LEGISLATIVE DIGEST
HOUSE REPUBLICAN CONFERENCE | CHAIRMAN ADAM PUTNAM
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H.R. 7201 – Energy Improvement and Enhancement Act of 2008

EXECUTIVE SUMMARY

This legislation was introduced by Representative Charles Rangel (D-NY) on September 28, 2008. The bill was referred to the Committee on Ways and Means, but was never considered. H.R. 7201 is being considered on the floor under a closed rule.

H.R. 7201 contains provisions relating to energy tax extensions and revenues. Several tax relief provisions expired at the end of 2007 or are set to expire at the end of 2008. Congress extended many of these provisions as a part of the Tax Relief and Health Care Act of 2006 (P.L. 109-462). The provisions in this bill are very similar to those passed by the House on September 26, 2008 in H.R. 7060. The Senate never acted on that legislation.

The Congressional Budget Office (CBO) has not produced a cost estimate for this legislation as of September 26, 2008.

FLOOR SITUATION

This legislation was introduced by Representative Charles Rangel (D-NY) on September 28, 2008. The bill was referred to the Committee on Ways and Means, but was never considered.

H.R. 7201 is being considered on the floor under a closed rule. The rule:

- Provides one hour of debate on H.R. 7201 equally divided and controlled by the Chairman and Ranking Member of the Committee on Ways and Means;
- Waives all points of order against consideration of H.R. 7201 except those arising under clause 10 (PAYGO) of rule XXI;
- Provides that H.R. 7201 shall be considered as read;
- Provides one motion to recommit with or without instructions; and
- Provides that, notwithstanding the operation of the previous question, the Chair may postpone further consideration of H.R. 7201 or H.R. 7202 to a time designated by the Speaker.

Note: This rule also provides for the consideration of H.R. 7202.

H.R. 7201 is expected to be considered on the floor of the House on September 28, 2008.

SUMMARY

The energy provisions in this bill are paid for by offsetting revenue provisions detailed below.

Renewable Energy Tax Credit: The bill extends and modifies the production tax credit, through the end of 2009, for generating electricity from sources such as wind. Other energy sources such as geothermal; closed-loop biomass; hydropower; landfill gas; and trash combustion facilities are also extended. It also creates a tax credit for a new energy production category – marine renewable, which is energy derived from waves, tides, and currents. The bill creates a new limitation on the amount of credits that can be claimed with respect to property placed in service after 2009.

Solar Energy and Fuel Cell Investment Tax Credit: The bill extends and modifies the tax credit for commercial solar energy and fuel cells through the end of 2016. It increases the credit limitation for fuel cell property from $500 to $1,500 per half kilowatt of capacity.

Coal Electricity Projects: The bill provides tax credits for advanced coal electricity projects. It requires the Secretary to give highest priority to projects with the greatest separation and sequestration percentage of total carbon dioxide emissions.

Coal Excise Taxes: The bill allows for the refund of certain taxes collected on exported coal. Coal producers or exporters could receive a refund (plus interest) from the Treasury for coal exports between October 1, 1990, and the date of enactment.

Energy Tax Credits: The bill modifies and/or extends a number of energy-related tax incentives including:

- Tax credit for alternative refueling stations (decrease revenues by $237 million over 10 years)
- Biodiesel production and renewable diesel tax credits (decrease revenues by $507 million over 10 years)
- Tax credits for energy-efficient upgrades to existing homes (decrease revenues by $725 million over 10 years)
- Enhanced tax deduction for energy-efficient commercial buildings (decrease revenues by $891 million over 10 years)
- Tax credit to manufacturers of energy-efficient appliances (decrease revenues by $323 million over 10 years)
- Coal gasification investment credit

New Energy Tax Provisions

- Plug-in electric vehicle tax credit (decrease revenues by $1.056 billion over 10 years)
- Extending transportation fringe benefits to those who commute to work by bicycle (decrease revenues by $10 million over 10 years)
- Five-year depreciation of "smart meters"
- Bonus depreciation for cellulosic biofuel plant property

Freeze of Manufacturing Deductions for Certain Oil Companies: The bill would freeze the manufacturing deduction (section 199 of the tax code) for exploration, production and refining of oil and natural gas, which was created in 2004 to help encourage the preservation and expansion of manufacturing jobs in the United States at the current level of 6 percent.

**Note: The House voted on similar versions of this provision that would repeal the manufacturing deduction for oil companies several times this Congress during consideration of H.R. 6, H.R. 2776, H.R. 5351, and H.R. 6899.*

Basis Reporting by Brokers on Sales of Stock: This bill would create mandatory cost basis reporting by brokers for transactions involving publicly traded securities. This provision will raise $6.7 billion over ten years.

Oil Spill Liability Trust Fund: The bill would extend the oil spill tax through December 31, 2017, and increases the per barrel tax from 5 cents to 8 cents from 2009 through 2016 and to 9 cents in 2017. It also repeals the requirement that the tax be suspended when the unobligated balance exceeds $2.7 billion.

Foreign Oil and Gas Extraction Income: The bill eliminates the distinction between foreign oil and gas extraction income ("FOGEI") and foreign oil related income ("FORI"). Currently, these designations carry separate foreign tax credit limitations. This provision will raise $2.2 billion over ten years.

Corporate Estimated Taxes: The bill increases the percentage of corporate estimated taxes by 10.5 percentage points.

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BACKGROUND

Several tax relief provisions expired at the end of 2007 or are set to expire at the end of 2008. Congress extended many of these provisions as a part of the Tax Relief and Health Care Act of 2006 (P.L. 109-462). In addition, Congress passed the Tax Increase Prevention Act (P.L. 110-166) which ensured that the Alternative Minimum Tax (AMT) did not affect 23 million American families for tax year 2007 on December 27, 2008. This bill does not address the AMT issue, but affects various energy taxes, revenue provisions, and temporary tax provisions.

The House recently passed legislation very similar to this bill, H.R. 7060, by a vote of 257-166 on September 26, 2008. That bill included other tax provisions unrelated to energy, and has not been acted on in the Senate.

This legislation also includes portions of several energy-related tax provisions that were previously passed in five similar House- passed energy tax bills: H.R. 6 (passed 228-193 on 1/18/07); H.R. 2776 (passed 221-189 on 8/4/07); H.R. 6 as amended (passed 235-181 on 12/6/07); H.R. 5351 (passed 236-182 on 2/27/080); and H.R. 6049 (passed 263-160 on May 21, 2008.)

COST

The Congressional Budget Office (CBO) has not produced a cost estimate for this legislation as of September 28 2008.

STAFF CONTACT

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