. DEFINITIONS.

“(a) DEEP SEABED PERMIT.—For purposes of this subchapter, the term ‘deep seabed permit’ means a permit issued under title I of the Deep Seabed Hard Minerals Resources Act.

“(b) HARD MINERAL RESOURCE.—For purposes of this subchapter, the term ‘hard mineral resource’ means any deposit or accretion on,

or just below, the surface of the deep seabed of nodules which contain one or more minerals, at least one of which is manganese, nickel, cobalt, or copper.

“(c) **DEEP SEABED.**—For purposes of this subchapter, the term ‘deep seabed’ means the seabed, and the subsoil thereof to a depth of 10 meters, lying seaward of, and outside the Continental Shelf of any nation.

“(d) **CONTINENTAL SHELF.**—For purposes of this subchapter, until such time as a new definition of the limits of national jurisdiction over seabed mineral resources of the continental margin may be agreed to as part of a comprehensive Law of the Sea Treaty which enters into force for the United States, the term ‘Continental Shelf’ means—

“(1) the seabed and subsoil of the submarine areas adjacent to the coast but outside the area of the territorial sea, to a depth of 200 meters or, beyond that limit, to where the depth of the superjacent waters admits of the exploitation of the natural resources of such areas;

“(2) the seabed and subsoil of similar submarine areas adjacent to the coasts of islands; and

“(3) any area of national resource jurisdiction of any foreign nation, if such area extends beyond the Continental Shelf of such nation and such jurisdiction is recognized by the United States.

“SEC. 4497. IMPUTED VALUE.

“(a) **IN GENERAL.**—For purposes of this subchapter the term ‘imputed value’ means, with respect to any hard mineral resource, 20 percent of the fair market value of the commercially recoverable metals and minerals contained in such resource. Such fair market value shall be determined—

“(1) as of the date of the removal of the hard mineral resource from the deep seabed; and

“(2) as if the metals and minerals contained in such resource were separated from such resource and were in the most basic form for which there is a readily ascertainable market price.

“(b) **COMMERCIAL RECOVERABILITY.**—

“(1) **MANGANESE, NICKEL, COBALT, AND COPPER.**—For purposes of subsection (a), manganese, nickel, cobalt, and copper shall be treated as commercially recoverable.

“(2) **MINIMUM QUANTITIES AND PERCENTAGES.**—The Secretary may by regulations prescribe for each metal or mineral quantities or percentages below which the metal or mineral shall be treated as not commercially recoverable.

“(c) **SUSPENSION OF TAX WITH RESPECT TO CERTAIN METALS AND MINERALS HELD FOR LATER PROCESSING.**—

“(1) **ELECTION.**—The permittee may, in such manner and at such time as may be prescribed by regulations, elect to have the application of the tax suspended with respect to one or more commercially recoverable metals or minerals in the resource which the permittee does not intend to process within 1 year of the date of extraction. Any metal or mineral affected by such election shall not be taken into account in determining the imputed value of the resource at the time of its removal from the deep seabed. Any

suspension under this paragraph with respect to a metal or mineral shall be permanent unless there is a redetermination affecting such metal or mineral under paragraph (2).

“(2) **LATER COMPUTATION OF TAX.**—If the permittee processes any metal or mineral affected by the election under paragraph (1), or if he sells any portion of the resource containing such a metal or mineral, then the amount of the tax under section 4495 shall be redetermined as if there had been no suspension under paragraph (1) with respect to such metal or mineral. In any such case there shall be added to the increase in tax determined under the preceding sentence an amount equal to the interest (at rates determined under section 6621) on such increase for the period from the date prescribed for paying the tax on the resources (determined under section 4495(d)) to the date of the processing or sale.

“(d) **DETERMINATION OF VALUE.**—All determinations of value necessary for the application of this subchapter shall be made by the Secretary (after consultation with other appropriate Federal officials) on the basis of the best available information. Such determinations shall be made under procedures established by the Secretary by regulations.

“**SEC. 4498. TERMINATION.**

“(a) **GENERAL RULE.**—The tax imposed by section 4495 shall not apply to any removal from the deep seabed after the date which is 10 years after the date of the enactment of this subchapter.”

(b) **CLERICAL AMENDMENT.**—The table of subchapters for chapter 36 of such Code is amended by adding at the end thereof the following new item:

“**SUBCHAPTER F. Tax on removal of hard mineral resources from deep seabed.**”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on January 1, 1980.

ESTABLISHMENT OF DEEP SEABED FUND

SEC. 503. (a) CREATION OF DEEP SEABED FUND.—There is established in the Treasury of the United States a fund to be known as the “Deep Seabed Fund” (hereinafter in this section referred to as the “Fund”), consisting of such amounts as may be appropriated or credited to the Fund as provided in this section.

(b) **TRANSFER TO FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.**—

(1) **IN GENERAL.**—There are hereby appropriated to the Fund amounts determined by the Secretary of the Treasury to be equivalent to the amounts of the taxes received in the Treasury under section 4495 of the Internal Revenue Code of 1954.

(2) **METHOD OF TRANSFER.**—The amounts appropriated by paragraph (1) shall be transferred at least quarterly from the general fund of the Treasury to the Fund on the basis of estimates made by the Secretary of the Treasury of the amounts referred to in paragraph (1) received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred to

the extent prior estimates were in excess of or less than the amounts required to be transferred.

(c) **MANAGEMENT OF FUND.—**

(1) **REPORT.**—It shall be the duty of the Secretary of the Treasury to hold the Fund, and to report to the Congress for the fiscal year ending September 30, 1980, and each fiscal year thereafter on the financial condition and the results of the operations of the Fund during the preceding fiscal year and on its expected condition and operations during the fiscal year and the next 5 fiscal years after the fiscal year. Such report shall be printed as a House document of the session of the Congress to which the report is made.

(2) **INVESTMENT.—**

(A) **IN GENERAL.**—It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States. For such purpose, such obligations may be acquired (i) on original issue at the issue price, or (ii) by purchase of outstanding obligations at the market price.

(B) **SALE OF OBLIGATIONS.**—Any obligation acquired by the Fund may be sold by the Secretary at the market price.

(C) **INTEREST ON CERTAIN PROCEEDS.**—The interest on, and the proceeds from the sale or redemption of, any obligations held in the Fund shall be credited to and form a part of the Fund.

(d) **EXPENDITURES FROM THE DEEP SEABED FUND.**—Amounts in the Fund shall be available, as provided by appropriations Acts, for such purposes as Congress may hereafter provide by law, including the payment of any financial obligations which may be assumed by the United States pursuant to an international deep seabed treaty adopted by a United Nations Conference on the Law of the Sea which is ratified by, and in force for, the United States.

ACT NOT TO AFFECT TAX OR CUSTOMS OR TARIFF TREATMENT OF DEEP SEABED MINING

SEC. 504. Except as otherwise provided in section 502, nothing in this Act shall affect the application of the Internal Revenue Code of 1954. Nothing in this Act shall affect the application of the customs or tariff laws of the United States.

III. GENERAL STATEMENT

Present law

At present, the deep seabed is not being mined on a commercial basis. The provisions of S. 493 other than Title V are intended to establish a framework which would permit U.S. persons to undertake deep seabed mining in an orderly manner. Under present law, no Federal excise taxes are imposed on the removal of minerals from the deep seabed.

Reasons for change

Since 1967, discussions have been under way at the United Nations on the use of the oceans. In 1973, the United Nations convened a third Law of the Sea ("LOS") Conference to serve as the forum for these discussions. Among the matters which have been under negotiation at the LOS Conference has been a proposed international seabed authority which would govern the exploration for and the mining of minerals from those areas of the deep seabed which are beyond the national jurisdiction of the United States or any foreign country. In response to the lack of progress in these negotiations, S. 493, the Deep Seabed Mineral Resources Act, would establish a framework governing deep seabed mining.

The committee believes that it is appropriate, in connection with the establishment of this framework, to impose an excise tax on the extraction of hard mineral resources from the deep seabed. The proceeds of the tax will be available for such purposes as Congress may determine by legislation, including payment of any U.S. share of obligations under an international deep seabed treaty which may be negotiated at the LOS Conference.

Explanation of provisions

Excise tax

Under Title V of the bill, an excise tax is imposed on the removal of hard mineral resources from the deep seabed. The holder of a permit (referred to in this explanation as the "mining company") issued under the Act is to be liable for the payment of the tax. The mining company will be liable regardless of whether it removes nodules itself from the deep seabed, or authorizes another to remove the nodules on its behalf. Similarly, the mining company is to be liable for the payment of the tax where it acquiesces in the removal of nodules from its permit area by another.

For purposes of the tax, the "deep seabed" is the seabed, including its subsoil to a depth of 10 meters, lying seaward of, and outside the continental shelf of any foreign country. For this purpose, "continental shelf" means (1) the seabed and subsoil of the submarine areas adjacent to the coast, but outside the area of the territorial sea, to a depth of 200 meters or, beyond that limit, to where the depth of the superjacent waters admits of the exploitation of the natural resources of those areas, (2) the seabed and subsoil of similar submarine areas adjacent to the coasts of islands and (3) any foreign country's national resource jurisdiction which is recognized by the United States and which extends beyond the continental shelf of that nation. A "hard mineral resource," the removal of which is subject to the tax, is any deposit or accretion on, or just below, the surface of the deep seabed of nodules which contain manganese, nickel, cobalt, or copper. These definitions are the same as those applicable under the other titles of S. 493.

The excise tax is imposed at the rate of 3.75 percent of the "imputed value" of the nodules removed from the deep seabed. The "imputed value" for this purpose is 20 percent of the fair market value of the commercially recoverable metals and minerals contained in the nod-

ules. Thus, the excise tax, in effect, is imposed at the rate of 0.75 percent of the fair market value of the commercially recoverable metals and minerals. The 20-percent figure relates to the estimated proportional share of the costs of the mining process itself in relation to the total costs involved in mining, transporting, processing, and marketing the nodules.

The excise tax is to be imposed with respect to any commercially recoverable metals or minerals contained in the nodule, so long as the nodule contains manganese, nickel, cobalt or copper. Thus, the tax is to be imposed on the imputed value of all commercially recoverable minerals contained in the nodules removed from the deep seabed, regardless of whether or not they are one of the four previously mentioned. Commercial recoverability is to be determined with respect to the technical considerations and economic conditions prevailing at the time of removal of the nodules from the deep seabed. Moreover, the tax will be imposed on any manganese, nickel, cobalt or copper from nodules removed from the deep seabed which is processed, used, or sold by the mining company, even if that mineral was not commercially recoverable at the time of removal.

The fair market value of each commercially recoverable metal or mineral contained in a nodule is to be determined (1) as of the date of the removal of the nodule from the seabed and (2) as if it were separated from the nodule and in the most basic form for which there is a readily ascertainable market price and a substantial volume of sales. Determinations of value (including determinations as to the appropriate basic form and commercial recoverability) for this and all other purposes under the tax are to be made by the Secretary of the Treasury, after consultation with other appropriate Federal officials, on the basis of the best available information. These determinations are to be made under procedures established by regulations.

Moreover, in order to facilitate both certainty in ascertaining tax liability and the efficient and expeditious administration and collection of the tax, the committee anticipates that the Secretary, pursuant to these procedures, may make determinations as to the value of the nodules removed based, in part, upon reasonable assumptions as to the various metals and minerals generally contained in nodules removed from any particular deep seabed area. For example, the committee anticipates that the Secretary may specify that nodules removed from an area are presumed conclusively to contain x percent of one mineral, y percent of another, and z percent of a third mineral, and that the balance of the nodule consists of minerals which are not commercially recoverable. The Secretary may also by regulations prescribe for each metal or mineral (including manganese, nickel, cobalt, and copper) *de minimis* quantities or percentages below which the metal or mineral will be treated as not commercially recoverable.

Although the excise tax is imposed on the removal of the nodule from the deep seabed, the tax is not payable until the time prescribed by regulation by the Secretary of the Treasury. This time may not be earlier than the earlier of (1) the commercial use or the sale or dis-

position of any metal or mineral in the nodule so removed, or (2) the day which is 12 months after the date of the removal of the nodule. The tax due at that time would be based on the value of all commercially recoverable metals and minerals in the nodule except those for which the mining company has elected to suspend the tax, as described below. For this purpose, "commercial use" means use as a mineral product and not merely as a bulk material such as ballast. A "disposition" includes any transfer, *e.g.*, a distribution by a mining company as a dividend or in liquidation or a contribution to capital of a subsidiary, for use as a mineral product and not as bulk material. A disposition would not include abandonment or a transfer to an unrelated party which is not for value.

As an exception to the general rules, the mining company may elect, in a manner to be prescribed by regulations, to have the application of the tax suspended with respect to one or more commercially recoverable metals or minerals contained in the nodules if the mining company does not intend to process, use commercially, or sell that metal or mineral within 1 year after the date of extraction. The imputed value of the metals or minerals with respect to which the election is made is not to be taken into account in determining the tax. However, if the mining company subsequently recovers any metal or mineral from the nodules with respect to which the election was made, or if it uses commercially or sells any portion of the nodules containing a metal or mineral so reserved, the tax is to be redetermined as if the election with respect to that metal or mineral or that portion had not been made. Thus, upon a subsequent processing, commercial use, or sale of a previously reserved metal or mineral (or the resource in which it is contained), an additional tax will be due from the mining company. Furthermore, in such an event, the mining company is also to pay an amount equal to interest (determined at the rates for interest on deficiencies and overpayments of tax) on the additional tax for the period from the date on which the tax would have been imposed if the election had not been made to the date of the processing, commercial use, or sale. It is intended that the suspension election may be made with respect to any portion of the nodules recovered. Moreover, redeterminations of the tax shall be made only with respect to those nodules (or the intermediate products of the nodules) which are actually processed, used commercially, or sold. Unless a mining company can identify the nodules, it will be treated as processing, commercially using, or selling them on a first in-first out basis. If the metals or minerals with respect to which an election has been made are never processed, used commercially, or sold, no tax will be payable with respect to them.

Matters relating to collection and other administrative aspects of the tax are to be determined under applicable provisions of the Internal Revenue Code of 1954 and regulations promulgated by the Treasury Department.

Deep Seabed Fund

The proceeds of the excise tax are to be held in a Deep Seabed Fund established pursuant to Title V. The Fund is to be administered by the Treasury Department and is to consist of the amounts appropriated or credited to it in accordance with Title V.

The title provides that amounts in the Fund shall be available for such purposes as Congress may provide by law, including the payment of any financial obligations which may be assumed by the United States pursuant to an international deep seabed treaty adopted by a U.N. conference on the law of the sea and ratified by, and in force for, the United States. Nothing in the title is intended to authorize any program or other activity not otherwise authorized by law.

If a mining company elects to suspend the tax on a mineral and later processes, uses, or sells that mineral, then, as noted previously, the mining company is liable for an additional tax. The additional tax is to be paid into the Fund and will be treated like other amounts in the Fund. If the additional tax is paid after substantial disposition of Fund assets by Congress, the additional tax is to be disposed of in a manner provided in the Act making the substantial disposition or in subsequent Acts.

The rules governing the operation of the Fund are substantially the same as those governing Federal trust funds. In general, the Secretary of the Treasury is to transfer amounts to the Fund equal to the sum of all excise taxes received by the Treasury on the taxable removal of hard mineral resources from the deep seabed. These amounts are to be transferred at least quarterly from the general funds of the Treasury to the Fund on the basis of estimates by the Secretary of the amounts received in the Treasury incident to the collection of the tax. However, adjustments must be made in the amounts subsequently transferred to the Fund to the extent that previous estimates were in excess of or were less than, the amounts actually required to be transferred to the Fund.

The title requires the Secretary of the Treasury to submit an annual report to the Congress with respect to the Fund beginning with the fiscal year ending September 30, 1980. This report is to include information on the financial condition of the Fund, the results of its operation during the preceding fiscal year, its expected condition and operation during the current fiscal year, and its anticipated condition and operation during the following five fiscal years. The report is to be printed as a House document of the session of the Congress to which the report is submitted by the Secretary.

In general, the Secretary is required to invest that part of the Fund which is not estimated to be required to meet current withdrawals from the Fund. The title requires that Fund investments may be made only in interest-bearing obligations of the United States. These obligations may be acquired at the issue price on original issue, or by purchase of outstanding obligations at the market price, and may be sold at the market price. Interest on, and proceeds from the sale or redemption of any obligation held in the Fund are to be credited to and form a part of the Fund.

Effect on tax, tariff, and customs laws

The title specifically provides that nothing in S. 493, other than the tax imposed by Title V, shall affect the application of the Internal Revenue Code of 1954 or the application of the customs and tariff laws of the United States. It is anticipated that the tax, customs, and tariff consequences of deep seabed mining will be the subject of future legislative proposals which may be considered by the committee. Accordingly,

this provision is intended to make it clear that, pending that consideration, S. 493 will not explicitly or implicitly convey any tax, customs or tariff benefits which would not be available in its absence.

Effective date

The provisions relating to the excise tax on deep seabed mining are to take effect on January 1, 1980. They are to terminate 10 years from the date of the enactment.

IV. EFFECT OF THE TITLE ON THE BUDGET

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the effect on the budget of Title V of S. 493, as reported by the committee.

Budget Effects

Commercial deep seabed mining operations are not expected to commence, and thus no excise tax payments are expected to be made, for at least five years. Once full scale commercial mining operations by the four mining consortia controlled by U.S. companies have begun, the committee estimates that the excise tax collections will amount to approximately \$8 million annually. Since the excise tax will reduce the mining companies' Federal taxable income, the net increase in budget receipts attributable to the title is expected to be less than \$5 million annually. The Treasury Department agrees with these estimates.

Consultation with Congressional Budget Office on Budget Estimates

In accordance with section 403 of the Budget, the Committee advises that the Director of the Congressional Budget Office has indicated that there is not expected to be any additional revenues derived from the excise tax provisions of Title V for the 5-year period through fiscal year 1984. The Congressional Budget Office has assumed that there will be no commercial recovery of metals and minerals from the deep seabed until after 1984. (See Senate Report No. 96-307, pp. 37-44.)

Budget Authority and Tax Expenditures

In compliance with sections 308(a) (1) and (2) of the Budget Act, and after consultation with the Director of the Congressional Budget Office, the committee states that Title V of S. 493 involves no new budget authority or new or increased tax expenditures.

V. VOTE OF THE COMMITTEE IN REPORTING THE TITLE

In compliance with section 133 of the Legislative Reorganization Act of 1946, the following statement is made relative to the vote by the committee on the motion to report Title V of S. 493. The title was ordered favorably reported by voice vote.

VI. REGULATORY IMPACT OF THE TITLE

Pursuant to paragraph 5 of Rule XXIX of the Standing Rules of the Senate, the committee makes the following statement concerning

the regulatory impact of Title V of S. 493, as reported by the committee.¹

Numbers of individuals and businesses who would be regulated

The title amends the Internal Revenue Code to impose an excise tax on the extraction of hard mineral resources from the deep seabed. Since the provisions would affect only a relatively small number of companies, the title would not have a significant regulatory impact on individuals and businesses.

Economic impact of regulation on individuals, consumers and businesses affected

As indicated above, the title is not expected to have a significant regulatory impact on individuals, consumers and businesses; therefore, there is expected to be little economic impact of such regulation.

Impact on personal privacy

The title is expected to have no significant impact on the personal privacy of taxpayers.

Determination of the amount of paperwork

The title will require excise tax returns to be filed, and supporting records to be kept, by persons engaged in deep seabed mining.

VII. CHANGES IN EXISTING LAW MADE BY THE TITLE

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the title, as reported, are shown as follows: (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE OF 1954

* * * * *

Subtitle D—Miscellaneous Excise Taxes

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CHAPTER 36—CERTAIN OTHER EXCISE TAXES

SUBCHAPTER B. Occupational tax on coin-operated devices

SUBCHAPTER D. Tax on use of certain vehicles.

SUBCHAPTER E. Tax on use of civil aircraft.

SUBCHAPTER F. Tax on Removal of Hard Mineral Resources From Deep Seabed.

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¹ For the regulatory impact statement on the other titles of S. 493, see Senate Report No. 96-307.

*Subchapter F—Tax on Removal of Hard Mineral Resources
From Deep Seabed*

Sec. 4495. Imposition of tax.

Sec. 4496. Definitions.

Sec. 4497. Imputed value.

Sec. 4498. Termination.

SEC. 4495. IMPOSITION OF TAX.

(a) *GENERAL RULE.*—*There is hereby imposed a tax on any removal of a hard mineral resource from the deep seabed pursuant to a deep seabed permit.*

(b) *AMOUNT OF TAX.*—*The amount of the tax imposed by subsection (a) on any removal shall be 3.75 percent of the imputed value of the resource so removed.*

(c) *LIABILITY FOR TAX.*—*The tax imposed by subsection (a) shall be paid by the person to whom the deep seabed permit is issued.*

(d) *TIME FOR PAYING TAX.*—*The time for paying the tax imposed by subsection (a) shall be the time prescribed by the Secretary by regulations. The time so prescribed with respect to any removal shall be not earlier than the earlier of—*

“(1) the commercial use of, or the sale or disposition of any portion of the resource so removed, or

“(2) the day which is 12 months after the date of the removal of the resource.

SEC. 4496. DEFINITIONS.

(a) *DEEP SEABED PERMIT.*—*For purposes of this subchapter, the term deep seabed permit means a permit issued under title I of the Deep Seabed Hard Mineral Resources Act.*

(b) *HARD MINERAL RESOURCE.*—*For purposes of this subchapter, the term ‘hard mineral resource’ means any deposit or accretion on or just below, the surface of the deep seabed of nodules which contain one or more minerals, at least one of which is manganese, nickel, cobalt, or copper.*

(c) *DEEP SEABED.*—*For purposes of this subchapter, the term ‘deep seabed’ means the seabed, and the subsoil thereof to a depth of 10 meters, lying seaward of, and outside the Continental Shelf of any nation.*

(d) *CONTINENTAL SHELF.*—*For purposes of this subchapter, until such time as a new definition of the limits of national jurisdiction over seabed mineral resources of the continental margin may be agreed to as part of a comprehensive Law of the Sea Treaty which enters into force for the United States, the term ‘Continental Shelf’ means—*

“(1) the seabed and subsoil of the submarine areas adjacent to the coast but outside the area of the territorial sea, to a depth of 200 meters or, beyond that limit, to where the depth of the superjacent waters admits of the exploitation of the natural resources of such areas;

“(2) the seabed and subsoil of similar submarine areas adjacent to the coasts of islands; and

“(3) any area of national resource jurisdiction of any foreign nation, if such area extends beyond the Continental Shelf of such nation and such jurisdiction is recognized by the United States.

“SEC. 4497. IMPUTED VALUE.

“(a) *IN GENERAL.*—For purposes of this subchapter the term ‘imputed value’ means, with respect to any hard mineral resource, 20 percent of the fair market value of the commercially recoverable metals and minerals contained in such resource. Such fair market value shall be determined—

“(1) as of the date of the removal of the hard mineral resource from the deep seabed; and

“(2) as if the metals and minerals contained in such resource were separated from such resource and were in the most basic form for which there is a readily ascertainable market price.

“(b) *COMMERCIAL RECOVERABILITY.*—

“(1) *MANGANESE, NICKEL, COBALT, AND COPPER.*—For purposes of subsection (a), manganese, nickel, cobalt, and copper shall be treated as commercially recoverable.

“(2) *MINIMUM QUANTITIES AND PERCENTAGES.*—The Secretary may by regulations prescribe for each metal or mineral quantities or percentages below which the metal or mineral shall be treated as not commercially recoverable.

“(c) *SUSPENSION OF TAX WITH RESPECT TO CERTAIN METALS AND MINERALS HELD FOR LATER PROCESSING.*—

“(1) *ELECTION.*—The permittee may, in such manner and at such time as may be prescribed by regulations, elect to have the application of the tax suspended with respect to one or more commercially recoverable metals or minerals in the resource which the permittee does not intend to process within 1 year of the date of extraction. Any metal or mineral affected by such election shall not be taken into account in determining the imputed value of the resource at the time of its removal from the deep seabed. Any suspension under this paragraph with respect to a metal or mineral shall be permanent unless there is a redetermination affecting such metal or mineral under paragraph (2).

“(2) *LATER COMPUTATION OF TAX.*—If the permittee processes any metal or mineral affected by the election under paragraph (1), or if he sells any portion of the resource containing such a metal or mineral, then the amount of the tax under section 4495 shall be redetermined as if there had been no suspension under paragraph (1) with respect to such metal or mineral. In any such case there shall be added to the increase in tax determined under the preceding sentence an amount equal to the interest (at rates determined under section 6621) on such increase for the period from the date prescribed for paying the tax on the resources (determined under section 4495(d)) to the date of the processing or sale.

“(d) *DETERMINATIONS OF VALUE.*—All determinations of value necessary for the application of this subchapter shall be made by the Secretary (after consultation with other appropriate Federal officials) on

the basis of the best available information. Such determinations shall be made under procedures established by the Secretary by regulations.

“SEC. 4498. TERMINATION.

“(a) GENERAL RULE.—The tax imposed by section 4495 shall not apply to any removal from the deep seabed after the date which is 10 years after the date of the enactment of this subchapter.”.

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