

110TH CONGRESS  
1ST SESSION

# S. 155

To promote coal-to-liquid fuel activities.

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IN THE SENATE OF THE UNITED STATES

JANUARY 4, 2007

Mr. BUNNING (for himself, Mr. OBAMA, Mr. LUGAR, Mr. PRYOR, Ms. MURKOWSKI, Mr. BOND, Mr. THOMAS, Mr. MARTINEZ, Mr. ENZI, Ms. LANDRIEU, and Mr. CRAIG) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To promote coal-to-liquid fuel activities.

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 “Coal-to-Liquid Fuel  
5       Promotion Act of 2007”.

6       **TITLE I—COAL-TO-LIQUID FUEL**  
7       **ACTIVITIES**

8       **SEC. 101. DEFINITIONS.**

9       In this title:

10               (1) COAL-TO-LIQUID.—The term “coal-to-liq-  
11       uid” means—

1 (A) with respect to a process or tech-  
2 nology, the use of a feedstock, the majority of  
3 which is the coal resources of the United  
4 States, using the class of reactions known as  
5 Fischer-Tropsch, to produce synthetic fuel suit-  
6 able for transportation; and

7 (B) with respect to a facility, the portion  
8 of a facility related to producing the inputs to  
9 the Fischer-Tropsch process, the Fischer-  
10 Tropsch process, finished fuel production, or  
11 the capture, transportation, or sequestration of  
12 byproducts of the use of a feedstock that is pri-  
13 marily domestic coal at the Fischer-Tropsch fa-  
14 cility, including carbon emissions.

15 (2) SECRETARY.—The term “Secretary” means  
16 the Secretary of Energy.

17 **SEC. 102. COAL-TO-LIQUID FUEL LOAN GUARANTEE PRO-**  
18 **GRAM.**

19 (a) ELIGIBLE PROJECTS.—Section 1703(b) of the  
20 Energy Policy Act of 2005 (42 U.S.C. 16513(b)) is  
21 amended by adding at the end the following:

22 “(11) Large-scale coal-to-liquid facilities (as de-  
23 fined in section 101 of the Coal-to-Liquid Fuel Pro-  
24 motion Act of 2007) that use a feedstock, the major-  
25 ity of which is the coal resources of the United

1 States, to produce not less than 10,000 barrels a  
2 day of liquid transportation fuel.”.

3 (b) AUTHORIZATION OF APPROPRIATIONS.—Section  
4 1704 of the Energy Policy Act of 2005 (42 U.S.C. 16514)  
5 is amended by adding at the end the following:

6 “(c) COAL-TO-LIQUID PROJECTS.—

7 “(1) IN GENERAL.—There are authorized to be  
8 appropriated such sums as are necessary to provide  
9 the cost of guarantees for projects involving large-  
10 scale coal-to-liquid facilities under section  
11 1703(b)(11).

12 “(2) ALTERNATIVE FUNDING.—If no appropria-  
13 tions are made available under paragraph (1), an eli-  
14 gible applicant may elect to provide payment to the  
15 Secretary, to be delivered if and at the time the ap-  
16 plication is approved, in the amount of the estimated  
17 cost of the loan guarantee to the Federal Govern-  
18 ment, as determined by the Secretary.

19 “(3) LIMITATIONS.—

20 “(A) IN GENERAL.—No loan guarantees  
21 shall be provided under this title for projects  
22 described in paragraph (1) after (as determined  
23 by the Secretary)—

24 “(i) the tenth such loan guarantee is  
25 issued under this title; or

1           “(ii) production capacity covered by  
2           such loan guarantees reaches 100,000 bar-  
3           rels per day of coal-to-liquid fuel.

4           “(B) INDIVIDUAL PROJECTS.—

5           “(i) IN GENERAL.—A loan guarantee  
6           may be provided under this title for any  
7           large-scale coal-to-liquid facility described  
8           in paragraph (1) that produces no more  
9           than 20,000 barrels of coal-to-liquid fuel  
10          per day.

11          “(ii) NON-FEDERAL FUNDING RE-  
12          QUIREMENT.—To be eligible for a loan  
13          guarantee under this title, a large-scale  
14          coal-to-liquid facility described in para-  
15          graph (1) that produces more than 20,000  
16          barrels per day of coal-to-liquid fuel shall  
17          be eligible to receive a loan guarantee for  
18          the proportion of the cost of the facility  
19          that represents 20,000 barrels of coal-to-  
20          liquid fuel per day of production.

21          “(4) REQUIREMENTS.—

22          “(A) GUIDELINES.—Not later than 180  
23          days after the date of enactment of this sub-  
24          section, the Secretary shall publish guidelines

1 for the coal-to-liquids loan guarantee applica-  
2 tion process.

3 “(B) APPLICATIONS.—Not later than 1  
4 year after the date of enactment of this sub-  
5 section, the Secretary shall begin to accept ap-  
6 plications for coal-to-liquid loan guarantees  
7 under this subsection.

8 “(C) DEADLINE.—Not later than 1 year  
9 from the date of acceptance of an application  
10 under subparagraph (B), the Secretary shall  
11 evaluate the application and make final deter-  
12 minations under this subsection.

13 “(5) REPORTS TO CONGRESS.—The Secretary  
14 shall submit to the Committee on Energy and Nat-  
15 ural Resources of the Senate and the Committee on  
16 Energy and Commerce of the House of Representa-  
17 tives a report describing the status of the program  
18 under this subsection not later than each of—

19 “(A) 180 days after the date of enactment  
20 of this subsection;

21 “(B) 1 year after the date of enactment of  
22 this subsection; and

23 “(C) the dates on which the Secretary ap-  
24 proves the first and fifth applications for coal-

1 to-liquid loan guarantees under this sub-  
2 section.”.

3 **SEC. 103. COAL-TO-LIQUID FACILITIES LOAN PROGRAM.**

4 (a) DEFINITION OF ELIGIBLE RECIPIENT.—In this  
5 section, the term “eligible recipient” means an individual,  
6 organization, or other entity that owns, operates, or plans  
7 to construct a coal-to-liquid facility that will produce at  
8 least 10,000 barrels per day of coal-to-liquid fuel.

9 (b) ESTABLISHMENT.—The Secretary shall establish  
10 a program under which the Secretary shall provide loans,  
11 in a total amount not to exceed \$20,000,000, for use by  
12 eligible recipients to pay the Federal share of the cost of  
13 obtaining any services necessary for the planning, permit-  
14 ting, and construction of a coal-to-liquid facility.

15 (c) APPLICATION.—To be eligible to receive a loan  
16 under subsection (b), the eligible recipient shall submit to  
17 the Secretary an application at such time, in such manner,  
18 and containing such information as the Secretary may re-  
19 quire.

20 (d) NON-FEDERAL MATCH.—To be eligible to receive  
21 a loan under this section, an eligible recipient shall use  
22 non-Federal funds to provide a dollar-for-dollar match of  
23 the amount of the loan.

24 (e) REPAYMENT OF LOAN.—

1           (1) IN GENERAL.—To be eligible to receive a  
2           loan under this section, an eligible recipient shall  
3           agree to repay the original amount of the loan to the  
4           Secretary not later than 5 years after the date of the  
5           receipt of the loan.

6           (2) SOURCE OF FUNDS.—Repayment of a loan  
7           under paragraph (1) may be made from any financ-  
8           ing or assistance received for the construction of a  
9           coal-to-liquid facility described in subsection (a), in-  
10          cluding a loan guarantee provided under section  
11          1703(b)(11) of the Energy Policy Act of 2005 (42  
12          U.S.C. 16513(b)(11)).

13          (f) REQUIREMENTS.—

14           (1) GUIDELINES.—Not later than 180 days  
15          after the date of enactment of this Act, the Sec-  
16          retary shall publish guidelines for the coal-to-liquids  
17          loan application process.

18           (2) APPLICATIONS.—Not later than 1 year  
19          after the date of enactment of this Act, the Sec-  
20          retary shall begin to accept applications for coal-to-  
21          liquid loans under this section.

22          (g) REPORTS TO CONGRESS.—Not later than each of  
23          180 days and 1 year after the date of enactment of this  
24          Act, the Secretary shall submit to the Committee on En-  
25          ergy and Natural Resources of the Senate and the Com-

1 mittee on Energy and Commerce of the House of Rep-  
2 resentatives a report describing the status of the program  
3 under this section.

4 (h) AUTHORIZATION OF APPROPRIATIONS.—There is  
5 authorized to be appropriated to carry out this section  
6 \$200,000,000, to remain available until expended.

7 **SEC. 104. LOCATION OF COAL-TO-LIQUID MANUFACTURING**  
8 **FACILITIES.**

9 The Secretary, in coordination with the head of any  
10 affected agency, shall promulgate such regulations as the  
11 Secretary determines to be necessary to support the devel-  
12 opment on Federal land (including land of the Department  
13 of Energy, military bases, and military installations closed  
14 or realigned under the defense base closure and realign-  
15 ment) of coal-to-liquid manufacturing facilities and associ-  
16 ated infrastructure, including the capture, transportation,  
17 or sequestration of carbon dioxide.

18 **SEC. 105. STRATEGIC PETROLEUM RESERVE.**

19 (a) DEVELOPMENT, OPERATION, AND MAINTENANCE  
20 OF RESERVE.—Section 159 of the Energy Policy and Con-  
21 servation Act (42 U.S.C. 6239) is amended—

22 (1) by redesignating subsections (f), (g), (j),  
23 (k), and (l) as subsections (a), (b), (e), (f), and (g),  
24 respectively; and



1           (2) by inserting after subsection (b) (as redesignig-  
2           nated by paragraph (1)) the following:

3           “(c) STUDY OF MAINTAINING COAL-TO-LIQUID  
4 PRODUCTS IN RESERVE.—Not later than 1 year after the  
5 date of enactment of the Coal-to-Liquid Fuel Promotion  
6 Act of 2007, the Secretary and the Secretary of Defense  
7 shall—

8           “(1) conduct a study of the feasibility and suit-  
9           ability of maintaining coal-to-liquid products in the  
10          Reserve; and

11          “(2) submit to the Committee on Energy and  
12          Natural Resources and the Committee on Armed  
13          Services of the Senate and the Committee on Energy  
14          and Commerce and the Committee on Armed Serv-  
15          ices of the House of Representatives a report de-  
16          scribing the results of the study.

17          “(d) CONSTRUCTION OF STORAGE FACILITIES.—As  
18          soon as practicable after the date of enactment of the  
19          Coal-to-Liquid Fuel Promotion Act of 2007, the Secretary  
20          may construct 1 or more storage facilities in the vicinity  
21          of pipeline infrastructure and at least 1 military base.”.

22          (b) PETROLEUM PRODUCTS FOR STORAGE IN RE-  
23          SERVE.—Section 160 of the Energy Policy and Conserva-  
24          tion Act (42 U.S.C. 6240) is amended—

25                 (1) in subsection (a)—

1 (A) in paragraph (1), by inserting a semi-  
2 colon at the end;

3 (B) in paragraph (2), by striking “and” at  
4 the end;

5 (C) in paragraph (3), by striking the pe-  
6 riod at the end and inserting “; and”; and

7 (D) by adding at the end the following:

8 “(4) coal-to-liquid products (as defined in sec-  
9 tion 101 of the Coal-to-Liquid Fuel Promotion Act  
10 of 2007), as the Secretary determines to be appro-  
11 priate, in a quantity not to exceed 20 percent of the  
12 total quantity of petroleum and petroleum products  
13 in the Reserve.”;

14 (2) in subsection (b), by redesignating para-  
15 graphs (3) through (5) as paragraphs (2) through  
16 (4), respectively; and

17 (3) by redesignating subsections (f) and (h) as  
18 subsections (d) and (e), respectively.

19 (c) CONFORMING AMENDMENTS.—Section 167 of the  
20 Energy Policy and Conservation Act (42 U.S.C. 6247) is  
21 amended—

22 (1) in subsection (b)—

23 (A) by redesignating paragraphs (2) and  
24 (3) as paragraphs (1) and (2), respectively; and

1 (B) in paragraph (2) (as redesignated by  
2 subparagraph (A)), by striking “section 160(f)”  
3 and inserting “section 160(e)”; and

4 (2) in subsection (d), in the matter preceding  
5 paragraph (1), by striking “section 160(f)” and in-  
6 serting “section 160(e)”.

7 **SEC. 106. AUTHORIZATION TO CONDUCT RESEARCH, DE-**  
8 **VELOPMENT, TESTING, AND EVALUATION OF**  
9 **ASSURED DOMESTIC FUELS.**

10 Of the amount authorized to be appropriated for the  
11 Air Force for research, development, testing, and evalua-  
12 tion, \$10,000,000 may be made available for the Air Force  
13 Research Laboratory to continue support efforts to test,  
14 qualify, and procure synthetic fuels developed from coal  
15 for aviation jet use.

16 **SEC. 107. COAL-TO-LIQUID LONG-TERM FUEL PROCURE-**  
17 **MENT AND DEPARTMENT OF DEFENSE DE-**  
18 **VELOPMENT.**

19 Section 2398a of title 10, United States Code is  
20 amended—

21 (1) in subsection (b)—

22 (A) by striking “The Secretary” and in-  
23 serting the following:

24 “(1) IN GENERAL.—The Secretary”; and

25 (B) by adding at the end the following:

1           “(2) COAL-TO-LIQUID PRODUCTION FACILI-  
2 TIES.—

3           “(A) IN GENERAL.—The Secretary of De-  
4 fense may enter into contracts or other agree-  
5 ments with private companies or other entities  
6 to develop and operate coal-to-liquid facilities  
7 (as defined in section 101 of the Coal-to-Liquid  
8 Fuel Promotion Act of 2007) on or near mili-  
9 tary installations.

10           “(B) CONSIDERATIONS.—In entering into  
11 contracts and other agreements under subpara-  
12 graph (A), the Secretary shall consider land  
13 availability, testing opportunities, and proximity  
14 to raw materials.”;

15           (2) in subsection (d)—

16           (A) by striking “Subject to applicable pro-  
17 visions of law, any” and inserting “Any”; and

18           (B) by striking “1 or more years” and in-  
19 serting “up to 25 years”; and

20           (3) by adding at the end the following:

21           “(f) AUTHORIZATION OF APPROPRIATIONS.—There  
22 are authorized to be appropriated such sums as are nec-  
23 essary to carry out this section.”.

1 **SEC. 108. REPORT ON EMISSIONS OF FISCHER-TROPSCH**  
2 **PRODUCTS USED AS TRANSPORTATION**  
3 **FUELS.**

4 (a) **IN GENERAL.**—In cooperation with the Adminis-  
5 trator of the Environmental Protection Agency, the Sec-  
6 retary of Defense, the Administrator of the Federal Avia-  
7 tion Administration, and the Secretary of Health and  
8 Human Services, the Secretary shall—

9 (1) carry out a research and demonstration pro-  
10 gram to evaluate the emissions of the use of Fischer-  
11 Tropsch fuel for transportation, including diesel and  
12 jet fuel;

13 (2) evaluate the effect of using Fischer-Tropsch  
14 transportation fuel on land and air engine exhaust  
15 emissions; and

16 (3) in accordance with subsection (e), submit to  
17 Congress a report on the effect on air quality and  
18 public health of using Fischer-Tropsch fuel in the  
19 transportation sector.

20 (b) **GUIDANCE AND TECHNICAL SUPPORT.**—The Sec-  
21 retary shall issue any guidance or technical support docu-  
22 ments necessary to facilitate the effective use of Fischer-  
23 Tropsch fuel and blends under this section.

24 (c) **FACILITIES.**—For the purpose of evaluating the  
25 emissions of Fischer-Tropsch transportation fuels, the  
26 Secretary shall—

1           (1) support the use and capital modification of  
2 existing facilities and the construction of new facili-  
3 ties at the research centers designated in section  
4 417 of the Energy Policy Act of 2005 (42 U.S.C.  
5 15977); and

6           (2) engage those research centers in the evalua-  
7 tion and preparation of the report required under  
8 subsection (a)(3).

9           (d) REQUIREMENTS.—The program described in sub-  
10 section (a)(1) shall consider—

11           (1) the use of neat (100 percent) Fischer-  
12 Tropesch fuel and blends of Fischer-Tropsch fuels  
13 with conventional crude oil-derived fuel for heavy-  
14 duty and light-duty diesel engines and the aviation  
15 sector; and

16           (2) the production costs associated with domes-  
17 tic production of those fuels and prices for con-  
18 sumers.

19           (e) REPORTS.—The Secretary shall submit to the  
20 Committee on Energy and Natural Resources of the Sen-  
21 ate and the Committee on Energy and Commerce of the  
22 House of Representatives—

23           (1) not later than 180 days after the date of  
24 enactment of this Act, an interim report on actions  
25 taken to carry out this section; and

1           (2) not later than 1 year after the date of en-  
2           actment of this Act, a final report on actions taken  
3           to carry out this section.

4           (f) AUTHORIZATION OF APPROPRIATIONS.—There  
5           are authorized to be appropriated such sums as are nec-  
6           essary to carry out this section.

7   **TITLE II—AMENDMENTS TO THE**  
8           **INTERNAL REVENUE CODE**  
9           **OF 1986**

10 **SEC. 201. CREDIT FOR INVESTMENT IN COAL-TO-LIQUID**  
11           **FUELS PROJECTS.**

12           (a) IN GENERAL.—Section 46 of the Internal Rev-  
13           enue Code of 1986 (relating to amount of credit) is  
14           amended by striking “and” at the end of paragraph (3),  
15           by striking the period at the end of paragraph (4) and  
16           inserting “, and”, and by adding at the end the following  
17           new paragraph:

18                   “(5) the qualifying coal-to-liquid fuels project  
19           credit.”.

20           (b) AMOUNT OF CREDIT.—Subpart E of part IV of  
21           subchapter A of chapter 1 of the Internal Revenue Code  
22           of 1986 (relating to rules for computing investment credit)  
23           is amended by inserting after section 48B the following  
24           new section:

1 **“SEC. 48C. QUALIFYING COAL-TO-LIQUID FUELS PROJECT**  
2 **CREDIT.**

3 “(a) IN GENERAL.—For purposes of section 46, the  
4 qualifying coal-to-liquid fuels project credit for any taxable  
5 year is an amount equal to 20 percent of the qualified  
6 investment for such taxable year.

7 “(b) QUALIFIED INVESTMENT.—

8 “(1) IN GENERAL.—For purposes of subsection  
9 (a), the qualified investment for any taxable year is  
10 the basis of property placed in service by the tax-  
11 payer during such taxable year which is part of a  
12 qualifying coal-to-liquid fuels project—

13 “(A)(i) the construction, reconstruction, or  
14 erection of which is completed by the taxpayer,  
15 or

16 “(ii) which is acquired by the taxpayer if  
17 the original use of such property commences  
18 with the taxpayer, and

19 “(B) with respect to which depreciation (or  
20 amortization in lieu of depreciation) is allow-  
21 able.

22 “(2) APPLICABLE RULES.—For purposes of this  
23 section, rules similar to the rules of subsection  
24 (a)(4) and (b) of section 48 shall apply.

25 “(c) DEFINITIONS.—For purposes of this section—



1           “(1) QUALIFYING COAL-TO-LIQUID FUELS  
2 PROJECT.—The term ‘qualifying coal-to-liquid fuels  
3 project’ means any domestic project which—

4           “(A) employs the class of reactions known  
5 as Fischer-Tropsch to produce at least 10,000  
6 barrels per day of transportation grade liquid  
7 fuels from a feedstock that is primarily domes-  
8 tic coal (including any property which allows for  
9 the capture, transportation, or sequestration of  
10 by-products resulting from such process, includ-  
11 ing carbon emissions), and

12           “(B) any portion of the qualified invest-  
13 ment in which is certified under the qualifying  
14 coal-to-liquid program as eligible for credit  
15 under this section in an amount (not to exceed  
16 \$200,000,000) determined by the Secretary.

17           “(2) COAL.—The term ‘coal’ means any carbon-  
18 ized or semicarbonized matter, including peat.

19           “(d) QUALIFYING COAL-TO-LIQUID FUELS PROJECT  
20 PROGRAM.—

21           “(1) IN GENERAL.—The Secretary, in consulta-  
22 tion with the Secretary of Energy, shall establish a  
23 qualifying coal-to-liquid fuels project program to  
24 consider and award certifications for qualified in-  
25 vestment eligible for credits under this section to 10

1 qualifying coal-to-liquid fuels project sponsors under  
2 this section. The total qualified investment which  
3 may be awarded eligibility for credit under the pro-  
4 gram shall not exceed \$2,000,000,000.

5 “(2) PERIOD OF ISSUANCE.—A certificate of  
6 eligibility under paragraph (1) may be issued only  
7 during the 10-fiscal year period beginning on Octo-  
8 ber 1, 2007.

9 “(3) SELECTION CRITERIA.—The Secretary  
10 shall not make a competitive certification award for  
11 qualified investment for credit eligibility under this  
12 section unless the recipient has documented to the  
13 satisfaction of the Secretary that—

14 “(A) the proposal of the award recipient is  
15 financially viable,

16 “(B) the recipient will provide sufficient  
17 information to the Secretary for the Secretary  
18 to ensure that the qualified investment is spent  
19 efficiently and effectively,

20 “(C) the fuels identified with respect to the  
21 gasification technology for such project will  
22 comprise at least 90 percent of the fuels re-  
23 quired by the project for the production of  
24 transportation grade liquid fuels,

1           “(D) the award recipient’s project team is  
2           competent in the planning and construction of  
3           coal gasification facilities and familiar with op-  
4           eration of the Fischer-Tropsch process, with  
5           preference given to those recipients with experi-  
6           ence which demonstrates successful and reliable  
7           operations of such process, and

8           “(E) the award recipient has met other cri-  
9           teria established and published by the Sec-  
10          retary.

11          “(e) DENIAL OF DOUBLE BENEFIT.—No deduction  
12          or other credit shall be allowed with respect to the basis  
13          of any property taken into account in determining the  
14          credit allowed under this section.”.

15          (c) CONFORMING AMENDMENTS.—

16                (1) Section 49(a)(1)(C) of the Internal Revenue  
17                Code of 1986 is amended by striking “and” at the  
18                end of clause (iii), by striking the period at the end  
19                of clause (iv) and inserting “, and”, and by adding  
20                after clause (iv) the following new clause:

21                        “(v) the basis of any property which  
22                        is part of a qualifying coal-to-liquid fuels  
23                        project under section 48C.”.

24                (2) The table of sections for subpart E of part  
25                IV of subchapter A of chapter 1 of such Code is

1 amended by inserting after the item relating to sec-  
 2 tion 48B the following new item:

“48C. Qualifying coal-to-liquid fuels project credit.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by  
 4 this section shall apply to periods after the date of the  
 5 enactment of this Act, under rules similar to the rules of  
 6 section 48(m) of the Internal Revenue Code of 1986 (as  
 7 in effect on the day before the date of the enactment of  
 8 the Revenue Reconciliation Act of 1990).

9 **SEC. 202. TEMPORARY EXPENSING FOR EQUIPMENT USED**  
 10 **IN COAL-TO-LIQUID FUELS PROCESS.**

11 (a) **IN GENERAL.**—Part VI of subchapter B of chap-  
 12 ter 1 of the Internal Revenue Code of 1986 is amended  
 13 by inserting after section 179D the following new section:

14 **“SEC. 179E. ELECTION TO EXPENSE CERTAIN COAL-TO-LIQ-**  
 15 **UID FUELS FACILITIES.**

16 “(a) **TREATMENT AS EXPENSES.**—A taxpayer may  
 17 elect to treat the cost of any qualified coal-to-liquid fuels  
 18 process property as an expense which is not chargeable  
 19 to capital account. Any cost so treated shall be allowed  
 20 as a deduction for the taxable year in which the expense  
 21 is incurred.

22 “(b) **ELECTION.**—

23 “(1) **IN GENERAL.**—An election under this sec-  
 24 tion for any taxable year shall be made on the tax-  
 25 payer’s return of the tax imposed by this chapter for

1 the taxable year. Such election shall be made in such  
2 manner as the Secretary may by regulations pre-  
3 scribe.

4 “(2) ELECTION IRREVOCABLE.—Any election  
5 made under this section may not be revoked except  
6 with the consent of the Secretary.

7 “(c) QUALIFIED COAL-TO-LIQUID FUELS PROCESS  
8 PROPERTY.—The term ‘qualified coal-to-liquid fuels proc-  
9 ess property’ means any property located in the United  
10 States—

11 “(1) which employs the Fischer-Tropsch process  
12 to produce transportation grade liquid fuels from a  
13 feedstock that is primarily domestic coal (including  
14 any property which allows for the capture, transpor-  
15 tation, or sequestration of by-products resulting  
16 from such process, including carbon emissions),

17 “(2) the original use of which commences with  
18 the taxpayer,

19 “(3) the construction of which—

20 “(A) except as provided in subparagraph  
21 (B), is subject to a binding construction con-  
22 tract entered into after the date of the enact-  
23 ment of this section and before January 1,  
24 2011, but only if there was no written binding

1 construction contract entered into on or before  
2 such date of enactment, or

3 “(B) in the case of self-constructed prop-  
4 erty, began after the date of the enactment of  
5 this section and before January 1, 2011, and

6 “(4) which is placed in service by the taxpayer  
7 after the date of the enactment of this section and  
8 before January 1, 2016.

9 “(d) ELECTION TO ALLOCATE DEDUCTION TO COOP-  
10 ERATIVE OWNER.—If—

11 “(1) a taxpayer to which subsection (a) applies  
12 is an organization to which part I of subchapter T  
13 applies, and

14 “(2) one or more persons directly holding an  
15 ownership interest in the taxpayer are organizations  
16 to which part I of subchapter T apply,

17 the taxpayer may elect to allocate all or a portion of the  
18 deduction allowable under subsection (a) to such persons.

19 Such allocation shall be equal to the person’s ratable share  
20 of the total amount allocated, determined on the basis of  
21 the person’s ownership interest in the taxpayer. The tax-  
22 able income of the taxpayer shall not be reduced under  
23 section 1382 by reason of any amount to which the pre-  
24 ceding sentence applies.

25 “(e) BASIS REDUCTION.—

1           “(1) IN GENERAL.—For purposes of this title,  
2 if a deduction is allowed under this section with re-  
3 spect to any qualified coal-to-liquid fuels process  
4 property, the basis of such property shall be reduced  
5 by the amount of the deduction so allowed.

6           “(2) ORDINARY INCOME RECAPTURE.—For  
7 purposes of section 1245, the amount of the deduc-  
8 tion allowable under subsection (a) with respect to  
9 any property which is of a character subject to the  
10 allowance for depreciation shall be treated as a de-  
11 duction allowed for depreciation under section 167.

12           “(f) APPLICATION WITH OTHER DEDUCTIONS AND  
13 CREDITS.—

14           “(1) OTHER DEDUCTIONS.—No deduction shall  
15 be allowed under any other provision of this chapter  
16 with respect to any expenditure with respect to  
17 which a deduction is allowed under subsection (a) to  
18 the taxpayer.

19           “(2) CREDITS.—No credit shall be allowed  
20 under section 38 with respect to any amount for  
21 which a deduction is allowed under subsection (a).

22           “(g) REPORTING.—No deduction shall be allowed  
23 under subsection (a) to any taxpayer for any taxable year  
24 unless such taxpayer files with the Secretary a report con-  
25 taining such information with respect to the operation of

1 the property of the taxpayer as the Secretary shall re-  
2 quire.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 1016(a) of the Internal Revenue  
5 Code of 1986 is amended by striking “and” at the  
6 end of paragraph (36), by striking the period at the  
7 end of paragraph (37) and inserting “, and”, and by  
8 adding at the end the following new paragraph:

9 “(38) to the extent provided in section  
10 179E(e)(1).”.

11 (2) Section 1245(a) of such Code is amended  
12 by inserting “179E,” after “179D,” both places it  
13 appears in paragraphs (2)(C) and (3)(C).

14 (3) Section 263(a)(1) of such Code is amended  
15 by striking “or” at the end of subparagraph (J), by  
16 striking the period at the end of subparagraph (K)  
17 and inserting “, or”, and by inserting after subpara-  
18 graph (K) the following new subparagraph:

19 “(L) expenditures for which a deduction is  
20 allowed under section 179E.”.

21 (4) Section 312(k)(3)(B) of such Code is  
22 amended by striking “or 179D” each place it ap-  
23 pears in the heading and text and inserting “179D,  
24 or 179E”.



1           (5) The table of sections for part VI of sub-  
2           chapter B of chapter 1 of such Code is amended by  
3           inserting after the item relating to section 179D the  
4           following new item:

“Sec. 179E. Election to expense certain coal-to-liquid fuels facilities.”.

5           (c) EFFECTIVE DATE.—The amendments made by  
6           this section shall apply to properties placed in service after  
7           the date of the enactment of this Act.

8   **SEC. 203. EXTENSION OF ALTERNATIVE FUEL CREDIT FOR**  
9                           **FUEL DERIVED FROM COAL THROUGH THE**  
10                          **FISCHER-TROPSCH PROCESS.**

11          (a) ALTERNATIVE FUEL CREDIT.—Paragraph (4) of  
12          section 6426(d) of the Internal Revenue Code of 1986 is  
13          amended to read as follows:

14                 “(4) TERMINATION.—This subsection shall not  
15                 apply to—

16                         “(A) any sale or use involving liquid fuel  
17                         derived from a feedstock that is primarily do-  
18                         mestic coal (including peat) through the Fisch-  
19                         er-Tropsch process for any period after Sep-  
20                         tember 30, 2020,

21                         “(B) any sale or use involving liquified hy-  
22                         drogen for any period after September 30,  
23                         2014, and

24                         “(C) any other sale or use for any period  
25                         after September 30, 2009.”.

1 (b) PAYMENTS.—

2 (1) IN GENERAL.—Paragraph (5) of section  
3 6427(e) of the Internal Revenue Code of 1986 is  
4 amended by striking “and” and the end of subpara-  
5 graph (C), by striking the period at the end of sub-  
6 paragraph (D) and inserting “, and”, and by adding  
7 at the end the following new subparagraph:

8 “(E) any alternative fuel or alternative fuel  
9 mixture (as so defined) involving liquid fuel de-  
10 rived from coal (including peat) through the  
11 Fischer-Tropsch process sold or used after Sep-  
12 tember 30, 2020.”.

13 (2) CONFORMING AMENDMENT.—Section  
14 6427(e)(5)(C) of such Code is amended by striking  
15 “subparagraph (D)” and inserting “subparagraphs  
16 (D) and (E)”.

17 **SEC. 204. MODIFICATIONS TO ENHANCED OIL RECOVERY**  
18 **CREDIT.**

19 (a) ENHANCED CREDIT FOR CARBON DIOXIDE IN-  
20 JECTIONS.—Section 43 of the Internal Revenue Code of  
21 1986 is amended by adding at the end the following new  
22 subsection:

23 “(f) ENHANCED CREDIT FOR PROJECTS USING  
24 QUALIFIED CARBON DIOXIDE.—

1           “(1) IN GENERAL.—For purposes of this sec-  
2           tion—

3                   “(A) the term ‘qualified project’ includes a  
4                   project described in paragraph (2), and

5                   “(B) in the case of a project described in  
6                   paragraph (2), subsection (a) shall be applied  
7                   by substituting ‘50 percent’ for ‘15 percent’.

8           “(2) PROJECTS DESCRIBED.—A project is de-  
9           scribed in this paragraph if it begins or is substan-  
10          tially expanded after December 31, 2007, and

11                   “(A) uses qualified carbon dioxide in an  
12                   enhanced oil, natural gas, or coalbed methane  
13                   recovery method, which involves flooding or in-  
14                   jection, or

15                   “(B) enables the capture or sequestration  
16                   of qualified carbon dioxide.

17          “(3) DEFINITIONS.—For purposes of this sub-  
18          section—

19                   “(A) ENHANCED OIL RECOVERY.—The  
20                   term ‘enhanced oil recovery’ means recovery of  
21                   oil by injecting or flooding with qualified carbon  
22                   dioxide.

23                   “(B) ENHANCED NATURAL GAS RECOV-  
24                   ERY.—The term ‘enhanced natural gas recov-

1           ery’ means recovery of natural gas by injecting  
2           or flooding with qualified carbon dioxide.

3           “(C) ENHANCED COALBED METHANE RE-  
4           COVERY.—The term ‘enhanced coalbed methane  
5           recovery’ means recovery of coalbed methane by  
6           injecting or flooding with qualified carbon diox-  
7           ide.

8           “(D) QUALIFIED CARBON DIOXIDE.—The  
9           term ‘qualified carbon dioxide’ means carbon di-  
10          oxide which is produced from the gasification  
11          and subsequent refinement of a feedstock which  
12          is primarily domestic coal, at a facility which  
13          produces coal-to-liquid fuel.

14          “(E) CAPTURE OR SEQUESTRATION.—The  
15          term ‘capture or sequestration’ means any  
16          equipment or facility necessary to—

17                  “(i) capture or separate qualified car-  
18                  bon dioxide from other emissions,

19                  “(ii) transport qualified carbon diox-  
20                  ide, or

21                  “(iii) process and use qualified carbon  
22                  dioxide in a qualified project.

23          “(4) TERMINATION.—This subsection shall not  
24          apply to costs paid or incurred for any qualified  
25          project after December 31, 2020.”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) Section 43 of the Internal Revenue Code of  
3 1986 is amended—

4 (A) by striking “enhanced oil recovery  
5 credit” in subsection (a) and inserting “en-  
6 hanced oil, natural gas, and coalbed methane  
7 recovery, and capture and sequestration credit”,

8 (B) by striking “qualified enhanced oil re-  
9 covery costs” each place it appears and insert-  
10 ing “qualified costs”,

11 (C) by striking “qualified enhanced oil re-  
12 covery project” each place it appears and in-  
13 serting “qualified project”, and

14 (D) by striking the heading and inserting:

15 **“SEC. 43. ENHANCED OIL, NATURAL GAS, AND COALBED**  
16 **METHANE RECOVERY, AND CAPTURE AND SE-**  
17 **QUESTRATION CREDIT.”.**

18 (2) The item in the table of sections for subpart  
19 D of part IV of subchapter A of chapter 1 of such  
20 Code relating to section 43 is amended to read as  
21 follows:

“Sec. 43. Enhanced oil, natural gas, and coalbed methane recovery, and cap-  
ture and sequestration credit.”.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to costs paid or incurred in taxable  
24 years ending after December 31, 2007.

1 **SEC. 205. ALLOWANCE OF ENHANCED OIL, NATURAL GAS,**  
2 **AND COALBED METHANE RECOVERY, AND**  
3 **CAPTURE AND SEQUESTRATION CREDIT**  
4 **AGAINST THE ALTERNATIVE MINIMUM TAX.**

5 (a) IN GENERAL.—Subsection (c) of section 38 of the  
6 Internal Revenue Code of 1986 (relating to limitation  
7 based on amount of tax) is amended by redesignating  
8 paragraphs (4) and (5) as paragraphs (5) and (6), respec-  
9 tively, and by inserting after paragraph (3) the following  
10 new paragraph:

11 “(4) SPECIAL RULES FOR ENHANCED OIL, NAT-  
12 URAL GAS, AND COALBED METHANE RECOVERY, AND  
13 CAPTURE AND SEQUESTRATION CREDIT.—In the  
14 case of the enhanced oil, natural gas, and coalbed  
15 methane recovery, and capture and sequestration  
16 credit determined under section 43—

17 “(A) this section and section 39 shall be  
18 applied separately with respect to such credit,  
19 and

20 “(B) in applying paragraph (1) to such  
21 credit—

22 “(i) the tentative minimum tax shall  
23 be treated as being zero, and

24 “(ii) the limitation under paragraph  
25 (1) (as modified by clause (i)) shall be re-  
26 duced by the credit allowed under sub-

1 section (a) for the taxable year (other than  
2 the enhanced oil, natural gas, and coalbed  
3 methane recovery, and capture and seques-  
4 tration credit and the specified credits).”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 38(c)(2)(A)(ii)(II) of such Code is  
7 amended by inserting “the enhanced oil, natural gas,  
8 and coalbed methane recovery, and capture and se-  
9 questration credit,” after “employee credit,”.

10 (2) Section 38(c)(3)(A)(ii)(II) of such Code is  
11 amended by inserting “, the enhanced oil, natural  
12 gas, coalbed methane recovery, capture and seques-  
13 tration credit,” after “employee credit”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to taxable years ending after De-  
16 cember 31, 2007.

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