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110TH CONGRESS
1ST SESSION

H. R. 2776

[Report No. 110-214]

To amend the Internal Revenue Code of 1986 to provide tax incentives for the production of renewable energy and energy conservation.

IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 2007

Mr. RANGEL (for himself, Mr. LEVIN, Mr. MCDERMOTT, Mr. LEWIS of Georgia, Mr. NEAL of Massachusetts, Mr. McNULTY, Mr. TANNER, Mr. BECERRA, Mr. DOGGETT, Mr. POMEROY, Mrs. JONES of Ohio, Mr. THOMPSON of California, Mr. LARSON of Connecticut, Mr. EMANUEL, Mr. BLUMENAUER, Mr. KIND, Mr. PASCRELL, Ms. BERKLEY, Mr. CROWLEY, Mr. VAN HOLLEN, Ms. SCHWARTZ, and Mr. DAVIS of Alabama) introduced the following bill; which was referred to the Committee on Ways and Means

JUNE 27, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on June 19, 2007]

A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives for the production of renewable energy and energy conservation.

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; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) *SHORT TITLE.*—*This Act may be cited as the “Re-*
 6 *newable Energy and Energy Conservation Tax Act of*
 7 *2007”.*

8 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*
 9 *expressly provided, whenever in this Act an amendment or*
 10 *repeal is expressed in terms of an amendment to, or repeal*
 11 *of, a section or other provision, the reference shall be consid-*
 12 *ered to be made to a section or other provision of the Inter-*
 13 *nal Revenue Code of 1986.*

14 (c) *TABLE OF CONTENTS.*—*The table of contents of this*
 15 *Act is as follows:*

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—PRODUCTION INCENTIVES

Sec. 101. Extension and modification of renewable energy credit.

Sec. 102. Production credit for electricity produced from marine renewables.

Sec. 103. Extension and modification of energy credit.

Sec. 104. New clean renewable energy bonds.

Sec. 105. Extension and modification of special rule to implement FERC and State electric restructuring policy.

Sec. 106. Repeal of dollar limitation and allowance against alternative minimum tax for residential solar and fuel cell property credit.

TITLE II—CONSERVATION

Subtitle A—Transportation

Sec. 201. Credit for plug-in hybrid vehicles.

Sec. 202. Extension and modification of alternative fuel vehicle refueling property credit.

Sec. 203. Extension and modification of credits for biodiesel and renewable diesel.

Sec. 204. Credit for production of cellulosic alcohol.

Sec. 205. Extension of transportation fringe benefit to bicycle commuters.

Sec. 206. Modification of limitation on automobile depreciation.

Sec. 207. Restructuring of New York Liberty Zone tax credits.

Subtitle B—Other Conservation Provisions

Sec. 211. Qualified energy conservation bonds.

Sec. 212. Qualified residential energy efficiency assistance bonds.

Sec. 213. Extension of energy efficient commercial buildings deduction.

Sec. 214. Modifications of energy efficient appliance credit for appliances produced after 2007.

Sec. 215. Five-year applicable recovery period for depreciation of qualified energy management devices.

TITLE III—REVENUE PROVISIONS

Subtitle A—Denial of Oil and Gas Tax Benefits

Sec. 301. Denial of deduction for income attributable to domestic production of oil, natural gas, or primary products thereof.

Sec. 302. 7-year amortization of geological and geophysical expenditures for certain major integrated oil companies.

Sec. 303. Clarification of determination of foreign oil and gas extraction income.

Subtitle B—Clarification of Eligibility for Certain Fuel Credits

Sec. 311. Clarification of eligibility for renewable diesel credit.

Sec. 312. Clarification that credits for fuel are designed to provide an incentive for United States production.

TITLE IV—OTHER PROVISIONS

Subtitle A—Studies

Sec. 401. Carbon audit of the tax code.

Sec. 402. Comprehensive study of biofuels.

Subtitle B—Application of Certain Labor Standards on Projects Financed Under Tax Credit Bonds

Sec. 411. Application of certain labor standards on projects financed under tax credit bonds.

1 **TITLE I—PRODUCTION**
 2 **INCENTIVES**
 3 **SEC. 101. EXTENSION AND MODIFICATION OF RENEWABLE**
 4 **ENERGY CREDIT.**

5 (a) *EXTENSION OF CREDIT.*—Each of the following
 6 provisions of section 45(d) (relating to qualified facilities)
 7 is amended by striking “January 1, 2009” and inserting
 8 “January 1, 2013”:

- 1 (1) *Paragraph (1).*
- 2 (2) *Clauses (i) and (ii) of paragraph (2)(A).*
- 3 (3) *Clauses (i)(I) and (ii) of paragraph (3)(A).*
- 4 (4) *Paragraph (4).*
- 5 (5) *Paragraph (5).*
- 6 (6) *Paragraph (6).*
- 7 (7) *Paragraph (7).*
- 8 (8) *Subparagraphs (A) and (B) of paragraph*
- 9 (9).

10 ***(b) MODIFICATION OF CREDIT PHASEOUT.—***

11 (1) *REPEAL OF PHASEOUT.—Subsection (b) of*
12 *section 45 is amended—*

13 (A) *by striking paragraph (1), and*

14 (B) *by striking “the 8 cent amount in para-*
15 *graph (1),” in paragraph (2) thereof.*

16 (2) *LIMITATION BASED ON INVESTMENT IN FA-*
17 *CILITY.—Subsection (b) of section 45 is amended by*
18 *inserting before paragraph (2) the following new*
19 *paragraph:*

20 “(1) *LIMITATION BASED ON INVESTMENT IN FA-*
21 *CILITY.—*

22 “(A) *IN GENERAL.—In the case of any*
23 *qualified facility originally placed in service*
24 *after December 31, 2008, the amount of the cred-*
25 *it determined under subsection (a) for any tax-*

1 *able year with respect to electricity produced at*
2 *such facility shall not exceed the product of—*

3 “(i) *the applicable percentage with re-*
4 *spect to such facility, multiplied by*

5 “(ii) *the eligible basis of such facility.*

6 “(B) *CARRYFORWARD OF UNUSED LIMITA-*
7 *TION AND EXCESS CREDIT.—*

8 “(i) *UNUSED LIMITATION.—If the limi-*
9 *tation imposed under subparagraph (A)*
10 *with respect to any facility for any taxable*
11 *year exceeds the credit determined under*
12 *subsection (a) (determined without regard*
13 *to this paragraph) with respect to such fa-*
14 *ility for such taxable year, the limitation*
15 *imposed under subparagraph (A) with re-*
16 *spect to such facility for the succeeding tax-*
17 *able year shall be increased by the amount*
18 *of such excess.*

19 “(ii) *EXCESS CREDIT.—If the credit*
20 *determined under subsection (a) (deter-*
21 *mined without regard to this paragraph)*
22 *with respect to any facility for any taxable*
23 *year exceeds the limitation imposed under*
24 *subparagraph (A) with respect to such facil-*
25 *ity for such taxable year, the credit deter-*

1 mined under subsection (a) with respect to
2 such facility for the succeeding taxable year
3 (determined before the application of sub-
4 paragraph (A) for such succeeding taxable
5 year) shall be increased by the amount of
6 such excess. With respect to any facility, no
7 amount may be carried forward under this
8 clause to any taxable year beginning after
9 the 10-year period described in subsection
10 (a)(2)(A)(ii) with respect to such facility.

11 “(C) *APPLICABLE PERCENTAGE.*—For pur-
12 poses of this paragraph—

13 “(i) *IN GENERAL.*—The term ‘applica-
14 ble percentage’ means, with respect to any
15 facility, the appropriate percentage pre-
16 scribed by the Secretary for the month in
17 which such facility is originally placed in
18 service.

19 “(ii) *METHOD OF PRESCRIBING PER-*
20 *CENTAGES.*—The percentages prescribed by
21 the Secretary for any month under clause
22 (i) shall be percentages which yield over a
23 10-year period amounts of limitation under
24 subparagraph (A) which have a present

1 value equal to 35 percent of the eligible
2 basis of the facility.

3 “(iii) *METHOD OF DISCOUNTING.*—The
4 present value under clause (ii) shall be de-
5 termined—

6 “(I) as of the last day of the 1st
7 year of the 10-year period referred to
8 in clause (ii),

9 “(II) by using a discount rate
10 equal to the average annual interest
11 rate of tax-exempt obligations having a
12 term of 10 years or more which are
13 issued during the month preceding the
14 month for which the percentage is
15 being prescribed, and

16 “(III) by taking into account the
17 limitation under subparagraph (A) for
18 any year on the last day of such year.

19 “(D) *ELIGIBLE BASIS.*—For purposes of
20 this paragraph, the term ‘eligible basis’ means,
21 with respect to any facility, the basis of such fa-
22 cility determined as of the time that such facility
23 is originally placed in service.

24 “(E) *SPECIAL RULE FOR FIRST AND LAST*
25 *YEAR OF CREDIT PERIOD.*—In the case of any

1 *taxable year any portion of which is not within*
2 *the 10-year period described in subsection*
3 *(a)(2)(A)(ii) with respect to any facility, the*
4 *amount of the limitation under subparagraph*
5 *(A) with respect to such facility shall be reduced*
6 *by an amount which bears the same ratio to the*
7 *amount of such limitation (determined without*
8 *regard to this subparagraph) as such portion of*
9 *the taxable year which is not within such period*
10 *bears to the entire taxable year.”.*

11 *(c) EFFECTIVE DATE.—*

12 (1) *IN GENERAL.—Except as provided in para-*
13 *graph (2), the amendments made by this section shall*
14 *apply to property originally placed in service after*
15 *December 31, 2008.*

16 (2) *REPEAL OF CREDIT PHASEOUT.—The*
17 *amendments made by subsection (b)(1) shall apply to*
18 *taxable years ending after December 31, 2008.*

19 **SEC. 102. PRODUCTION CREDIT FOR ELECTRICITY PRO-**
20 **DUCTION FROM MARINE RENEWABLES.**

21 (a) *IN GENERAL.—Paragraph (1) of section 45(c) (re-*
22 *lating to resources) is amended by striking “and” at the*
23 *end of subparagraph (G), by striking the period at the end*
24 *of subparagraph (H) and inserting “, and”, and by adding*
25 *at the end the following new subparagraph:*

1 “(I) *marine and hydrokinetic renewable en-*
2 *ergy.*”.

3 (b) *MARINE RENEWABLES.*—Subsection (c) of section
4 45 is amended by adding at the end the following new para-
5 graph:

6 “(10) *MARINE AND HYDROKINETIC RENEWABLE*
7 *ENERGY.*—

8 “(A) *IN GENERAL.*—The term ‘*marine and*
9 *hydrokinetic renewable energy*’ means energy de-
10 *ived from—*

11 “(i) *waves, tides, and currents in*
12 *oceans, estuaries, and tidal areas,*

13 “(ii) *free flowing water in rivers, lakes,*
14 *and streams,*

15 “(iii) *free flowing water in an irriga-*
16 *tion system, canal, or other man-made*
17 *channel, including projects that utilize non-*
18 *mechanical structures to accelerate the flow*
19 *of water for electric power production pur-*
20 *poses, or*

21 “(iv) *differentials in ocean temperature*
22 *(ocean thermal energy conversion).*

23 “(B) *EXCEPTIONS.*—Such term shall not in-
24 *clude any energy which is derived from any*
25 *source which utilizes a dam, diversionary struc-*

1 *ture (except as provided in subparagraph*
2 *(A)(iii)), or impoundment for electric power pro-*
3 *duction purposes.”.*

4 *(c) DEFINITION OF FACILITY.—Subsection (d) of sec-*
5 *tion 45 is amended by adding at the end the following new*
6 *paragraph:*

7 *“(11) MARINE AND HYDROKINETIC RENEWABLE*
8 *ENERGY FACILITIES.—In the case of a facility pro-*
9 *ducing electricity from marine and hydrokinetic re-*
10 *newable energy, the term ‘qualified facility’ means*
11 *any facility owned by the taxpayer—*

12 *“(A) which has a nameplate capacity rat-*
13 *ing of at least 150 kilowatts, and*

14 *“(B) which is originally placed in service*
15 *on or after the date of the enactment of this*
16 *paragraph and before January 1, 2013.”.*

17 *(d) CREDIT RATE.—Subparagraph (A) of section*
18 *45(b)(4) is amended by striking “or (9)” and inserting “(9),*
19 *or (11)”.*

20 *(e) COORDINATION WITH SMALL IRRIGATION*
21 *POWER.—Paragraph (5) of section 45(d), as amended by*
22 *this Act, is amended by striking “January 1, 2013” and*
23 *inserting “the date of the enactment of paragraph (11)”.*

24 *(f) EFFECTIVE DATE.—The amendments made by this*
25 *section shall apply to electricity produced and sold after*

1 *the date of the enactment of this Act, in taxable years end-*
2 *ing after such date.*

3 **SEC. 103. EXTENSION AND MODIFICATION OF ENERGY**

4 **CREDIT.**

5 *(a) EXTENSION OF CREDIT.—*

6 *(1) SOLAR ENERGY PROPERTY.—Paragraphs*
7 *(2)(A)(i)(II) and (3)(A)(ii) of section 48(a) (relating*
8 *to energy credit) are each amended by striking “Jan-*
9 *uary 1, 2009” and inserting “January 1, 2017”.*

10 *(2) FUEL CELL PROPERTY.—Subparagraph (E)*
11 *of section 48(c)(1) (relating to qualified fuel cell prop-*
12 *erty) is amended by striking “December 31, 2008”*
13 *and inserting “December 31, 2016”.*

14 *(b) ALLOWANCE OF ENERGY CREDIT AGAINST ALTER-*
15 *NATIVE MINIMUM TAX.—Subparagraph (B) of section*
16 *38(c)(4) (relating to specified credits) is amended by strik-*
17 *ing “and” at the end of clause (iii), by striking the period*
18 *at the end of clause (iv) and inserting “, and”, and by add-*
19 *ing at the end the following new clause:*

20 *“(v) the credit determined under sec-*
21 *tion 46 to the extent that such credit is at-*
22 *tributable to the energy credit determined*
23 *under section 48.”.*

1 (c) *INCREASE OF CREDIT LIMITATION FOR FUEL CELL*
2 *PROPERTY.*—Subparagraph (B) of section 48(c)(1) is
3 amended by striking “\$500” and inserting “\$1,500”.

4 (d) *PUBLIC ELECTRIC UTILITY PROPERTY TAKEN*
5 *INTO ACCOUNT.*—

6 (1) *IN GENERAL.*—Paragraph (3) of section
7 48(a) is amended by striking the second sentence
8 thereof.

9 (2) *CONFORMING AMENDMENTS.*—

10 (A) Paragraph (1) of section 48(c) is
11 amended by striking subparagraph (D) and re-
12 designating subparagraph (E) as subparagraph
13 (D).

14 (B) Paragraph (2) of section 48(c) is
15 amended by striking subparagraph (D) and re-
16 designating subparagraph (E) as subparagraph
17 (D).

18 (e) *CLERICAL AMENDMENTS.*—Paragraphs (1)(B) and
19 (2)(B) of section 48(c) are each amended by striking “para-
20 graph (1)” and inserting “subsection (a)”.

21 (f) *EFFECTIVE DATE.*—

22 (1) *IN GENERAL.*—Except as otherwise provided
23 in this subsection, the amendments made by this sec-
24 tion shall take effect on the date of the enactment of
25 this Act.

1 (2) *ALLOWANCE AGAINST ALTERNATIVE MINIMUM*
2 *TAX.*—*The amendments made by subsection (b) shall*
3 *apply to credits determined under section 46 of the*
4 *Internal Revenue Code of 1986 in taxable years begin-*
5 *ning after the date of the enactment of this Act and*
6 *to carrybacks of such credits.*

7 (3) *INCREASE IN LIMITATION FOR FUEL CELL*
8 *PROPERTY.*—*The amendment made by subsection (c)*
9 *shall apply to periods after the date of the enactment*
10 *of this Act, in taxable years ending after such date,*
11 *under rules similar to the rules of section 48(m) of the*
12 *Internal Revenue Code of 1986 (as in effect on the*
13 *day before the date of the enactment of the Revenue*
14 *Reconciliation Act of 1990).*

15 (4) *PUBLIC ELECTRIC UTILITY PROPERTY.*—*The*
16 *amendments made by subsection (d) shall apply to*
17 *periods after June 20, 2007, in taxable years ending*
18 *after such date, under rules similar to the rules of sec-*
19 *tion 48(m) of the Internal Revenue Code of 1986 (as*
20 *in effect on the day before the date of the enactment*
21 *of the Revenue Reconciliation Act of 1990).*

22 **SEC. 104. NEW CLEAN RENEWABLE ENERGY BONDS.**

23 (a) *IN GENERAL.*—*Part IV of subchapter A of chapter*
24 *1 (relating to credits against tax) is amended by adding*
25 *at the end the following new subpart:*

1 **“Subpart I—Qualified Tax Credit Bonds**

“Sec. 54A. Credit to holders of qualified tax credit bonds.

“Sec. 54B. New clean renewable energy bonds.

2 **“SEC. 54A. CREDIT TO HOLDERS OF QUALIFIED TAX CREDIT**3 **BONDS.**

4 “(a) *ALLOWANCE OF CREDIT.*—If a taxpayer holds a
5 qualified tax credit bond on one or more credit allowance
6 dates of the bond during any taxable year, there shall be
7 allowed as a credit against the tax imposed by this chapter
8 for the taxable year an amount equal to the sum of the cred-
9 its determined under subsection (b) with respect to such
10 dates.

11 “(b) *AMOUNT OF CREDIT.*—

12 “(1) *IN GENERAL.*—The amount of the credit de-
13 termined under this subsection with respect to any
14 credit allowance date for a qualified tax credit bond
15 is 25 percent of the annual credit determined with re-
16 spect to such bond.

17 “(2) *ANNUAL CREDIT.*—The annual credit deter-
18 mined with respect to any qualified tax credit bond
19 is the product of—

20 “(A) the applicable credit rate, multiplied
21 by

22 “(B) the outstanding face amount of the
23 bond.

1 “(3) *APPLICABLE CREDIT RATE.*—For purposes
2 of paragraph (2), the applicable credit rate is the rate
3 which the Secretary estimates will permit the
4 issuance of qualified tax credit bonds with a specified
5 maturity or redemption date without discount and
6 without interest cost to the qualified issuer. The ap-
7 plicable credit rate with respect to any qualified tax
8 credit bond shall be determined as of the first day on
9 which there is a binding, written contract for the sale
10 or exchange of the bond.

11 “(4) *SPECIAL RULE FOR ISSUANCE AND REDEMP-*
12 *TION.*—In the case of a bond which is issued during
13 the 3-month period ending on a credit allowance date,
14 the amount of the credit determined under this sub-
15 section with respect to such credit allowance date
16 shall be a ratable portion of the credit otherwise deter-
17 mined based on the portion of the 3-month period
18 during which the bond is outstanding. A similar rule
19 shall apply when the bond is redeemed or matures.

20 “(c) *LIMITATION BASED ON AMOUNT OF TAX.*—

21 “(1) *IN GENERAL.*—The credit allowed under
22 subsection (a) for any taxable year shall not exceed
23 the excess of—

1 “(A) the sum of the regular tax liability (as
2 defined in section 26(b)) plus the tax imposed by
3 section 55, over

4 “(B) the sum of the credits allowable under
5 this part (other than subpart C and this sub-
6 part).

7 “(2) CARRYOVER OF UNUSED CREDIT.—If the
8 credit allowable under subsection (a) exceeds the limi-
9 tation imposed by paragraph (1) for such taxable
10 year, such excess shall be carried to the succeeding
11 taxable year and added to the credit allowable under
12 subsection (a) for such taxable year (determined be-
13 fore the application of paragraph (1) for such suc-
14 ceeding taxable year).

15 “(d) QUALIFIED TAX CREDIT BOND.—For purposes of
16 this section—

17 “(1) QUALIFIED TAX CREDIT BOND.—The term
18 ‘qualified tax credit bond’ means a new clean renew-
19 able energy bond which is part of an issue that meets
20 the requirements of paragraphs (2), (3), (4), (5), and
21 (6).

22 “(2) SPECIAL RULES RELATING TO EXPENDI-
23 TURES.—

24 “(A) IN GENERAL.—An issue shall be treat-
25 ed as meeting the requirements of this paragraph

1 *if, as of the date of issuance, the issuer reason-*
2 *ably expects—*

3 “(i) 100 percent or more of the avail-
4 able project proceeds to be spent for 1 or
5 more qualified purposes within the 3-year
6 period beginning on such date of issuance,
7 and

8 “(ii) a binding commitment with a
9 third party to spend at least 10 percent of
10 such available project proceeds will be in-
11 curred within the 6-month period beginning
12 on such date of issuance.

13 “(B) *FAILURE TO SPEND REQUIRED*
14 *AMOUNT OF BOND PROCEEDS WITHIN 3 YEARS.—*

15 “(i) *IN GENERAL.—To the extent that*
16 *less than 100 percent of the available project*
17 *proceeds of the issue are expended by the*
18 *close of the expenditure period for 1 or more*
19 *qualified purposes, the issuer shall redeem*
20 *all of the nonqualified bonds within 90 days*
21 *after the end of such period. For purposes of*
22 *this paragraph, the amount of the non-*
23 *qualified bonds required to be redeemed*
24 *shall be determined in the same manner as*
25 *under section 142.*

1 “(ii) *EXPENDITURE PERIOD.*—For
2 purposes of this subpart, the term ‘expendi-
3 ture period’ means, with respect to any
4 issue, the 3-year period beginning on the
5 date of issuance. Such term shall include
6 any extension of such period under clause
7 (iii).

8 “(iii) *EXTENSION OF PERIOD.*—Upon
9 submission of a request prior to the expira-
10 tion of the expenditure period (determined
11 without regard to any extension under this
12 clause), the Secretary may extend such pe-
13 riod if the issuer establishes that the failure
14 to expend the proceeds within the original
15 expenditure period is due to reasonable
16 cause and the expenditures for qualified
17 purposes will continue to proceed with due
18 diligence.

19 “(C) *QUALIFIED PURPOSE.*—For purposes
20 of this paragraph, the term ‘qualified purpose’
21 means a purpose specified in section 54B(a)(1).

22 “(D) *REIMBURSEMENT.*—For purposes of
23 this subtitle, available project proceeds of an
24 issue shall be treated as spent for a qualified
25 purpose if such proceeds are used to reimburse

1 *the issuer for amounts paid for a qualified pur-*
2 *pose after the date that the Secretary makes an*
3 *allocation of bond limitation with respect to such*
4 *issue, but only if—*

5 *“(i) prior to the payment of the origi-*
6 *nal expenditure, the issuer declared its in-*
7 *tent to reimburse such expenditure with the*
8 *proceeds of a qualified tax credit bond,*

9 *“(ii) not later than 60 days after pay-*
10 *ment of the original expenditure, the issuer*
11 *adopts an official intent to reimburse the*
12 *original expenditure with such proceeds,*
13 *and*

14 *“(iii) the reimbursement is made not*
15 *later than 18 months after the date the*
16 *original expenditure is paid.*

17 *“(3) REPORTING.—An issue shall be treated as*
18 *meeting the requirements of this paragraph if the*
19 *issuer of qualified tax credit bonds submits reports*
20 *similar to the reports required under section 149(e).*

21 *“(4) SPECIAL RULES RELATING TO ARBI-*
22 *TRAGE.—*

23 *“(A) IN GENERAL.—An issue shall be treat-*
24 *ed as meeting the requirements of this paragraph*

1 *if the issuer satisfies the requirements of section*
2 *148 with respect to the proceeds of the issue.*

3 *“(B) SPECIAL RULE FOR INVESTMENTS*
4 *DURING EXPENDITURE PERIOD.—An issue shall*
5 *not be treated as failing to meet the requirements*
6 *of subparagraph (A) by reason of any investment*
7 *of available project proceeds during the expendi-*
8 *ture period.*

9 *“(C) SPECIAL RULE FOR RESERVE*
10 *FUNDS.—An issue shall not be treated as failing*
11 *to meet the requirements of subparagraph (A) by*
12 *reason of any fund which is expected to be used*
13 *to repay such issue if—*

14 *“(i) such fund is funded at a rate not*
15 *more rapid than equal annual installments,*

16 *“(ii) such fund is funded in a manner*
17 *that such fund will not exceed the amount*
18 *necessary to repay the issue if invested at*
19 *the maximum rate permitted under clause*
20 *(iii), and*

21 *“(iii) the yield on such fund is not*
22 *greater than the discount rate determined*
23 *under paragraph (5)(B) with respect to the*
24 *issue.*

25 *“(5) MATURITY LIMITATION.—*

1 “(A) *IN GENERAL.*—*An issue shall not be*
2 *treated as meeting the requirements of this para-*
3 *graph if the maturity of any bond which is part*
4 *of such issue exceeds the maximum term deter-*
5 *mined by the Secretary under subparagraph (B).*

6 “(B) *MAXIMUM TERM.*—*During each cal-*
7 *endar month, the Secretary shall determine the*
8 *maximum term permitted under this paragraph*
9 *for bonds issued during the following calendar*
10 *month. Such maximum term shall be the term*
11 *which the Secretary estimates will result in the*
12 *present value of the obligation to repay the prin-*
13 *cipal on the bond being equal to 50 percent of the*
14 *face amount of such bond. Such present value*
15 *shall be determined using as a discount rate the*
16 *average annual interest rate of tax-exempt obli-*
17 *gations having a term of 10 years or more which*
18 *are issued during the month. If the term as so*
19 *determined is not a multiple of a whole year,*
20 *such term shall be rounded to the next highest*
21 *whole year.*

22 “(6) *PROHIBITION ON FINANCIAL CONFLICTS OF*
23 *INTEREST.*—*An issue shall be treated as meeting the*
24 *requirements of this paragraph if the issuer certifies*
25 *that—*

1 “(A) applicable State and local law require-
2 ments governing conflicts of interest are satisfied
3 with respect to such issue, and

4 “(B) if the Secretary prescribes additional
5 conflicts of interest rules governing the appro-
6 priate Members of Congress, Federal, State, and
7 local officials, and their spouses, such additional
8 rules are satisfied with respect to such issue.

9 “(e) OTHER DEFINITIONS.—For purposes of this sub-
10 chapter—

11 “(1) CREDIT ALLOWANCE DATE.—The term
12 ‘credit allowance date’ means—

13 “(A) March 15,

14 “(B) June 15,

15 “(C) September 15, and

16 “(D) December 15.

17 Such term includes the last day on which the bond is
18 outstanding.

19 “(2) BOND.—The term ‘bond’ includes any obli-
20 gation.

21 “(3) STATE.—The term ‘State’ includes the Dis-
22 trict of Columbia and any possession of the United
23 States.

24 “(4) AVAILABLE PROJECT PROCEEDS.—The term
25 ‘available project proceeds’ means—

1 “(A) *the excess of—*

2 “(i) *the proceeds from the sale of an*
3 *issue, over*

4 “(ii) *the issuance costs financed by the*
5 *issue (to the extent that such costs do not*
6 *exceed 2 percent of such proceeds), and*

7 “(B) *the proceeds from any investment of*
8 *the excess described in subparagraph (A).*

9 “(f) *CREDIT TREATED AS INTEREST.—For purposes of*
10 *this subtitle, the credit determined under subsection (a)*
11 *shall be treated as interest which is includible in gross in-*
12 *come.*

13 “(g) *S CORPORATIONS AND PARTNERSHIPS.—In the*
14 *case of a tax credit bond held by an S corporation or part-*
15 *nership, the allocation of the credit allowed by this section*
16 *to the shareholders of such corporation or partners of such*
17 *partnership shall be treated as a distribution.*

18 “(h) *BONDS HELD BY REGULATED INVESTMENT COM-*
19 *PANIES AND REAL ESTATE INVESTMENT TRUSTS.—If any*
20 *qualified tax credit bond is held by a regulated investment*
21 *company or a real estate investment trust, the credit deter-*
22 *mined under subsection (a) shall be allowed to shareholders*
23 *of such company or beneficiaries of such trust (and any*
24 *gross income included under subsection (f) with respect to*
25 *such credit shall be treated as distributed to such share-*

1 holders or beneficiaries) under procedures prescribed by the
2 Secretary.

3 “(i) *CREDITS MAY BE STRIPPED.*—Under regulations
4 prescribed by the Secretary—

5 “(1) *IN GENERAL.*—There may be a separation
6 (including at issuance) of the ownership of a qualified
7 tax credit bond and the entitlement to the credit
8 under this section with respect to such bond. In case
9 of any such separation, the credit under this section
10 shall be allowed to the person who on the credit allow-
11 ance date holds the instrument evidencing the entitle-
12 ment to the credit and not to the holder of the bond.

13 “(2) *CERTAIN RULES TO APPLY.*—In the case of
14 a separation described in paragraph (1), the rules of
15 section 1286 shall apply to the qualified tax credit
16 bond as if it were a stripped bond and to the credit
17 under this section as if it were a stripped coupon.

18 **“SEC. 54B. NEW CLEAN RENEWABLE ENERGY BONDS.**

19 “(a) *NEW CLEAN RENEWABLE ENERGY BOND.*—For
20 purposes of this subpart, the term ‘new clean renewable en-
21 ergy bond’ means any bond issued as part of an issue if—

22 “(1) 100 percent of the available project proceeds
23 of such issue are to be used for capital expenditures
24 incurred by public power providers or cooperative

1 *electric companies for one or more qualified renewable*
2 *energy facilities,*

3 “(2) *the bond is issued by a qualified issuer, and*

4 “(3) *the issuer designates such bond for purposes*
5 *of this section.*

6 “(b) *REDUCED CREDIT AMOUNT.—The annual credit*
7 *determined under section 54A(b) with respect to any new*
8 *clean renewable energy bond shall be 70 percent of the*
9 *amount so determined without regard to this subsection.*

10 “(c) *LIMITATION ON AMOUNT OF BONDS DES-*
11 *IGNATED.—*

12 “(1) *IN GENERAL.—The maximum aggregate*
13 *face amount of bonds which may be designated under*
14 *subsection (a) by any issuer shall not exceed the limi-*
15 *tation amount allocated under this subsection to such*
16 *issuer.*

17 “(2) *NATIONAL LIMITATION ON AMOUNT OF*
18 *BONDS DESIGNATED.—There is a national new clean*
19 *renewable energy bond limitation of \$2,000,000,000*
20 *which shall be allocated by the Secretary as provided*
21 *in paragraph (3), except that—*

22 “(A) *not more than 60 percent thereof may*
23 *be allocated to qualified projects of public power*
24 *providers, and*

1 “(B) not more than 40 percent thereof may
2 be allocated to qualified projects of cooperative
3 electric companies.

4 “(3) METHOD OF ALLOCATION.—

5 “(A) ALLOCATION AMONG PUBLIC POWER
6 PROVIDERS.—After the Secretary determines the
7 qualified projects of public power providers
8 which are appropriate for receiving an alloca-
9 tion of the national new clean renewable energy
10 bond limitation, the Secretary shall, to the max-
11 imum extent practicable, make allocations
12 among such projects in such manner that the
13 amount allocated to each such project bears the
14 same ratio to the cost of such project as the limi-
15 tation under subparagraph (2)(A) bears to the
16 cost of all such projects.

17 “(B) ALLOCATION AMONG COOPERATIVE
18 ELECTRIC COMPANIES.—The Secretary shall
19 make allocations of the amount of the national
20 new clean renewable energy bond limitation de-
21 scribed in paragraph (2)(B) among qualified
22 projects of cooperative electric companies in such
23 manner as the Secretary determines appropriate.

24 “(d) DEFINITIONS.—For purposes of this section—

1 “(1) *QUALIFIED RENEWABLE ENERGY FACIL-*
2 *ITY.*—*The term ‘qualified renewable energy facility’*
3 *means a qualified facility (as determined under sec-*
4 *tion 45(d) without regard to paragraphs (8) and (10)*
5 *thereof and to any placed in service date) owned by*
6 *a public power provider or a cooperative electric com-*
7 *pany.*

8 “(2) *PUBLIC POWER PROVIDER.*—*The term ‘pub-*
9 *lic power provider’ means a State utility with a serv-*
10 *ice obligation, as such terms are defined in section*
11 *217 of the Federal Power Act (as in effect on the date*
12 *of the enactment of this paragraph).*

13 “(3) *COOPERATIVE ELECTRIC COMPANY.*—*The*
14 *term ‘cooperative electric company’ means a mutual*
15 *or cooperative electric company described in section*
16 *501(c)(12) or section 1381(a)(2)(C).*

17 “(4) *CLEAN RENEWABLE ENERGY BOND LEND-*
18 *ER.*—*The term ‘clean renewable energy bond lender’*
19 *means a lender which is a cooperative which is owned*
20 *by, or has outstanding loans to, 100 or more coopera-*
21 *tive electric companies and is in existence on Feb-*
22 *ruary 1, 2002, and shall include any affiliated entity*
23 *which is controlled by such lender.*

24 “(5) *QUALIFIED ISSUER.*—*The term ‘qualified*
25 *issuer’ means a public power provider, a cooperative*

1 *electric company, a clean renewable energy bond lender,*
2 *or a not-for-profit electric utility which has received a loan or loan guarantee under the Rural Electrification Act.”.*

5 **(b) REPORTING.**—*Subsection (d) of section 6049 (relating to returns regarding payments of interest) is amended*
6 *by adding at the end the following new paragraph:*

8 **“(9) REPORTING OF CREDIT ON QUALIFIED TAX**
9 **CREDIT BONDS.—**

10 **“(A) IN GENERAL.—***For purposes of subsection (a), the term ‘interest’ includes amounts*
11 *includible in gross income under section 54A and such amounts shall be treated as paid on the*
12 *credit allowance date (as defined in section*
13 *54A(e)(1)).*

16 **“(B) REPORTING TO CORPORATIONS, ETC.—**
17 *Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to*
18 *subparagraphs (A), (H), (I), (J), (K), and*
19 *(L)(i).*

23 **“(C) REGULATORY AUTHORITY.—***The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes*
24
25

1 of this paragraph, including regulations which
2 require more frequent or more detailed report-
3 ing.”.

4 (c) *CONFORMING AMENDMENTS.*—

5 (1) Sections 54(c)(2) and 1400N(l)(3)(B) are
6 each amended by striking “subpart C” and inserting
7 “subparts C and I”.

8 (2) Section 1397E(c)(2) is amended by striking
9 “subpart H” and inserting “subparts H and I”.

10 (3) Section 6401(b)(1) is amended by striking
11 “and H” and inserting “H, and I”.

12 (4) The heading of subpart H of part IV of sub-
13 chapter A of chapter 1 is amended by striking “**Cer-**
14 **tain Bonds**” and inserting “**Clean Renewable**
15 **Energy Bonds**”.

16 (5) The table of subparts for part IV of sub-
17 chapter A of chapter 1 is amended by striking the
18 item relating to subpart H and inserting the fol-
19 lowing new items:

 “SUBPART H. NONREFUNDABLE CREDIT TO HOLDERS OF CLEAN RENEWABLE
 ENERGY BONDS.

 “SUBPART I. QUALIFIED TAX CREDIT BONDS.”.

20 (d) *EFFECTIVE DATES.*—The amendments made by
21 this section shall apply to obligations issued after the date
22 of the enactment of this Act.

1 **SEC. 105. EXTENSION AND MODIFICATION OF SPECIAL**
2 **RULE TO IMPLEMENT FERC AND STATE ELEC-**
3 **TRIC RESTRUCTURING POLICY.**

4 (a) *EXTENSION FOR QUALIFIED ELECTRIC UTILI-*
5 *TIES.—*

6 (1) *IN GENERAL.—*Paragraph (3) of section
7 451(i) (relating to special rule for sales or disposi-
8 tions to implement Federal Energy Regulatory Com-
9 mission or State electric restructuring policy) is
10 amended by striking “before January 1, 2008,” and
11 inserting “before January 1, 2010, by a qualified
12 electric utility.”

13 (2) *QUALIFIED ELECTRIC UTILITY.—*Subsection
14 (i) of section 451 is amended by redesignating para-
15 graphs (6) through (10) as paragraphs (7) through
16 (11), respectively, and by inserting after paragraph
17 (5) the following new paragraph:

18 “(6) *QUALIFIED ELECTRIC UTILITY.—*For pur-
19 poses of this subsection, the term ‘qualified electric
20 utility’ means—

21 “(A) an electric utility (as defined in sec-
22 tion 3(22) of the Federal Power Act (16 U.S.C.
23 796(22))), and

24 “(B) any person in the same holding com-
25 pany system (as defined in section 1262(9) of the
26 Public Utility Holding Company Act of 2005

1 (42 U.S.C. 16451(9))) as an electric utility re-
2 ferred to subparagraph (A).”.

3 (b) *EXTENSION OF PERIOD FOR TRANSFER OF OPER-*
4 *ATIONAL CONTROL AUTHORIZED BY FERC.*—Clause (ii) of
5 section 451(i)(4)(B) is amended by striking “December 31,
6 2007” and inserting “the date which is 4 years after the
7 close of the taxable year in which the transaction occurs”.

8 (c) *PROPERTY LOCATED OUTSIDE THE UNITED*
9 *STATES NOT TREATED AS EXEMPT UTILITY PROPERTY.*—
10 Paragraph (5) of section 451(i) is amended by adding at
11 the end the following new subparagraph:

12 “(C) *EXCEPTION FOR PROPERTY LOCATED*
13 *OUTSIDE THE UNITED STATES.*—The term ‘ex-
14 *empt utility property*’ shall not include any
15 *property which is located outside the United*
16 *States.*”.

17 (d) *EFFECTIVE DATES.*—

18 (1) *EXTENSION.*—The amendment made by sub-
19 *section (a) shall apply to transactions after December*
20 *31, 2007.*

21 (2) *TRANSFERS OF OPERATIONAL CONTROL.*—
22 *The amendment made by subsection (b) shall take ef-*
23 *fect as if included in section 909 of the American Jobs*
24 *Creation Act of 2004.*

1 (3) *EXCEPTION FOR PROPERTY LOCATED OUT-*
2 *SIDE THE UNITED STATES.—The amendment made by*
3 *subsection (c) shall apply to transactions after the*
4 *date of the enactment of this Act.*

5 **SEC. 106. REPEAL OF DOLLAR LIMITATION AND ALLOW-**
6 **ANCE AGAINST ALTERNATIVE MINIMUM TAX**
7 **FOR RESIDENTIAL SOLAR AND FUEL CELL**
8 **PROPERTY CREDIT.**

9 (a) *REPEAL OF MAXIMUM DOLLAR LIMITATION.—*

10 (1) *IN GENERAL.—Subsection (b) of section 25D*
11 *(relating to limitations) is amended to read as fol-*
12 *lows:*

13 “(b) *CERTIFICATION OF SOLAR WATER HEATING*
14 *PROPERTY.—No credit shall be allowed under this section*
15 *for an item of property described in subsection (d)(1) unless*
16 *such property is certified for performance by the non-profit*
17 *Solar Rating Certification Corporation or a comparable en-*
18 *tity endorsed by the government of the State in which such*
19 *property is installed.”.*

20 (2) *CONFORMING AMENDMENTS.—*

21 (A) *Subsection (e) of section 25D is amend-*
22 *ed by striking paragraph (4) and by redesignig-*
23 *ating paragraphs (5) through (9) as para-*
24 *graphs (4) through (8), respectively.*

1 (B) Paragraph (1) of section 25C(e) is
 2 amended by striking “(8), and (9)” and insert-
 3 ing “and (8) (and paragraph (4) as in effect be-
 4 fore its repeal by the Renewable Energy and En-
 5 ergy Conservation Tax Act of 2007)”.

6 (b) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
 7 IMUM TAX.—

8 (1) IN GENERAL.—Subsection (c) of section 25D
 9 is amended to read as follows:

10 “(c) LIMITATION BASED ON AMOUNT OF TAX;
 11 CARRYFORWARD OF UNUSED CREDIT.—

12 “(1) LIMITATION BASED ON AMOUNT OF TAX.—
 13 In the case of a taxable year to which section 26(a)(2)
 14 does not apply, the credit allowed under subsection
 15 (a) for the taxable year shall not exceed the excess
 16 of—

17 “(A) the sum of the regular tax liability (as
 18 defined in section 26(b)) plus the tax imposed by
 19 section 55, over

20 “(B) the sum of the credits allowable under
 21 this subpart (other than this section) and section
 22 27 for the taxable year.

23 “(2) CARRYFORWARD OF UNUSED CREDIT.—

24 “(A) RULE FOR YEARS IN WHICH ALL PER-
 25 SONAL CREDITS ALLOWED AGAINST REGULAR

1 *AND ALTERNATIVE MINIMUM TAX.—In the case of*
2 *a taxable year to which section 26(a)(2) applies,*
3 *if the credit allowable under subsection (a) ex-*
4 *ceeds the limitation imposed by section 26(a)(2)*
5 *for such taxable year reduced by the sum of the*
6 *credits allowable under this subpart (other than*
7 *this section), such excess shall be carried to the*
8 *succeeding taxable year and added to the credit*
9 *allowable under subsection (a) for such suc-*
10 *ceeding taxable year.*

11 *“(B) RULE FOR OTHER YEARS.—In the case*
12 *of a taxable year to which section 26(a)(2) does*
13 *not apply, if the credit allowable under sub-*
14 *section (a) exceeds the limitation imposed by*
15 *paragraph (1) for such taxable year, such excess*
16 *shall be carried to the succeeding taxable year*
17 *and added to the credit allowable under sub-*
18 *section (a) for such succeeding taxable year.”.*

19 *(2) CONFORMING AMENDMENTS.—*

20 *(A) Section 23(b)(4)(B) is amended by in-*
21 *serting “and section 25D” after “this section”.*

22 *(B) Section 24(b)(3)(B) is amended by*
23 *striking “and 25B” and inserting “, 25B, and*
24 *25D”.*

1 (C) Section 25B(g)(2) is amended by strik-
2 ing “section 23” and inserting “sections 23 and
3 25D”.

4 (D) Section 26(a)(1) is amended by striking
5 “and 25B” and inserting “25B, and 25D”.

6 (c) *EFFECTIVE DATES.*—

7 (1) *IN GENERAL.*—*Except as otherwise provided*
8 *in this subsection, the amendments made by this sec-*
9 *tion shall apply to expenditures made after the date*
10 *of the enactment of this Act.*

11 (2) *ALLOWANCE AGAINST ALTERNATIVE MINIMUM*
12 *TAX.*—

13 (A) *IN GENERAL.*—*The amendments made*
14 *by subsection (b) shall apply to taxable years be-*
15 *ginning after the date of the enactment of this*
16 *Act.*

17 (B) *APPLICATION OF EGTRRA SUNSET.*—*The*
18 *amendments made by subparagraphs (A) and*
19 *(B) of subsection (b)(2) shall be subject to title*
20 *IX of the Economic Growth and Tax Relief Rec-*
21 *onciliation Act of 2001 in the same manner as*
22 *the provisions of such Act to which such amend-*
23 *ments relate.*

1 **TITLE II—CONSERVATION**
2 **Subtitle A—Transportation**

3 **SEC. 201. CREDIT FOR PLUG-IN HYBRID VEHICLES.**

4 (a) *IN GENERAL.*—Subpart B of part IV of subchapter
5 *A* of chapter 1 (relating to other credits) is amended by
6 adding at the end the following new section:

7 **“SEC. 30D. PLUG-IN HYBRID VEHICLES.**

8 “(a) *ALLOWANCE OF CREDIT.*—There shall be allowed
9 as a credit against the tax imposed by this chapter for the
10 taxable year an amount equal to the sum of the credit
11 amounts determined under subsection (b) with respect to
12 each qualified plug-in hybrid vehicle placed in service by
13 the taxpayer during the taxable year.

14 “(b) *PER VEHICLE DOLLAR LIMITATION.*—

15 “(1) *IN GENERAL.*—The amount determined
16 under this subsection with respect to any qualified
17 plug-in hybrid vehicle is the sum of the amounts de-
18 termined under paragraphs (2) and (3) with respect
19 to such vehicle.

20 “(2) *BASE AMOUNT.*—The amount determined
21 under this paragraph is \$4,000.

22 “(3) *BATTERY CAPACITY.*—In the case of vehicle
23 which draws propulsion energy from a battery with
24 not less than 5 kilowatt hours of capacity, the amount
25 determined under this paragraph is \$200, plus \$200

1 for each kilowatt hour of capacity in excess of 5 kilo-
2 watt hours. The amount determined under this para-
3 graph shall not exceed \$2,000.

4 “(c) *APPLICATION WITH OTHER CREDITS.*—

5 “(1) *BUSINESS CREDIT TREATED AS PART OF*
6 *GENERAL BUSINESS CREDIT.*—So much of the credit
7 which would be allowed under subsection (a) for any
8 taxable year (determined without regard to this sub-
9 section) that is attributable to property of a character
10 subject to an allowance for depreciation shall be treat-
11 ed as a credit listed in section 38(b) for such taxable
12 year (and not allowed under subsection (a)).

13 “(2) *PERSONAL CREDIT.*—

14 “(A) *IN GENERAL.*—For purposes of this
15 title, the credit allowed under subsection (a) for
16 any taxable year (determined after application
17 of paragraph (1)) shall be treated as a credit al-
18 lowable under subpart A for such taxable year.

19 “(B) *LIMITATION BASED ON AMOUNT OF*
20 *TAX.*—In the case of a taxable year to which sec-
21 tion 26(a)(2) does not apply, the credit allowed
22 under subsection (a) for any taxable year (deter-
23 mined after application of paragraph (1)) shall
24 not exceed the excess of—

1 “(i) the sum of the regular tax liability
2 (as defined in section 26(b)) plus the tax
3 imposed by section 55, over

4 “(ii) the sum of the credits allowable
5 under subpart A (other than this section
6 and sections 23 and 25D) and section 27
7 for the taxable year.

8 “(d) *QUALIFIED PLUG-IN HYBRID VEHICLE.*—For
9 purposes of this section—

10 “(1) *IN GENERAL.*—The term ‘qualified plug-in
11 hybrid vehicle’ means a motor vehicle (as defined in
12 section 30(c)(2))—

13 “(A) the original use of which commences
14 with the taxpayer,

15 “(B) which is acquired for use or lease by
16 the taxpayer and not for resale,

17 “(C) which is made by a manufacturer,

18 “(D) which has a gross vehicle weight rat-
19 ing of less than 14,000 pounds,

20 “(E) which has received a certificate of con-
21 formity under the Clean Air Act and meets or
22 exceeds the Bin 5 Tier II emission standard es-
23 tablished in regulations prescribed by the Ad-
24 ministrator of the Environmental Protection

1 *Agency under section 202(i) of the Clean Air Act*
2 *for that make and model year vehicle,*

3 “(F) *which is propelled to a significant ex-*
4 *tent by an electric motor which draws electricity*
5 *from a battery which—*

6 “(i) *has a capacity of not less than 4*
7 *kilowatt hours, and*

8 “(ii) *is capable of being recharged from*
9 *an external source of electricity, and*

10 “(G) *which either—*

11 “(i) *is also propelled to a significant*
12 *extent by other than an electric motor, or*

13 “(ii) *has a significant onboard source*
14 *of electricity which also recharges the bat-*
15 *tery referred to in subparagraph (F).*

16 “(2) *EXCEPTION.—The term ‘qualified plug-in*
17 *hybrid vehicle’ shall not include any vehicle which is*
18 *not a passenger automobile or light truck if such vehi-*
19 *cle has a gross vehicle weight rating of less than 8,500*
20 *pounds.*

21 “(3) *OTHER TERMS.—The terms ‘passenger auto-*
22 *mobile’, ‘light truck’, and ‘manufacturer’ have the*
23 *meanings given such terms in regulations prescribed*
24 *by the Administrator of the Environmental Protection*

1 *Agency for purposes of the administration of title II*
2 *of the Clean Air Act (42 U.S.C. 7521 et seq.).*

3 “(4) *BATTERY CAPACITY.*—*The term ‘capacity’*
4 *means, with respect to any battery, the quantity of*
5 *electricity which the battery is capable of storing, ex-*
6 *pressed in kilowatt hours, as measured from a 100*
7 *percent state of charge to a 0 percent state of charge.*

8 “(e) *LIMITATION ON NUMBER OF QUALIFIED PLUG-IN*
9 *HYBRID VEHICLES ELIGIBLE FOR CREDIT.*—

10 “(1) *IN GENERAL.*—*In the case of a qualified*
11 *plug-in hybrid vehicle sold during the phaseout pe-*
12 *riod, only the applicable percentage of the credit oth-*
13 *erwise allowable under subsection (a) shall be allowed.*

14 “(2) *PHASEOUT PERIOD.*—*For purposes of this*
15 *subsection, the phaseout period is the period begin-*
16 *ning with the second calendar quarter following the*
17 *calendar quarter which includes the first date on*
18 *which the number of qualified plug-in hybrid vehicles*
19 *manufactured by the manufacturer of the vehicle re-*
20 *ferred to in paragraph (1) sold for use in the United*
21 *States after the date of the enactment of this section,*
22 *is at least 60,000.*

23 “(3) *APPLICABLE PERCENTAGE.*—*For purposes*
24 *of paragraph (1), the applicable percentage is—*

1 “(A) 50 percent for the first 2 calendar
2 quarters of the phaseout period,

3 “(B) 25 percent for the 3d and 4th calendar
4 quarters of the phaseout period, and

5 “(C) 0 percent for each calendar quarter
6 thereafter.

7 “(4) CONTROLLED GROUPS.—Rules similar to
8 the rules of section 30B(f)(4) shall apply for purposes
9 of this subsection.

10 “(f) SPECIAL RULES.—

11 “(1) BASIS REDUCTION.—The basis of any prop-
12 erty for which a credit is allowable under subsection
13 (a) shall be reduced by the amount of such credit (de-
14 termined without regard to subsection (c)).

15 “(2) RECAPTURE.—The Secretary shall, by regu-
16 lations, provide for recapturing the benefit of any
17 credit allowable under subsection (a) with respect to
18 any property which ceases to be property eligible for
19 such credit.

20 “(3) PROPERTY USED OUTSIDE UNITED STATES,
21 ETC., NOT QUALIFIED.—No credit shall be allowed
22 under subsection (a) with respect to any property re-
23 ferred to in section 50(b)(1) or with respect to the
24 portion of the cost of any property taken into account
25 under section 179.

1 “(4) *ELECTION NOT TO TAKE CREDIT.*—No credit
2 shall be allowed under subsection (a) for any vehicle
3 if the taxpayer elects to not have this section apply
4 to such vehicle.

5 “(5) *PROPERTY USED BY TAX-EXEMPT ENTITY;*
6 *INTERACTION WITH AIR QUALITY AND MOTOR VEHICLE*
7 *SAFETY STANDARDS.*—Rules similar to the rules of
8 paragraphs (6) and (10) of section 30B(h) shall apply
9 for purposes of this section.”.

10 (b) *PLUG-IN VEHICLES NOT TREATED AS NEW QUALI-*
11 *FIED HYBRID VEHICLES.*—Section 30B(d)(3) is amended
12 by adding at the end the following new subparagraph:

13 “(D) *EXCLUSION OF PLUG-IN VEHICLES.*—
14 Any vehicle with respect to which a credit is al-
15 lowable under section 30D (determined without
16 regard to subsection (c) thereof) shall not be
17 taken into account under this section.”.

18 (c) *CREDIT MADE PART OF GENERAL BUSINESS*
19 *CREDIT.*—Section 38(b) is amended—

20 (1) by striking “and” each place it appears at
21 the end of any paragraph,

22 (2) by striking “plus” each place it appears at
23 the end of any paragraph,

24 (3) by striking the period at the end of para-
25 graph (31) and inserting “, plus”, and

1 (4) *by adding at the end the following new para-*
2 *graph:*

3 “(32) *the portion of the plug-in hybrid vehicle*
4 *credit to which section 30D(c)(1) applies.*”.

5 (d) *CONFORMING AMENDMENTS.—*

6 (1)(A) *Section 24(b)(3)(B), as amended by this*
7 *Act, is amended by striking “and 25D” and inserting*
8 *“25D, and 30D”.*

9 (B) *Section 25(e)(1)(C)(ii) is amended by insert-*
10 *ing “30D,” after “25D,”.*

11 (C) *Section 25B(g)(2), as amended by this Act,*
12 *is amended by striking “and 25D” and inserting “,*
13 *25D, and 30D”.*

14 (D) *Section 26(a)(1), as amended by this Act, is*
15 *amended by striking “and 25D” and inserting “25D,*
16 *and 30D”.*

17 (E) *Section 1400C(d)(2) is amended by striking*
18 *“and 25D” and inserting “25D, and 30D”.*

19 (2) *Section 1016(a) is amended by striking*
20 *“and” at the end of paragraph (36), by striking the*
21 *period at the end of paragraph (37) and inserting “,*
22 *and”, and by adding at the end the following new*
23 *paragraph:*

24 “(38) *to the extent provided in section*
25 *30D(f)(1).*”.

1 (3) *Section 6501(m) is amended by inserting*
 2 “30D(f)(4),” after “30C(e)(5).”

3 (4) *The table of sections for subpart B of part IV*
 4 *of subchapter A of chapter 1 is amended by adding*
 5 *at the end the following new item:*

“Sec. 30D. *Plug-in hybrid vehicles.*”

6 (e) *TREATMENT OF ALTERNATIVE MOTOR VEHICLE*
 7 *CREDIT AS A PERSONAL CREDIT.—*

8 (1) *IN GENERAL.—Paragraph (2) of section*
 9 *30B(g) is amended to read as follows:*

10 “(2) *PERSONAL CREDIT.—The credit allowed*
 11 *under subsection (a) for any taxable year (after ap-*
 12 *plication of paragraph (1)) shall be treated as a cred-*
 13 *it allowable under subpart A for such taxable year.”.*

14 (2) *CONFORMING AMENDMENTS.—*

15 (A) *Subparagraph (A) of section 30C(d)(2)*
 16 *is amended by striking “sections 27, 30, and*
 17 *30B” and inserting “sections 27 and 30”.*

18 (B) *Paragraph (3) of section 55(c) is*
 19 *amended by striking “30B(g)(2).”.*

20 (f) *EFFECTIVE DATE.—*

21 (1) *IN GENERAL.—Except as otherwise provided*
 22 *in this subsection, the amendments made by this sec-*
 23 *tion shall apply to taxable years beginning after De-*
 24 *cember 31, 2007.*

1 (2) *TREATMENT OF ALTERNATIVE MOTOR VEHI-*
2 *CLE CREDIT AS PERSONAL CREDIT.*—*The amendments*
3 *made by subsection (e) shall apply to taxable years*
4 *beginning after December 31, 2006.*

5 (g) *APPLICATION OF EGTRRA SUNSET.*—*The amend-*
6 *ment made by subsection (d)(1)(A) shall be subject to title*
7 *IX of the Economic Growth and Tax Relief Reconciliation*
8 *Act of 2001 in the same manner as the provision of such*
9 *Act to which such amendment relates.*

10 **SEC. 202. EXTENSION AND MODIFICATION OF ALTERNATIVE**

11 **FUEL VEHICLE REFUELING PROPERTY CRED-**
12 **IT.**

13 (a) *INCREASE IN CREDIT AMOUNT.*—*Section 30C (re-*
14 *lating to alternative fuel vehicle refueling property credit)*
15 *is amended—*

16 (1) *by striking “30 percent” in subsection (a)*
17 *and inserting “50 percent”, and*

18 (2) *by striking “\$30,000” in subsection (b)(1)*
19 *and inserting “\$50,000”.*

20 (b) *EXTENSION OF CREDIT.*—*Paragraph (2) of section*
21 *30C(g) (relating to termination) is amended by striking*
22 *“December 31, 2009” and inserting “December 31, 2010”.*

23 (c) *EFFECTIVE DATE.*—*The amendments made by this*
24 *section shall apply to property placed in service after the*

1 *date of the enactment of this Act, in taxable years ending*
2 *after such date.*

3 **SEC. 203. EXTENSION AND MODIFICATION OF CREDITS FOR**
4 **BIODIESEL AND RENEWABLE DIESEL.**

5 (a) *IN GENERAL.*—Sections 40A(g), 6426(c)(6), and
6 6427(e)(5)(B) are each amended by striking “December 31,
7 2008” and inserting “December 31, 2010”.

8 (b) *UNIFORM TREATMENT OF DIESEL PRODUCED*
9 *FROM BIOMASS.*—Paragraph (3) of section 40A(f) is
10 amended—

11 (1) by striking “using a thermal
12 depolymerization process”, and

13 (2) by striking “or D396” in subparagraph (B)
14 and inserting “or other equivalent standard approved
15 by the Secretary for fuels to be used in diesel-powered
16 highway vehicles”.

17 (c) *EFFECTIVE DATE.*—

18 (1) *IN GENERAL.*—Except as provided in para-
19 graph (2), the amendments made by this section shall
20 apply to fuel produced, and sold or used, after the
21 date of the enactment of this Act.

22 (2) *UNIFORM TREATMENT OF DIESEL PRODUCED*
23 *FROM BIOMASS.*—The amendments made by sub-
24 section (b) shall apply to fuel produced, and sold or

1 *ture in such other person’s trade or*
2 *business (other than casual off-farm*
3 *production),*

4 *“(II) for use by such other person*
5 *as a fuel in a trade or business, or*

6 *“(III) who sells such alcohol at re-*
7 *tail to another person and places such*
8 *alcohol in the fuel tank of such other*
9 *person, or*

10 *“(i) is used or sold by such producer*
11 *for any purpose described in clause (i).*

12 *“(C) CELLULOSIC ALCOHOL.—For purposes*
13 *of this paragraph, the term ‘cellulosic alcohol’*
14 *means any alcohol which—*

15 *“(i) is produced in the United States*
16 *for use as a fuel in the United States, and*

17 *“(ii) is derived from any lignocellulosic*
18 *or hemicellulosic matter that is available on*
19 *a renewable or recurring basis.*

20 *For purposes of this subparagraph, the term*
21 *‘United States’ includes any possession of the*
22 *United States.*

23 *“(D) CELLULOSIC ALCOHOL FUEL PRO-*
24 *DUCER.—For purposes of this paragraph, the*
25 *term ‘cellulosic alcohol fuel producer’ means any*

1 *person who produces cellulosic alcohol in a trade*
2 *or business and is registered with the Secretary*
3 *as a cellulosic alcohol fuel producer.*

4 “(E) *ADDITIONAL DISTILLATION EX-*
5 *CLUDED.—The qualified cellulosic fuel produc-*
6 *tion of any producer for any taxable year shall*
7 *not include any alcohol which is purchased by*
8 *the producer and with respect to which such pro-*
9 *ducer increases the proof of the alcohol by addi-*
10 *tional distillation.”.*

11 **(b) CONFORMING AMENDMENTS.—**

12 (1) *Subsection (a) of section 40 is amended by*
13 *striking “plus” at the end of paragraph (1), by strik-*
14 *ing “plus” at the end of paragraph (2), by striking*
15 *the period at the end of paragraph (3) and inserting*
16 *“, plus”, and by adding at the end the following new*
17 *paragraph:*

18 “(4) *in the case of a cellulosic alcohol fuel pro-*
19 *ducer, the cellulosic alcohol fuel producer credit.”.*

20 (2) *Clause (ii) of section 40(d)(3)(C) is amended*
21 *by striking “subsection (b)(4)(B)” and inserting*
22 *“paragraph (4)(B) or (5)(B) of subsection (b)”.*

23 **(c) EFFECTIVE DATE.—***The amendments made by this*
24 *section shall apply to alcohol produced after December 31,*
25 *2007.*

1 **SEC. 205. EXTENSION OF TRANSPORTATION FRINGE BEN-**
2 **EFIT TO BICYCLE COMMUTERS.**

3 (a) *IN GENERAL.*—Paragraph (1) of section 132(f) of
4 the Internal Revenue Code of 1986 (relating to general rule
5 for qualified transportation fringe) is amended by adding
6 at the end the following:

7 “(D) Any qualified bicycle commuting re-
8 imbursement.”.

9 (b) *LIMITATION ON EXCLUSION.*—Paragraph (2) of
10 section 132(f) of such Code is amended by striking “and”
11 at the end of subparagraph (A), by striking the period at
12 the end of subparagraph (B) and inserting “, and”, and
13 by adding at the end the following new subparagraph:

14 “(C) the applicable annual limitation in
15 the case of any qualified bicycle commuting re-
16 imbursement.”.

17 (c) *DEFINITIONS.*—Paragraph (5) of section 132(f) of
18 such Code (relating to definitions) is amended by adding
19 at the end the following:

20 “(F) *DEFINITIONS RELATED TO BICYCLE*
21 *COMMUTING REIMBURSEMENT.*—

22 “(i) *QUALIFIED BICYCLE COMMUTING*
23 *REIMBURSEMENT.*—The term ‘qualified bi-
24 cycle commuting reimbursement’ means,
25 with respect to any calendar year, any em-
26 ployer reimbursement during the 15-month

1 *period beginning with the first day of such*
2 *calendar year for reasonable expenses in-*
3 *curring by the employee during such cal-*
4 *endar year for the purchase of a bicycle and*
5 *bicycle improvements, repair, and storage,*
6 *if such bicycle is regularly used for travel*
7 *between the employee’s residence and place*
8 *of employment.*

9 “(ii) *APPLICABLE ANNUAL LIMITA-*
10 *TION.—The term ‘applicable annual limita-*
11 *tion’ means, with respect to any employee*
12 *for any calendar year, the product of \$20*
13 *multiplied by the number of qualified bicy-*
14 *cle commuting months during such year.*

15 “(iii) *QUALIFIED BICYCLE COMMUTING*
16 *MONTH.—The term ‘qualified bicycle com-*
17 *muting month’ means, with respect to any*
18 *employee, any month during which such*
19 *employee—*

20 *“(I) regularly uses the bicycle for*
21 *a substantial portion of the travel be-*
22 *tween the employee’s residence and*
23 *place of employment, and*

1 “(II) does not receive any benefit
2 described in subparagraph (A), (B), or
3 (C) of paragraph (1).”.

4 (d) *CONSTRUCTIVE RECEIPT OF BENEFIT.*—Para-
5 graph (4) of section 132(f) is amended by inserting “(other
6 than a qualified bicycle commuting reimbursement)” after
7 “qualified transportation fringe”.

8 (e) *EFFECTIVE DATE.*—The amendments made by this
9 section shall apply to taxable years beginning after Decem-
10 ber 31, 2007.

11 **SEC. 206. MODIFICATION OF LIMITATION ON AUTOMOBILE**
12 **DEPRECIATION.**

13 (a) *IN GENERAL.*—Paragraph (5) of section 280F(d)
14 of the Internal Revenue Code of 1986 (defining passenger
15 automobile) is amended to read as follows:

16 “(5) *PASSENGER AUTOMOBILE.*—

17 “(A) *IN GENERAL.*—Except as provided in
18 subparagraph (B), the term ‘passenger auto-
19 mobile’ means any 4-wheeled vehicle—

20 “(i) which is primarily designed or
21 which can be used to carry passengers over
22 public streets, roads, or highways (except
23 any vehicle operated exclusively on a rail or
24 rails), and

1 “(ii) which is rated at not more than
2 14,000 pounds gross vehicle weight.

3 “(B) *EXCEPTIONS.*—The term ‘passenger
4 automobile’ shall not include—

5 “(i) any exempt-design vehicle, and

6 “(ii) any exempt-use vehicle.

7 “(C) *EXEMPT-DESIGN VEHICLE.*—The term
8 ‘exempt-design vehicle’ means—

9 “(i) any vehicle which, by reason of its
10 nature or design, is not likely to be used
11 more than a *de minimis* amount for per-
12 sonal purposes, and

13 “(ii) any vehicle—

14 “(I) which is designed to have a
15 seating capacity of more than 9 per-
16 sons behind the driver’s seat,

17 “(II) which is equipped with a
18 cargo area of at least 5 feet in interior
19 length which is an open area or is de-
20 signed for use as an open area but is
21 enclosed by a cap and is not readily
22 accessible directly from the passenger
23 compartment, or

24 “(III) has an integral enclosure,
25 fully enclosing the driver compartment

1 *and load carrying device, does not have*
2 *seating rearward of the driver’s seat,*
3 *and has no body section protruding*
4 *more than 30 inches ahead of the lead-*
5 *ing edge of the windshield.*

6 “(D) *EXEMPT-USE VEHICLE.*—*The term ‘ex-*
7 *empt-use vehicle’ means—*

8 “(i) *any ambulance, hearse, or com-*
9 *bination ambulance-hearse used by the tax-*
10 *payer directly in a trade or business,*

11 “(ii) *any vehicle used by the taxpayer*
12 *directly in the trade or business of trans-*
13 *porting persons or property for compensa-*
14 *tion or hire, and*

15 “(iii) *any truck or van if substantially*
16 *all of the use of such vehicle by the taxpayer*
17 *is directly in—*

18 “(I) *a farming business (within*
19 *the meaning of section 263A(e)(4)),*

20 “(II) *the transportation of a sub-*
21 *stantial amount of equipment, sup-*
22 *plies, or inventory, or*

23 “(III) *the moving or delivery of*
24 *property which requires substantial*
25 *cargo capacity.*

1 *subsection (b)(3) to such governmental unit for the calendar*
2 *year as is allocated by such governmental unit to such pe-*
3 *riod under subsection (b)(4).*

4 “(b) *QUALIFYING PROJECT EXPENDITURE AMOUNT.—*
5 *For purposes of this section—*

6 “(1) *IN GENERAL.—The term ‘qualifying project*
7 *expenditure amount’ means, with respect to any cal-*
8 *endar year, the sum of—*

9 “(A) *the total expenditures paid or incurred*
10 *during such calendar year by all New York Lib-*
11 *erty Zone governmental units and the Port Au-*
12 *thority of New York and New Jersey for any*
13 *portion of qualifying projects located wholly*
14 *within the City of New York, New York, and*

15 “(B) *any such expenditures—*

16 “(i) *paid or incurred in any preceding*
17 *calendar year which begins after the date of*
18 *enactment of this section, and*

19 “(ii) *not previously allocated under*
20 *paragraph (3).*

21 “(2) *QUALIFYING PROJECT.—The term ‘quali-*
22 *fying project’ means any transportation infrastruc-*
23 *ture project, including highways, mass transit sys-*
24 *tems, railroads, airports, ports, and waterways, in or*
25 *connecting with the New York Liberty Zone (as de-*

1 *fined in section 1400K(h)), which is designated as a*
2 *qualifying project under this section jointly by the*
3 *Governor of the State of New York and the Mayor of*
4 *the City of New York, New York.*

5 *“(3) GENERAL ALLOCATION.—*

6 *“(A) IN GENERAL.—The Governor of the*
7 *State of New York and the Mayor of the City of*
8 *New York, New York, shall jointly allocate to*
9 *each New York Liberty Zone governmental unit*
10 *the portion of the qualifying project expenditure*
11 *amount which may be taken into account by*
12 *such governmental unit under subsection (a) for*
13 *any calendar year in the credit period.*

14 *“(B) AGGREGATE LIMIT.—The aggregate*
15 *amount which may be allocated under subpara-*
16 *graph (A) for all calendar years in the credit pe-*
17 *riod shall not exceed \$2,000,000,000.*

18 *“(C) ANNUAL LIMIT.—The aggregate*
19 *amount which may be allocated under subpara-*
20 *graph (A) for any calendar year in the credit pe-*
21 *riod shall not exceed the sum of—*

22 *“(i) \$169,000,000, plus*

23 *“(ii) the aggregate amount authorized*
24 *to be allocated under this paragraph for all*

1 *preceding calendar years in the credit pe-*
2 *riod which was not so allocated.*

3 “(D) *UNALLOCATED AMOUNTS AT END OF*
4 *CREDIT PERIOD.—If, as of the close of the credit*
5 *period, the amount under subparagraph (B) ex-*
6 *ceeds the aggregate amount allocated under sub-*
7 *paragraph (A) for all calendar years in the cred-*
8 *it period, the Governor of the State of New York*
9 *and the Mayor of the City of New York, New*
10 *York, may jointly allocate to New York Liberty*
11 *Zone governmental units for any calendar year*
12 *in the 5-year period following the credit period*
13 *an amount equal to—*

14 “(i) *the lesser of—*
15 “(I) *such excess, or*
16 “(II) *the qualifying project ex-*
17 *penditure amount for such calendar*
18 *year, reduced by*
19 “(ii) *the aggregate amount allocated*
20 *under this subparagraph for all preceding*
21 *calendar years.*

22 “(4) *ALLOCATION TO PAYROLL PERIODS.—Each*
23 *New York Liberty Zone governmental unit which has*
24 *been allocated a portion of the qualifying project ex-*
25 *penditure amount under paragraph (3) for a cal-*

1 *endar year may allocate such portion to payroll peri-*
2 *ods beginning in such calendar year as such govern-*
3 *mental unit determines appropriate.*

4 “(c) *CARRYOVER OF UNUSED ALLOCATIONS.*—

5 “(1) *IN GENERAL.*—*Except as provided in para-*
6 *graph (2), if the amount allocated under subsection*
7 *(b)(3) to a New York Liberty Zone governmental unit*
8 *for any calendar year exceeds the aggregate taxes im-*
9 *posed by section 3402 for which such governmental*
10 *unit is liable under section 3403 for periods begin-*
11 *ning in such year, such excess shall be carried to the*
12 *succeeding calendar year and added to the allocation*
13 *of such governmental unit for such succeeding cal-*
14 *endar year.*

15 “(2) *REALLOCATION.*—*If a New York Liberty*
16 *Zone governmental unit does not use an amount allo-*
17 *cated to it under subsection (b)(3) within the time*
18 *prescribed by the Governor of the State of New York*
19 *and the Mayor of the City of New York, New York,*
20 *then such amount shall after such time be treated for*
21 *purposes of subsection (b)(3) in the same manner as*
22 *if it had never been allocated.*

23 “(d) *DEFINITIONS AND SPECIAL RULES.*—*For pur-*
24 *poses of this section—*

1 “(1) *CREDIT PERIOD.*—*The term ‘credit period’*
2 *means the 12-year period beginning on January 1,*
3 *2008.*

4 “(2) *NEW YORK LIBERTY ZONE GOVERNMENTAL*
5 *UNIT.*—*The term ‘New York Liberty Zone govern-*
6 *mental unit’ means—*

7 “(A) *the State of New York,*

8 “(B) *the City of New York, New York, and*

9 “(C) *any agency or instrumentality of such*
10 *State or City.*

11 “(3) *TREATMENT OF FUNDS.*—*Any expenditure*
12 *for a qualifying project taken into account for pur-*
13 *poses of the credit under this section shall be consid-*
14 *ered State and local funds for the purpose of any Fed-*
15 *eral program.*

16 “(4) *TREATMENT OF CREDIT AMOUNTS FOR PUR-*
17 *POSES OF WITHHOLDING TAXES.*—*For purposes of*
18 *this title, a New York Liberty Zone governmental*
19 *unit shall be treated as having paid to the Secretary,*
20 *on the day on which wages are paid to employees, an*
21 *amount equal to the amount of the credit allowed to*
22 *such entity under subsection (a) with respect to such*
23 *wages, but only if such governmental unit deducts*
24 *and withholds wages for such payroll period under*
25 *section 3401 (relating to wage withholding).*

1 “(e) *REPORTING.*—*The Governor of the State of New*
2 *York and the Mayor of the City of New York, New York,*
3 *shall jointly submit to the Secretary an annual report—*

4 “(1) *which certifies—*

5 “(A) *the qualifying project expenditure*
6 *amount for the calendar year, and*

7 “(B) *the amount allocated to each New York*
8 *Liberty Zone governmental unit under sub-*
9 *section (b)(3) for the calendar year, and*

10 “(2) *includes such other information as the Sec-*
11 *retary may require to carry out this section.*

12 “(f) *GUIDANCE.*—*The Secretary may prescribe such*
13 *guidance as may be necessary or appropriate to ensure com-*
14 *pliance with the purposes of this section.”*

15 (b) *TERMINATION OF SPECIAL ALLOWANCE AND EX-*
16 *PENSING.*—*Subparagraph (A) of section 1400K(b)(2), as re-*
17 *designated by subsection (a), is amended by striking the*
18 *parenthetical therein and inserting “(in the case of nonresi-*
19 *dential real property and residential rental property, the*
20 *date of the enactment of the Renewable Energy and Energy*
21 *Conservation Tax Act of 2007 or, if acquired pursuant to*
22 *a binding contract in effect on such enactment date, Decem-*
23 *ber 31, 2009)”.*

24 (c) *CONFORMING AMENDMENTS.*—

1 (1) Section 38(c)(3)(B) is amended by striking
2 “section 1400L(a)” and inserting “section 1400K(a)”.

3 (2) Section 168(k)(2)(D)(ii) is amended by strik-
4 ing “section 1400L(c)(2)” and inserting “section
5 1400K(c)(2)”.

6 (3) The table of sections for part I of subchapter
7 Y of chapter 1 is amended by redesignating the item
8 relating to section 1400L as an item relating to sec-
9 tion 1400K and by inserting after such item the fol-
10 lowing new item:

 “Sec. 1400L. New York Liberty Zone tax credits.”.

11 (d) *EFFECTIVE DATE.*—The amendments made by this
12 section shall take effect on the date of the enactment of this
13 Act.

14 **Subtitle B—Other Conservation** 15 **Provisions**

16 **SEC. 211. QUALIFIED ENERGY CONSERVATION BONDS.**

17 (a) *IN GENERAL.*—Subpart I of part IV of subchapter
18 A of chapter 1, as added by section 104, is amended by
19 adding at the end the following new section:

20 **“SEC. 54C. QUALIFIED ENERGY CONSERVATION BONDS.**

21 “(a) *QUALIFIED ENERGY CONSERVATION BOND.*—For
22 purposes of this subchapter, the term ‘qualified energy con-
23 servation bond’ means any bond issued as part of an issue
24 if—

1 “(1) 100 percent of the available project proceeds
2 of such issue are to be used for one or more qualified
3 conservation purposes,

4 “(2) the bond is issued by a State or local gov-
5 ernment, and

6 “(3) the issuer designates such bond for purposes
7 of this section.

8 “(b) *LIMITATION ON AMOUNT OF BONDS DES-*
9 *IGNATED.*—*The maximum aggregate face amount of bonds*
10 *which may be designated under subsection (a) by any issuer*
11 *shall not exceed the limitation amount allocated to such*
12 *issuer under subsection (d).*

13 “(c) *NATIONAL LIMITATION ON AMOUNT OF BONDS*
14 *DESIGNATED.*—*There is a national qualified energy con-*
15 *servation bond limitation of \$3,600,000,000.*

16 “(d) *ALLOCATIONS.*—

17 “(1) *IN GENERAL.*—*The limitation applicable*
18 *under subsection (c) shall be allocated by the Sec-*
19 *retary among the States in proportion to the popu-*
20 *lation of the States.*

21 “(2) *ALLOCATIONS TO LARGEST LOCAL GOVERN-*
22 *MENTS.*—

23 “(A) *IN GENERAL.*—*In the case of any*
24 *State in which there is a large local government,*
25 *each such local government shall be allocated a*

1 *portion of such State’s allocation which bears the*
2 *same ratio to the State’s allocation (determined*
3 *without regard to this subparagraph) as the pop-*
4 *ulation of such large local government bears to*
5 *the population of such State.*

6 *“(B) ALLOCATION OF UNUSED LIMITATION*
7 *TO STATE.—The amount allocated under this*
8 *subsection to a large local government may be re-*
9 *allocated by such local government to the State*
10 *in which such local government is located.*

11 *“(C) LARGE LOCAL GOVERNMENT.—For*
12 *purposes of this section, the term ‘large local gov-*
13 *ernment’ means any municipality or county if*
14 *such municipality or county has a population of*
15 *100,000 or more.*

16 *“(3) ALLOCATION TO ISSUERS; RESTRICTION ON*
17 *PRIVATE ACTIVITY BONDS.—Any allocation under this*
18 *subsection to a State or large local government shall*
19 *be allocated by such State or large local government*
20 *to issuers within the State in a manner that results*
21 *in not less than 70 percent of the allocation to such*
22 *State or large local government being used to des-*
23 *ignate bonds which are not private activity bonds.*

24 *“(e) QUALIFIED CONSERVATION PURPOSE.—For pur-*
25 *poses of this section—*

1 “(1) *IN GENERAL.*—*The term ‘qualified conserva-*
2 *tion purpose’ means any of the following:*

3 “(A) *Capital expenditures incurred for pur-*
4 *poses of—*

5 “(i) *reducing energy consumption in*
6 *publicly-owned buildings by at least 20 per-*
7 *cent,*

8 “(ii) *implementing green community*
9 *programs, or*

10 “(iii) *rural development involving the*
11 *production of electricity from renewable en-*
12 *ergy resources.*

13 “(B) *Expenditures with respect to research*
14 *facilities, and research grants, to support re-*
15 *search in—*

16 “(i) *development of cellulosic ethanol*
17 *or other nonfossil fuels,*

18 “(ii) *technologies for the capture and*
19 *sequestration of carbon dioxide produced*
20 *through the use of fossil fuels,*

21 “(iii) *increasing the efficiency of exist-*
22 *ing technologies for producing nonfossil*
23 *fuels,*

1 “(iv) automobile battery technologies
2 and other technologies to reduce fossil fuel
3 consumption in transportation, or

4 “(v) technologies to reduce energy use
5 in buildings.

6 “(C) Mass commuting facilities and related
7 facilities that reduce the consumption of energy,
8 including expenditures to reduce pollution from
9 vehicles used for mass commuting.

10 “(D) Demonstration projects designed to
11 promote the commercialization of—

12 “(i) green building technology,

13 “(ii) conversion of agricultural waste
14 for use in the production of fuel or other-
15 wise,

16 “(iii) advanced battery manufacturing
17 technologies,

18 “(iv) technologies to reduce peak use of
19 electricity, or

20 “(v) technologies for the capture and
21 sequestration of carbon dioxide emitted from
22 combusting fossil fuels in order to produce
23 electricity.

24 “(E) Public education campaigns to pro-
25 mote energy efficiency.

1 “(2) *SPECIAL RULES FOR PRIVATE ACTIVITY*
2 *BONDS.—For purposes of this section, in the case of*
3 *any private activity bond, the term ‘qualified con-*
4 *servaion purposes’ shall not include any expenditure*
5 *which is not a capital expenditure.*

6 “(f) *POPULATION.—*

7 “(1) *IN GENERAL.—The population of any State*
8 *or local government shall be determined for purposes*
9 *of this section as provided in section 146(j) for the*
10 *calendar year which includes the date of the enact-*
11 *ment of this section.*

12 “(2) *SPECIAL RULE FOR COUNTIES.—In deter-*
13 *mining the population of any county for purposes of*
14 *this section, any population of such county which is*
15 *taken into account in determining the population of*
16 *any municipality which is a large local government*
17 *shall not be taken into account in determining the*
18 *population of such county.*

19 “(g) *APPLICATION TO INDIAN TRIBAL GOVERN-*
20 *MENTS.—An Indian tribal government shall be treated for*
21 *purposes of this section in the same manner as a large local*
22 *government, except that—*

23 “(1) *an Indian tribal government shall be treat-*
24 *ed for purposes of subsection (d) as located within a*

1 *State to the extent of so much of the population of*
2 *such government as resides within such State, and*

3 “(2) *any bond issued by an Indian tribal gov-*
4 *ernment shall be treated as a qualified energy con-*
5 *servation bond only if issued as part of an issue the*
6 *available project proceeds of which are used for pur-*
7 *poses for which such Indian tribal government could*
8 *issue bonds to which section 103(a) applies.”.*

9 **(b) CONFORMING AMENDMENTS.—**

10 (1) *Paragraph (1) of section 54A(d), as added by*
11 *section 104, is amended to read as follows:*

12 “(1) **QUALIFIED TAX CREDIT BOND.**—*The term*
13 *‘qualified tax credit bond’ means—*

14 “(A) *a new clean renewable energy bond, or*

15 “(B) *a qualified energy conservation bond,*
16 *which is part of an issue that meets requirements of*
17 *paragraphs (2), (3), (4), and (5).”.*

18 (2) *Subparagraph (C) of section 54A(d)(2), as*
19 *added by section 104, is amended to read as follows:*

20 “(C) **QUALIFIED PURPOSE.**—*For purposes*
21 *of this paragraph, the term ‘qualified purpose’*
22 *means—*

23 “(i) *in the case of a new clean renew-*
24 *able energy bond, a purpose specified in sec-*
25 *tion 54B(a)(1), and*

1 “(ii) in the case of a qualified energy
2 conservation bond, a purpose specified in
3 section 54C(a)(1).”.

4 (3) The table of sections for subpart I of part IV
5 of subchapter A of chapter 1 is amended by adding
6 at the end the following new item:

“Sec. 54C. Qualified energy conservation bonds.”.

7 (c) *EFFECTIVE DATE.*—The amendments made by this
8 section shall apply to obligations issued after the date of
9 the enactment of this Act.

10 **SEC. 212. QUALIFIED RESIDENTIAL ENERGY EFFICIENCY**
11 **ASSISTANCE BONDS.**

12 (a) *IN GENERAL.*—Subpart I of part IV of subchapter
13 A of chapter 1 (as amended by this Act) is amended by
14 adding at the end the following new section:

15 **“SEC. 54D. QUALIFIED RESIDENTIAL ENERGY EFFICIENCY**
16 **ASSISTANCE BONDS.**

17 “(a) *QUALIFIED RESIDENTIAL ENERGY EFFICIENCY*
18 *ASSISTANCE BOND.*—For purposes of this subchapter, the
19 term ‘qualified residential energy efficiency assistance bond’
20 means any bond issued as part of an issue if—

21 “(1) 100 percent of the available project proceeds
22 of such issue are to be used for 1 or more qualified
23 residential energy efficiency assistance purposes,

24 “(2) not less than 20 percent of the available
25 project proceeds of such issue are to be used for 1 or

1 *more qualified low-income residential energy effi-*
2 *ciency assistance purposes,*

3 *“(3) repayments of principal and applicable in-*
4 *terest on financing provided by the issue are used not*
5 *later than the close of the 3-month period beginning*
6 *on the date the prepayment (or complete repayment)*
7 *is received to redeem bonds which are part of the issue*
8 *or to provide for 1 or more qualified residential en-*
9 *ergy efficiency assistance purposes,*

10 *“(4) the bond is issued by a State, and*

11 *“(5) the issuer designates such bond for purposes*
12 *of this section.*

13 *“(b) LIMITATION ON AMOUNT OF BONDS DES-*
14 *IGNATED.—The maximum aggregate face amount of bonds*
15 *which may be designated under subsection (a) by any issuer*
16 *shall not exceed the limitation amount allocated under sub-*
17 *section (d) to such issuer.*

18 *“(c) NATIONAL LIMITATION ON AMOUNT OF BONDS*
19 *DESIGNATED.—There is a national qualified energy con-*
20 *servation bond limitation of \$2,400,000,000.*

21 *“(d) LIMITATION ALLOCATED AMONG STATES.—The*
22 *limitation under subsection (c) shall be allocated by the Sec-*
23 *retary among the States in proportion to the population*
24 *of the States.*

1 “(e) *QUALIFIED RESIDENTIAL ENERGY EFFICIENCY*
2 *ASSISTANCE PURPOSE.*—*For purposes of this section—*

3 “(1) *IN GENERAL.*—*The term ‘qualified residen-*
4 *tial energy efficiency assistance purpose’ means any*
5 *grant or low-interest loan to acquire (including rea-*
6 *sonable installation costs)—*

7 “(A) *any property which meets (at a min-*
8 *imum) the requirements of the Energy Star pro-*
9 *gram and which is to be installed in a dwelling*
10 *unit,*

11 “(B) *any property which uses wind, solar,*
12 *or geothermal energy or qualified fuel cell prop-*
13 *erty (as defined in section 48(c)(1)) to generate*
14 *electricity, or to heat or cool water, for use in a*
15 *dwelling unit (other than property described in*
16 *section 25D(e)(3)), and*

17 “(C) *any improvements to a dwelling unit*
18 *which are made pursuant to a plan certified by*
19 *an energy efficiency expert that such improve-*
20 *ment will yield at least a 20 percent reduction*
21 *in total household energy consumption related to*
22 *heating, cooling, lighting, and appliances.*

23 “(2) *GEOHERMAL HEAT PUMP.*—*Any geo-*
24 *thermal heat pump to provide heating or cooling in*

1 *a dwelling unit described in paragraph (1)(B) shall*
2 *be treated as described in paragraph (1)(B).*

3 *“(3) DOLLAR LIMITATIONS.—*

4 *“(A) IN GENERAL.—Such term shall not in-*
5 *clude any grant or loan for improvements de-*
6 *scribed in paragraph (1)(C) with respect to any*
7 *dwelling unit to the extent that such grant or*
8 *loan (when added to all other grants or loans for*
9 *such improvements) exceeds \$5,000.*

10 *“(B) INCREASED LIMITATION FOR CERTAIN*
11 *PRINCIPAL RESIDENCES.—In the case of a dwell-*
12 *ing unit which is used as a principal residence*
13 *(within the meaning of section 121) by the re-*
14 *recipient of the grant or loan referred to in sub-*
15 *paragraph (A)—*

16 *“(i) subparagraph (A) shall be applied*
17 *by substituting ‘\$12,000’ for ‘\$5,000’ if such*
18 *grant or loan would satisfy the require-*
19 *ments of paragraph (1)(A) if such para-*
20 *graph were applied by substituting ‘50 per-*
21 *cent’ for ‘20 percent’, and*

22 *“(ii) in any case to which clause (i)*
23 *does not apply, subparagraph (A) shall be*
24 *applied by substituting ‘\$8,000’ for ‘\$5,000’*
25 *if such grant or loan would satisfy the re-*

1 *quirements of paragraph (1)(A) if such*
2 *paragraph were applied by substituting ‘35*
3 *percent’ for ‘20 percent’.*

4 *“(4) LOW-INTEREST LOAN.—The term ‘low inter-*
5 *est loan’ means any loan which charges interest at a*
6 *rate which does not exceed the applicable Federal rate*
7 *in effect under section 1288(b)(1) determined as of the*
8 *issuance of the loan.*

9 *“(5) EXCLUSION OF CERTAIN PROPERTY.—The*
10 *following property shall not be taken into account for*
11 *purposes of paragraph (1)(A):*

12 *“(A) Any equipment used in connection*
13 *with a swimming pool, hot tub, or similar prop-*
14 *erty.*

15 *“(B) Any television.*

16 *“(C) Any device for converting digital sig-*
17 *nal to analog.*

18 *“(D) Any DVD player.*

19 *“(E) Any video cassette recorder (VCR).*

20 *“(F) Any audio equipment.*

21 *“(G) Any cordless phone.*

22 *“(H) Any other item of property where*
23 *there is substantial recreational use.*

1 “(f) *QUALIFIED LOW-INCOME RESIDENTIAL EFFI-*
2 *CIENCY ASSISTANCE PURPOSE.*—For purposes of this sec-
3 *tion—*

4 “(1) *IN GENERAL.*—The term ‘qualified low-in-
5 *come residential energy efficiency assistance purpose’*
6 *means any qualified residential energy efficiency as-*
7 *sistance purpose with respect to a dwelling unit*
8 *which is occupied (at the time of the grant or loan)*
9 *by individuals whose income is 50 percent or less of*
10 *area median gross income. Rules similar to the rules*
11 *of section 142(d)(2)(B) shall apply for purposes of*
12 *this paragraph.*

13 “(2) *RESTRICTION TO GRANTS.*—Such term shall
14 *not include any loan.*

15 “(g) *DEFINITIONS AND SPECIAL RULES.*—For pur-
16 *poses of this section—*

17 “(1) *APPLICABLE INTEREST.*—The term ‘appli-
18 *cable interest’ means, with respect to any loan, so*
19 *much of any interest on such loan which exceeds 1*
20 *percentage point.*

21 “(2) *SPECIAL RULE RELATING TO ARBITRAGE.*—
22 *An issue shall not be treated as failing to meet the re-*
23 *quirements of section 54A(d)(4)(A) by reason of any*
24 *investment of available project proceeds in 1 or more*

1 *qualified residential energy efficiency assistance pur-*
2 *poses.*

3 “(3) *POPULATION.*—*The population of any State*
4 *or local government shall be determined as provided*
5 *in section 146(j) for the calendar year which includes*
6 *the date of the enactment of this section.*

7 “(4) *REPORTING.*—

8 “(A) *REPORTS BY ISSUERS.*—*Issuers of*
9 *qualified residential energy efficiency assistance*
10 *bonds shall, not later than 6 months after the ex-*
11 *penditure period (as defined in section 54A) and*
12 *annually thereafter until the last such bond is*
13 *redeemed, submit reports to the Secretary regard-*
14 *ing such bonds, including information regard-*
15 *ing—*

16 “(i) *the number and monetary value of*
17 *loans and grants provided and the purposes*
18 *for which provided,*

19 “(ii) *the number of dwelling units the*
20 *energy efficiency of which improved as re-*
21 *sult of such loans and grants,*

22 “(iii) *the types of property described in*
23 *subsection (e)(1)(A) installed as a result of*
24 *such loans and grants and the projected en-*
25 *ergy savings with respect to such property,*

1 “(iv) the types of property described in
2 subsection (e)(1)(B) installed as a result of
3 such loans and grants and the projected
4 production of such property, and

5 “(v) the projected energy savings as a
6 result of such loans and grants for improve-
7 ments described in subsection (e)(1)(C).

8 “(B) *REPORT TO CONGRESS.*—Not later
9 than 12 months after receipt of the first report
10 under subparagraph (A) and annually thereafter
11 until the last such report is required to be sub-
12 mitted, the Secretary, in consultation with the
13 Secretary of Energy and the Administrator of
14 the Environmental Protection Agency, shall sub-
15 mit a report to Congress regarding the bond pro-
16 gram under this section, including information
17 regarding—

18 “(i) the aggregate of each category of
19 information described in subparagraph (A)
20 (including any independent assessment of
21 projected energy savings), and

22 “(ii) an estimate of the amount of
23 greenhouse gas emissions reduced as a result
24 of such bond program.”.

25 (b) *CONFORMING AMENDMENTS.*—

1 (1) Paragraph (1) of section 54A(d), as added by
2 section 104 and amended by section 211, is amended
3 by striking “or” at the end of subparagraph (A), by
4 inserting “or” at the end of subparagraph (B), and
5 by inserting after subparagraph (B) the following new
6 subparagraph:

7 “(C) a qualified residential energy effi-
8 ciency assistance bond.”.

9 (2) Subparagraph (C) of section 54A(d)(2), as
10 added by section 104 and amended by section 211, is
11 amended by striking “and” at the end of clause (i),
12 by striking the period at the end of clause (ii) and
13 inserting “, and”, and by adding at the end the fol-
14 lowing new clause:

15 “(iii) in the case of a qualified residen-
16 tial energy efficiency assistance bond, a
17 purpose specified in section 54D(a)(1).”.

18 (3) The table of sections for subpart I of part IV
19 of subchapter A of chapter 1, as amended by this Act,
20 is amended by adding at the end the following new
21 item:

 “Sec. 54D. Qualified residential energy efficiency assistance bonds.”.

22 (c) *EFFECTIVE DATE.*—The amendments made by this
23 section shall apply to obligations issued after the date of
24 the enactment of this Act.

1 **SEC. 213. EXTENSION OF ENERGY EFFICIENT COMMERCIAL**
2 **BUILDINGS DEDUCTION.**

3 *Subsection (h) of section 179D (relating to termi-*
4 *nation) is amended by striking “December 31, 2008” and*
5 *inserting “December 31, 2013”.*

6 **SEC. 214. MODIFICATIONS OF ENERGY EFFICIENT APPLI-**
7 **ANCE CREDIT FOR APPLIANCES PRODUCED**
8 **AFTER 2007.**

9 *(a) IN GENERAL.—Subsection (b) of section 45M (re-*
10 *lating to applicable amount) is amended to read as follows:*

11 *“(b) APPLICABLE AMOUNT.—For purposes of sub-*
12 *section (a)—*

13 *“(1) DISHWASHERS.—The applicable amount*
14 *is—*

15 *“(A) \$45 in the case of a dishwasher which*
16 *is manufactured in calendar year 2008 or 2009*
17 *and which uses no more than 324 kilowatt hours*
18 *per year and 5.8 gallons per cycle, and*

19 *“(B) \$75 in the case of a dishwasher which*
20 *is manufactured in calendar year 2008, 2009, or*
21 *2010 and which uses no more than 307 kilowatt*
22 *hours per year and 5.0 gallons per cycle (5.5 gal-*
23 *lons per cycle for dishwashers designed for great-*
24 *er than 12 place settings).*

25 *“(2) CLOTHES WASHERS.—The applicable*
26 *amount is—*

1 “(A) \$75 in the case of a residential top-
2 loading clothes washer manufactured in calendar
3 year 2008 which meets or exceeds a 1.72 modi-
4 fied energy factor and does not exceed a 8.0
5 water consumption factor,

6 “(B) \$125 in the case of a residential top-
7 loading clothes washer manufactured in calendar
8 year 2008 or 2009 which meets or exceeds a 1.8
9 modified energy factor and does not exceed a 7.5
10 water consumption factor,

11 “(C) \$150 in the case of a residential or
12 commercial clothes washer manufactured in cal-
13 endar year 2008, 2009 or 2010 which meets or
14 exceeds 2.0 modified energy factor and does not
15 exceed a 6.0 water consumption factor, and

16 “(D) \$250 in the case of a residential or
17 commercial clothes washer manufactured in cal-
18 endar year 2008, 2009, or 2010 which meets or
19 exceeds 2.2 modified energy factor and does not
20 exceed a 4.5 water consumption factor.

21 “(3) REFRIGERATORS.—The applicable amount
22 is—

23 “(A) \$50 in the case of a refrigerator which
24 is manufactured in calendar year 2008, and con-
25 sumes at least 20 percent but not more than 22.9

1 *percent less kilowatt hours per year than the*
2 *2001 energy conservation standards,*

3 “(B) \$75 in the case of a refrigerator which
4 is manufactured in calendar year 2008 or 2009,
5 and consumes at least 23 percent but no more
6 than 24.9 percent less kilowatt hours per year
7 than the 2001 energy conservation standards,

8 “(C) \$100 in the case of a refrigerator
9 which is manufactured in calendar year 2008,
10 2009 or 2010, and consumes at least 25 percent
11 but not more than 29.9 percent less kilowatt
12 hours per year than the 2001 energy conserva-
13 tion standards, and

14 “(D) \$200 in the case of a refrigerator man-
15 ufactured in calendar year 2008, 2009 or 2010
16 and which consumes at least 30 percent less en-
17 ergy than the 2001 energy conservation stand-
18 ards.

19 “(4) *DEHUMIDIFIERS.*—The applicable amount
20 is—

21 “(A) \$15 in the case of a dehumidifier man-
22 ufactured in calendar year 2008 that has a ca-
23 pacity less than or equal to 45 pints per day
24 and is 7.5 percent more efficient than the appli-

1 cable Department of Energy energy conservation
2 standard effective October 2012, and

3 “(B) \$25 in the case of a dehumidifier man-
4 ufactured in calendar year 2008 that has a ca-
5 pacity greater than 45 pints per day and is 7.5
6 percent more efficient than the applicable De-
7 partment of Energy energy conservation stand-
8 ard effective October 2012.”.

9 (b) *ELIGIBLE PRODUCTION.*—

10 (1) *SIMILAR TREATMENT FOR ALL APPLI-*
11 *ANCES.*—Subsection (c) of section 45M (relating to el-
12 *igible production) is amended—*

13 (A) *by striking paragraph (2),*

14 (B) *by striking “(1) IN GENERAL” and all*
15 *that follows through “the eligible” and inserting*
16 *“The eligible”, and*

17 (C) *by moving the text of such subsection in*
18 *line with the subsection heading and redesign-*
19 *ating subparagraphs (A) and (B) as para-*
20 *graphs (1) and (2), respectively.*

21 (2) *MODIFICATION OF BASE PERIOD.*—Para-
22 *graph (2) of section 45M(c), as amended by para-*
23 *graph (1) of this section, is amended by striking “3-*
24 *calendar year” and inserting “2-calendar year”.*

1 (c) *TYPES OF ENERGY EFFICIENT APPLIANCES.*—Sub-
2 section (d) of section 45M (defining types of energy efficient
3 appliances) is amended to read as follows:

4 “(d) *TYPES OF ENERGY EFFICIENT APPLIANCE.*—For
5 purposes of this section, the types of energy efficient appli-
6 ances are—

7 “(1) dishwashers described in subsection (b)(1),

8 “(2) clothes washers described in subsection
9 (b)(2),

10 “(3) refrigerators described in subsection (b)(3),
11 and

12 “(4) dehumidifiers described in subsection
13 (b)(4).”.

14 (d) *AGGREGATE CREDIT AMOUNT ALLOWED.*—

15 (1) *INCREASE IN LIMIT.*—Paragraph (1) of sec-
16 tion 45M(e) (relating to aggregate credit amount al-
17 lowed) is amended to read as follows:

18 “(1) *AGGREGATE CREDIT AMOUNT ALLOWED.*—
19 The aggregate amount of credit allowed under sub-
20 section (a) with respect to a taxpayer for any taxable
21 year shall not exceed \$75,000,000 reduced by the
22 amount of the credit allowed under subsection (a) to
23 the taxpayer (or any predecessor) for all prior taxable
24 years beginning after December 31, 2007.”.

1 (2) *EXCEPTION FOR CERTAIN REFRIGERATOR*
2 *AND CLOTHES WASHERS.*—Paragraph (2) of section
3 *45M(e)* is amended to read as follows:

4 “(2) *AMOUNT ALLOWED FOR CERTAIN REFRIG-*
5 *ERATORS AND CLOTHES WASHERS.*—Refrigerators de-
6 *scribed in subsection (b)(3)(D)* and clothes washers
7 *described in subsection (b)(2)(D)* shall not be taken
8 *into account under paragraph (1).*”.

9 (e) *QUALIFIED ENERGY EFFICIENT APPLIANCES.*—

10 (1) *IN GENERAL.*—Paragraph (1) of section
11 *45M(f)* (defining qualified energy efficient appliance)
12 *is amended to read as follows:*

13 “(1) *QUALIFIED ENERGY EFFICIENT APPLI-*
14 *ANCE.*—The term ‘qualified energy efficient appliance’
15 *means—*

16 “(A) any dishwasher described in subsection
17 (b)(1),

18 “(B) any clothes washer described in sub-
19 section (b)(2),

20 “(C) any refrigerator described in sub-
21 section (b)(3), and

22 “(D) any dehumidifier described in sub-
23 section (b)(4).”.

24 (2) *CLOTHES WASHER.*—Section *45M(f)(3)* (de-
25 *fining clothes washer)* is amended by inserting “com-

1 *mercial*” before “*residential*” the second place it ap-
2 *pears*.

3 (3) *TOP-LOADING CLOTHES WASHER*.—Sub-
4 *section (f) of section 45M (relating to definitions) is*
5 *amended by redesignating paragraphs (4), (5), (6),*
6 *and (7) as paragraphs (5), (6), (7), and (8), respec-*
7 *tively, and by inserting after paragraph (3) the fol-*
8 *lowing new paragraph:*

9 “(4) *TOP-LOADING CLOTHES WASHER*.—The
10 *term ‘top-loading clothes washer’ means a clothes*
11 *washer which has the clothes container compartment*
12 *access located on the top of the machine and which*
13 *operates on a vertical axis.”.*

14 (4) *DEHUMIDIFIER*.—Subsection (f) of section
15 *45M, as amended by paragraph (3), is amended by*
16 *redesignating paragraphs (6), (7), and (8) as para-*
17 *graphs (7), (8) and (9), respectively, and by inserting*
18 *after paragraph (5) the following new paragraph:*

19 “(6) *DEHUMIDIFIER*.—The term ‘*dehumidifier*’
20 *means a self-contained, electrically operated, and me-*
21 *chanically refrigerated encased assembly consisting*
22 *of—*

23 “(A) *a refrigerated surface that condenses*
24 *moisture from the atmosphere,*

1 “(B) a refrigerating system, including an
2 electric motor,

3 “(C) an air-circulating fan, and

4 “(D) means for collecting or disposing of
5 condensate.”.

6 (5) *REPLACEMENT OF ENERGY FACTOR.*—Section
7 45M(f)(7), as amended by paragraph (4), is amended
8 to read as follows:

9 “(7) *MODIFIED ENERGY FACTOR.*—The term
10 ‘modified energy factor’ means the modified energy
11 factor established by the Department of Energy for
12 compliance with the Federal energy conservation
13 standard.”.

14 (6) *GALLONS PER CYCLE; WATER CONSUMPTION*
15 *FACTOR.*—Section 45M(f) (relating to definitions) is
16 amended by adding at the end the following:

17 “(10) *GALLONS PER CYCLE.*—The term ‘gallons
18 per cycle’ means, with respect to a dishwasher, the
19 amount of water, expressed in gallons, required to
20 complete a normal cycle of a dishwasher.

21 “(11) *WATER CONSUMPTION FACTOR.*—The term
22 ‘water consumption factor’ means, with respect to a
23 clothes washer, the quotient of the total weighted per-
24 cycle water consumption divided by the cubic foot (or
25 liter) capacity of the clothes washer.”.

1 (f) *EFFECTIVE DATE.*—*The amendments made by this*
 2 *section shall apply to appliances produced after December*
 3 *31, 2007.*

4 **SEC. 215. FIVE-YEAR APPLICABLE RECOVERY PERIOD FOR**
 5 **DEPRECIATION OF QUALIFIED ENERGY MAN-**
 6 **AGEMENT DEVICES.**

7 (a) *IN GENERAL.*—*Section 168(e)(3)(B) (relating to 5-*
 8 *year property) is amended by striking “and” at the end*
 9 *of clause (v), by striking the period at the end of clause*
 10 *(vi) and inserting “, and”, and by inserting after clause*
 11 *(vi) the following new clause:*

12 “(vii) *any qualified energy manage-*
 13 *ment device.*”

14 (b) *DEFINITION OF QUALIFIED ENERGY MANAGEMENT*
 15 *DEVICE.*—*Section 168(i) (relating to definitions and spe-*
 16 *cial rules) is amended by inserting at the end the following*
 17 *new paragraph:*

18 “(18) *QUALIFIED ENERGY MANAGEMENT DE-*
 19 *VICE.*—

20 “(A) *IN GENERAL.*—*The term ‘qualified en-*
 21 *ergy management device’ means any energy*
 22 *management device which is installed on real*
 23 *property of a customer of the taxpayer and is*
 24 *placed in service by a taxpayer who—*

1 “(i) is a supplier of electric energy or
2 a provider of electric energy services, and

3 “(ii) provides all commercial and resi-
4 dential customers of such supplier or pro-
5 vider with net metering upon the request of
6 such customer.

7 “(B) *ENERGY MANAGEMENT DEVICE*.—For
8 purposes of subparagraph (A), the term ‘energy
9 management device’ means any time-based meter
10 and related communication equipment which is
11 capable of being used by the taxpayer as part of
12 a system that—

13 “(i) measures and records electricity
14 usage data on a time-differentiated basis in
15 at least 24 separate time segments per day,

16 “(ii) provides for the exchange of infor-
17 mation between supplier or provider and
18 the customer’s energy management device in
19 support of time-based rates or other forms of
20 demand response, and

21 “(iii) provides data to such supplier or
22 provider so that the supplier or provider
23 can provide energy usage information to
24 customers electronically.

1 “(C) *NET METERING*.—For purposes of sub-
 2 paragraph (A), the term ‘net metering’ means al-
 3 lowing customers a credit for providing elec-
 4 tricity to the supplier or provider.”.

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

8 **TITLE III—REVENUE**

9 **PROVISIONS**

10 **Subtitle A—Denial of Oil and Gas**

11 **Tax Benefits**

12 **SEC. 301. DENIAL OF DEDUCTION FOR INCOME ATTRIB-**
 13 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**
 14 **NATURAL GAS, OR PRIMARY PRODUCTS**
 15 **THEREOF.**

16 (a) *IN GENERAL*.—Subparagraph (B) of section
 17 199(c)(4) (relating to exceptions) is amended by striking
 18 “or” at the end of clause (ii), by striking the period at the
 19 end of clause (iii) and inserting “, or”, and by inserting
 20 after clause (iii) the following new clause:

21 “(iv) the sale, exchange, or other dis-
 22 position of oil, natural gas, or any primary
 23 product thereof.”.

24 (b) *PRIMARY PRODUCT*.—Section 199(c)(4)(B) is
 25 amended by adding at the end the following flush sentence:

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

5 *(c) CONFORMING AMENDMENTS.—Section 199(c)(4) is*
6 *amended—*

7 *(1) in subparagraph (A)(i)(III) by striking*
8 *“electricity, natural gas,” and inserting “electricity”,*
9 *and*

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

12 *(d) EFFECTIVE DATE.—The amendments made by this*
13 *section shall apply to taxable years beginning after Decem-*
14 *ber 31, 2007.*

15 **SEC. 302. 7-YEAR AMORTIZATION OF GEOLOGICAL AND GEO-**
16 **PHYSICAL EXPENDITURES FOR CERTAIN**
17 **MAJOR INTEGRATED OIL COMPANIES.**

18 *(a) IN GENERAL.—Subparagraph (A) of section*
19 *167(h)(5) (relating to special rule for major integrated oil*
20 *companies) is amended by striking “5-year” and inserting*
21 *“7-year”.*

22 *(b) EFFECTIVE DATE.—The amendment made by this*
23 *section shall apply to amounts paid or incurred after the*
24 *date of the enactment of this Act.*

1 **SEC. 303. CLARIFICATION OF DETERMINATION OF FOREIGN**
2 **OIL AND GAS EXTRACTION INCOME.**

3 (a) *IN GENERAL.*—Paragraph (1) of section 907(c) is
4 amended by redesignating subparagraph (B) as subpara-
5 graph (C), by striking “or” at the end of subparagraph (A),
6 and by inserting after subparagraph (A) the following new
7 subparagraph:

8 “(B) so much of any transportation of such
9 minerals as occurs before the fair market value
10 event, or”.

11 (b) *FAIR MARKET VALUE EVENT.*—Subsection (c) of
12 section 907 is amended by adding at the end the following
13 new paragraph:

14 “(6) *FAIR MARKET VALUE EVENT.*—For purposes
15 of this section, the term ‘fair market value event’
16 means, with respect to any mineral, the first point in
17 time at which such mineral—

18 “(A) has a fair market value which can be
19 determined on the basis of a transfer, which is
20 an arm’s length transaction, of such mineral
21 from the taxpayer to a person who is not related
22 (within the meaning of section 482) to such tax-
23 payer, or

24 “(B) is at a location at which the fair mar-
25 ket value is readily ascertainable by reason of
26 transactions among unrelated third parties with

1 *respect to the same mineral (taking into account*
2 *source, location, quality, and chemical composi-*
3 *tion).”.*

4 *(c) SPECIAL RULE FOR CERTAIN PETROLEUM*
5 *TAXES.—Subsection (c) of section 907, as amended by sub-*
6 *section (b), is amended to by adding at the end the following*
7 *new paragraph:*

8 *“(7) OIL AND GAS TAXES.—In the case of any*
9 *tax imposed by a foreign country which is limited in*
10 *its application to taxpayers engaged in oil or gas ac-*
11 *tivities—*

12 *“(A) the term ‘oil and gas extraction taxes’*
13 *shall include such tax,*

14 *“(B) the term ‘foreign oil and gas extrac-*
15 *tion income’ shall include any taxable income*
16 *which is taken into account in determining such*
17 *tax (or is directly attributable to the activity to*
18 *which such tax relates), and*

19 *“(C) the term ‘foreign oil related income’*
20 *shall not include any taxable income which is*
21 *treated as foreign oil and gas extraction income*
22 *under subparagraph (B).”.*

23 *(d) CONFORMING AMENDMENTS.—*

24 *(1) Subparagraph (C) of section 907(c)(1), as re-*
25 *designated by this section, is amended by inserting*

1 “or used by the taxpayer in the activity described in
2 subparagraph (B)” before the period at the end.

3 (2) Subparagraph (B) of section 907(c)(2) is
4 amended to read as follows:

5 “(B) so much of the transportation of such
6 minerals or primary products as is not taken
7 into account under paragraph (1)(B),”.

8 (e) *EFFECTIVE DATE.*—The amendments made by this
9 section shall apply to taxable years beginning after the date
10 of the enactment of this Act.

11 ***Subtitle B—Clarification of***
12 ***Eligibility for Certain Fuel Credits***

13 ***SEC. 311. CLARIFICATION OF ELIGIBILITY FOR RENEWABLE***
14 ***DIESEL CREDIT.***

15 (a) *COPRODUCTION WITH PETROLEUM FEEDSTOCK.*—

16 (1) *IN GENERAL.*—Paragraph (3) of section
17 40A(f) (defining renewable diesel) is amended by add-
18 ing at the end the following flush sentence:

19 “Such term does not include any fuel derived from co-
20 processing biomass with a feedstock which is not bio-
21 mass. For purposes of this paragraph, the term ‘bio-
22 mass’ has the meaning given such term by section
23 45K(c)(3).”.

1 (2) *CONFORMING AMENDMENT.*—*Paragraph (3)*
2 *of section 40A(f) is amended by striking “(as defined*
3 *in section 45K(c)(3))”.*

4 **(b) CLARIFICATION OF ELIGIBILITY FOR ALTERNATIVE**
5 **FUEL CREDIT.**—

6 (1) *IN GENERAL.*—*Subparagraph (F) of section*
7 *6426(d)(2) is amended by striking “hydrocarbons”*
8 *and inserting “fuel”.*

9 (2) *CONFORMING AMENDMENT.*—*Section 6426 is*
10 *amended by adding at the end the following new sub-*
11 *section:*

12 *“(h) DENIAL OF DOUBLE BENEFIT.—No credit shall*
13 *be determined under subsection (d) or (e) with respect to*
14 *any fuel with respect to which credit may be determined*
15 *under subsection (b) or (c) or under section 40 or 40A.”.*

16 **(c) EFFECTIVE DATE.**—

17 (1) *IN GENERAL.*—*Except as provided in para-*
18 *graph (2), the amendments made by this section shall*
19 *apply to fuel produced, and sold or used, after June*
20 *30, 2007.*

21 (2) *CLARIFICATION OF ELIGIBILITY FOR ALTER-*
22 *NATIVE FUEL CREDIT.*—*The amendment made by sub-*
23 *section (b) shall take effect as if included in section*
24 *11113 of the Safe, Accountable, Flexible, Efficient*
25 *Transportation Equity Act: A Legacy for Users.*

1 **SEC. 312. CLARIFICATION THAT CREDITS FOR FUEL ARE DE-**
2 **SIGNED TO PROVIDE AN INCENTIVE FOR**
3 **UNITED STATES PRODUCTION.**

4 (a) *BIODIESEL FUELS CREDIT.*—Paragraph (5) of sec-
5 tion 40A(d), as added by subsection (c), is amended to read
6 as follows:

7 “(5) *LIMITATION TO BIODIESEL WITH CONNEC-*
8 *TION TO THE UNITED STATES.*—No credit shall be de-
9 *termined under this section with respect to any bio-*
10 *diesel unless—*

11 “(A) *such biodiesel is produced in the*
12 *United States for use as a fuel in the United*
13 *States, and*

14 “(B) *the taxpayer obtains a certification (in*
15 *such form and manner as prescribed by the Sec-*
16 *retary) from the producer of the biodiesel which*
17 *identifies the product produced and the location*
18 *of such production.*

19 *For purposes of this paragraph, the term ‘United*
20 *States’ includes any possession of the United States.”.*

21 (b) *EXCISE TAX CREDIT.*—Paragraph (2) of section
22 6426(i), as added by subsection (c), is amended to read as
23 follows:

24 “(2) *BIODIESEL AND ALTERNATIVE FUELS.*—No
25 *credit shall be determined under this section with re-*
26 *spect to any biodiesel or alternative fuel unless—*

1 “(A) such biodiesel or alternative fuel is
2 produced in the United States for use as a fuel
3 in the United States, and

4 “(B) the taxpayer obtains a certification (in
5 such form and manner as prescribed by the Sec-
6 retary) from the producer of such biodiesel or al-
7 ternative fuel which identifies the product pro-
8 duced and the location of such production.”.

9 (c) *PROVISIONS CLARIFYING TREATMENT OF FUELS*
10 *WITH NO NEXUS TO THE UNITED STATES.*—

11 (1) *ALCOHOL FUELS CREDIT.*—Subsection (d) of
12 section 40 is amended by adding at the end the fol-
13 lowing new paragraph:

14 “(6) *LIMITATION TO ALCOHOL WITH CONNECTION*
15 *TO THE UNITED STATES.*—No credit shall be deter-
16 mined under this section with respect to any alcohol
17 which is produced outside the United States for use
18 as a fuel outside the United States. For purposes of
19 this paragraph, the term ‘United States’ includes any
20 possession of the United States.”.

21 (2) *BIODIESEL FUELS CREDIT.*—Subsection (d)
22 of section 40A is amended by adding at the end the
23 following new paragraph:

24 “(5) *LIMITATION TO BIODIESEL WITH CONNEC-*
25 *TION TO THE UNITED STATES.*—No credit shall be de-

1 *terminated under this section with respect to any bio-*
2 *diesel which is produced outside the United States for*
3 *use as a fuel outside the United States. For purposes*
4 *of this paragraph, the term ‘United States’ includes*
5 *any possession of the United States.’’.*

6 (3) *EXCISE TAX CREDIT.*—

7 (A) *IN GENERAL.*—*Section 6426, as amend-*
8 *ed by section 311, is amended by adding at the*
9 *end the following new subsection:*

10 “(i) *LIMITATION TO FUELS WITH CONNECTION TO*
11 *THE UNITED STATES.*—

12 “(1) *ALCOHOL.*—*No credit shall be determined*
13 *under this section with respect to any alcohol which*
14 *is produced outside the United States for use as a fuel*
15 *outside the United States.*

16 “(2) *BIODIESEL AND ALTERNATIVE FUELS.*—*No*
17 *credit shall be determined under this section with re-*
18 *spect to any biodiesel or alternative fuel which is pro-*
19 *duced outside the United States for use as a fuel out-*
20 *side the United States.*

21 *For purposes of this subsection, the term ‘United States’ in-*
22 *cludes any possession of the United States.’’.*

23 (B) *CONFORMING AMENDMENT.*—*Subsection*
24 (e) *of section 6427 is amended by redesignating*
25 *paragraph (5) as paragraph (6) and by insert-*

1 ing after paragraph (4) the following new para-
2 graph:

3 “(5) *LIMITATION TO FUELS WITH CONNECTION*
4 *TO THE UNITED STATES.*—No amount shall be pay-
5 able under paragraph (1) or (2) with respect to any
6 mixture or alternative fuel if credit is not allowed
7 with respect to such mixture or alternative fuel by
8 reason of section 6426(i).”.

9 (d) *EFFECTIVE DATE.*—

10 (1) *IN GENERAL.*—Except as provided in para-
11 graph (2), the amendments made by this section shall
12 apply to fuel produced, and sold or used, after the
13 date of the enactment of this Act.

14 (2) *PROVISIONS CLARIFYING TREATMENT OF*
15 *FUELS WITH NO NEXUS TO THE UNITED STATES.*—

16 (A) *IN GENERAL.*—Except as otherwise pro-
17 vided in this paragraph, the amendments made
18 by subsection (c) shall take effect as if included
19 in section 301 of the American Jobs Creation Act
20 of 2004.

21 (B) *ALTERNATIVE FUEL CREDITS.*—So
22 much of the amendments made by subsection (c)
23 as relate to the alternative fuel credit or the al-
24 ternative fuel mixture credit shall take effect as
25 if included in section 11113 of the Safe, Account-

1 *able, Flexible, Efficient Transportation Equity*
2 *Act: A Legacy for Users.*

3 (C) *RENEWABLE DIESEL.*—*So much of the*
4 *amendments made by subsection (c) as relate to*
5 *renewable diesel shall take effect as if included in*
6 *section 1346 of the Energy Policy Act of 2005.*

7 **TITLE IV—OTHER PROVISIONS**

8 **Subtitle A—Studies**

9 **SEC. 401. CARBON AUDIT OF THE TAX CODE.**

10 (a) *STUDY.*—*The Secretary of the Treasury shall enter*
11 *into an agreement with the National Academy of Sciences*
12 *to undertake a comprehensive review of the Internal Rev-*
13 *enue Code of 1986 to identify the types of and specific tax*
14 *provisions that have the largest effects on carbon and other*
15 *greenhouse gas emissions and to estimate the magnitude of*
16 *those effects.*

17 (b) *REPORT.*—*Not later than 2 years after the date*
18 *of enactment of this Act, the National Academy of Sciences*
19 *shall submit to Congress a report containing the results of*
20 *study authorized under this section.*

21 (c) *AUTHORIZATION OF APPROPRIATIONS.*—*There is*
22 *authorized to be appropriated to carry out this section*
23 *\$1,500,000 for the period of fiscal years 2008 and 2009.*

1 **SEC. 402. COMPREHENSIVE STUDY OF BIOFUELS.**

2 (a) *STUDY.*—*The Secretary of the Treasury, in con-*
3 *sultation with the Secretary of Agriculture, the Secretary*
4 *of Energy, and the Administrator of the Environmental*
5 *Protection Agency, shall enter into an agreement with the*
6 *National Academy of Sciences to produce an analysis of*
7 *current scientific findings to determine—*

8 (1) *current biofuels production, as well as projec-*
9 *tions for future production,*

10 (2) *the maximum amount of biofuels production*
11 *capable on United States farmland,*

12 (3) *the domestic effects of a dramatic increase in*
13 *biofuels production on, for example—*

14 (A) *the price of fuel,*

15 (B) *the price of land in rural and suburban*
16 *communities,*

17 (C) *crop acreage and other land use,*

18 (D) *the environment, due to changes in crop*
19 *acreage, fertilizer use, runoff, water use, emis-*
20 *sions from vehicles utilizing biofuels, and other*
21 *factors,*

22 (E) *the price of feed,*

23 (F) *the selling price of grain crops,*

24 (G) *exports and imports of grains,*

25 (H) *taxpayers, through cost or savings to*
26 *commodity crop payments, and*

- 1 (I) the expansion of refinery capacity,
- 2 (4) the ability to convert corn ethanol plants for
- 3 other uses, such as cellulosic ethanol or biodiesel,
- 4 (5) a comparative analysis of corn ethanol
- 5 versus other biofuels and renewable energy sources,
- 6 considering cost, energy output, and ease of imple-
- 7 mentation, and
- 8 (6) the need for additional scientific inquiry,
- 9 and specific areas of interest for future research.

10 (b) *REPORT.*—The National Academy of Sciences shall

11 submit an initial report of the findings of the report re-

12 quired under subsection (a) to the Congress not later than

13 3 months after the date of the enactment of this Act, and

14 a final report not later than 6 months after such date of

15 enactment.

16 ***Subtitle B—Application of Certain***

17 ***Labor Standards on Projects Fi-***

18 ***nanced Under Tax Credit Bonds***

19 ***SEC. 411. APPLICATION OF CERTAIN LABOR STANDARDS ON***

20 ***PROJECTS FINANCED UNDER TAX CREDIT***

21 ***BONDS.***

22 Subchapter IV of chapter 31 of title 40, United States

23 Code, shall apply to projects financed with the proceeds of

24 any tax credit bond (as defined in section 54A of the Inter-

25 nal Revenue Code of 1986).

Union Calendar No. 130

110TH CONGRESS
1ST Session

H. R. 2776

[Report No. 110-214]

A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives for the production of renewable energy and energy conservation.

JUNE 27, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed