

[CHAIRMAN'S DISCUSSION DRAFT]

JULY 26, 2010

111TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to provide incentives for advanced manufacturing, renewable energy, and energy efficiency, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

Mr. LEVIN introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Internal Revenue Code of 1986 to provide incentives for advanced manufacturing, renewable energy, and energy efficiency, and for other purposes.

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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Domestic Manufacturing and Energy Jobs Act of 2010”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-  
7 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment  
2 to, or repeal of, a section or other provision, the reference  
3 shall be considered to be made to a section or other provi-  
4 sion of the Internal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—The table of contents for  
6 this Act is as follows:

Sec. 1. Short title; etc.

#### TITLE I—ADVANCED MANUFACTURING

Sec. 101. Extension and modification of the qualifying advanced energy project credit.

Sec. 102. Extension and modification of energy efficient appliance credit.

#### TITLE II—RENEWABLE ENERGY

Sec. 201. Elective payment for specified energy property.

Sec. 202. Extension of 30 percent investment credit for geothermal and off-shore wind energy facilities.

Sec. 203. Extension and expansion of new clean renewable energy bonds.

Sec. 204. Property assessed clean energy bonds.

#### TITLE III—ENERGY EFFICIENCY AND CONSERVATION

Sec. 301. Home energy conservation bonds.

Sec. 302. Residential energy efficient property credit.

Sec. 303. Energy efficient commercial buildings deduction.

Sec. 304. Renewable energy and conservation project credit.

#### TITLE IV—TRANSPORTATION

Sec. 401. Credit for heavy natural gas and hybrid vehicles.

Sec. 402. Alternative fuel vehicle refueling property.

Sec. 403. Transportation fringe benefits.

Sec. 404. Restructuring of New York Liberty Zone tax credits.

#### TITLE V—BIOFUELS AND ALTERNATIVE FUELS

Sec. 501. Ethanol, etc., credit.

Sec. 502. Incentives for biodiesel and renewable diesel.

Sec. 503. Excise tax credits and outlay payments for alternative fuel and alternative fuel mixtures.

Sec. 504. Algae treated as a qualified feedstock for purposes of the cellulosic biofuel producer credit, etc.

Sec. 505. Elective investment tax credit in lieu of production credit for second generation biofuel production property.

#### TITLE VI—STUDIES AND REPORTS

Sec. 601. Study of tax expenditures by Joint Committee on Taxation.

Sec. 602. Report on certain competitive credits by Secretary of the Treasury.  
Sec. 603. Study of biogas.

1                   **TITLE I—ADVANCED**  
2                   **MANUFACTURING**

3   **SEC. 101. EXTENSION AND MODIFICATION OF THE QUALI-**  
4                   **FYING ADVANCED ENERGY PROJECT CREDIT.**

5           (a) CERTAIN PROJECTS ELIGIBLE FOR CREDIT  
6 WITHOUT LIMITATION.—

7           (1) IN GENERAL.—Subsection (a) of section  
8 48C is amended by striking “an amount equal to”  
9 and all that follows and inserting “an amount equal  
10 to the sum of—

11           “(1) 30 percent of the basis of the statutory ad-  
12 vanced energy property placed in service by the tax-  
13 payer during such taxable year, plus

14           “(2) 30 percent of the qualified investment for  
15 such taxable year which respect to any qualifying  
16 advanced energy project of the taxpayer.”.

17           (2) STATUTORY ADVANCED ENERGY PROP-  
18 erty.—Subsection (c) of section 48C is amended by  
19 adding at the end the following new paragraph:

20           “(3) STATUTORY ADVANCED ENERGY PROP-  
21 erty.—

22           “(A) IN GENERAL.—The term ‘statutory  
23 advanced energy property’ means any eligible

1 property used exclusively to manufacture or  
2 fabricate—

3 “(i) equipment which uses solar en-  
4 ergy to generate electricity,

5 “(ii) fuel cell power plants (as defined  
6 in section 48(c)(1)(C)), or

7 “(iii) systems for the electro-chemical  
8 storage of electricity (other than lead-acid  
9 batteries) for use—

10 “(I) in electric or hybrid-electric  
11 motor vehicles, or

12 “(II) in connection with electric  
13 grids.

14 “(B) TERMINATION.—Such term shall not  
15 include any property for any period after De-  
16 cember 31, 2014.”.

17 (3) DENIAL OF DOUBLE BENEFIT.—Subsection  
18 (e) of section 48C is amended by adding at the end  
19 the following: “Statutory advanced energy property  
20 shall not be taken into account in determining the  
21 qualified investment in any qualifying advanced en-  
22 ergy project.”.

23 (b) EXTENSION AND MODIFICATION OF THE QUALI-  
24 FYING ADVANCED ENERGY PROJECT PROGRAM.—

1           (1) ADDITIONAL LIMITATION AMOUNT TO BE  
2           COMPETITIVELY ALLOCATED BY SECRETARY.—Sub-  
3           paragraph (B) of section 48C(d)(1) is amended to  
4           read as follows:

5                   “(B) LIMITATION.—The total amount of  
6                   qualified investments which may be designated  
7                   under such program shall not exceed the  
8                   amount which will result in the total amount of  
9                   credits allowed under such program being equal  
10                  to the sum of the following amounts:

11                           “(i) 2009 LIMITATION AMOUNT.—  
12                           \$2,300,000,000.

13                           “(ii) 2010 LIMITATION AMOUNT.—  
14                           \$3,000,000,000.”.

15           (2) MANUFACTURING OF PROPERTY USED TO  
16           PRODUCE COMPOSITE UTILITY POLES.—Clause (i) of  
17           section 48C(c)(1)(A) is amended by striking “or” at  
18           the end of subclause (VI), by redesignating sub-  
19           clause (VII) as subclause (VIII), and by inserting  
20           after subclause (VI) the following new subclause:

21                           “(VII) utility poles or supports  
22                           made from composite materials which  
23                           are comprised of at least 15 percent  
24                           recycled materials and are fully recy-  
25                           clable,”.

1 (3) PREFERENCE IN SELECTION CRITERIA FOR  
 2 MANUFACTURING.—Paragraph (3) of section 48C(d)  
 3 is amended by striking “and” at the end of subpara-  
 4 graph (A), by striking the period at the end of sub-  
 5 paragraph (B) and inserting “, and”, and by adding  
 6 at the end the following new subparagraph:

7 “(C) shall give the lowest priority to  
 8 projects which merely assemble components.”.

9 (c) ELECTIVE DIRECT PAYMENT OF CREDIT.—Chap-  
 10 ter 65 is amended by adding at the end the following new  
 11 subchapter:

## 12 **“Subchapter C—Direct Payment Provisions**

“Sec. 6451. Elective payment for qualifying advanced energy project credit.

### 13 **“SEC. 6451. ELECTIVE PAYMENT FOR QUALIFYING AD-** 14 **VANCED ENERGY PROJECT CREDIT.**

15 “(a) IN GENERAL.—Any person electing the applica-  
 16 tion of this section with respect to any qualifying advanced  
 17 energy property placed in service by such person during  
 18 the taxable year shall be treated as making a payment  
 19 against the tax imposed by subtitle A for the taxable year  
 20 equal to 85 percent of the credit which would (but for sub-  
 21 section (d)) be determined under section 48C with respect  
 22 to such property for such taxable year. Such payment shall  
 23 be treated as made on the later of the due date of the

1 return of such tax or the date on which such return is  
2 filed.

3 “(b) QUALIFYING ADVANCED ENERGY PROPERTY.—

4 For purposes of this section, the term ‘qualifying advanced  
5 energy property’ means—

6 “(1) statutory advanced energy property (as de-  
7 fined in section 48C(c)(3)), and

8 “(2) eligible property (as defined in section  
9 48C(c)(2)) which is part of a qualifying advanced  
10 energy project (as defined in section 48C(c)(1)).

11 “(c) SPECIAL RULES FOR CERTAIN NON-TAX-  
12 PAYERS.—

13 “(1) DENIAL OF PAYMENT.—Subsection (a)  
14 shall not apply with respect to any property origi-  
15 nally placed in service by—

16 “(A) any governmental entity,

17 “(B) any organization described in section  
18 501(c) or 401(a) and exempt from tax under  
19 section 501(a), or

20 “(C) any entity referred to in paragraph  
21 (4) of section 54(j).

22 “(2) EXCEPTION FOR PROPERTY USED IN UN-  
23 RELATED TRADE OR BUSINESS.—Paragraph (1)  
24 shall not apply with respect to any property origi-  
25 nally placed in service by an entity described in sec-

1       tion 511(a)(2) if substantially all of the income de-  
2       rived from such property by such entity is unrelated  
3       business taxable income (as defined in section 512).

4               “(3) SPECIAL RULES FOR PARTNERSHIPS AND  
5       S CORPORATIONS.—In the case of property originally  
6       placed in service by a partnership or an S corpora-  
7       tion—

8                       “(A) the election under subsection (a) may  
9       be made only by such partnership or S corpora-  
10      tion,

11                      “(B) such partnership or S corporation  
12      shall be treated as making the payment referred  
13      to in subsection (a) only to the extent of the  
14      proportionate share of such partnership or S  
15      corporation as is owned by persons who would  
16      be treated as making such payment if the prop-  
17      erty were originally placed in service by such  
18      persons, and

19                      “(C) the return required to be made by  
20      such partnership or S corporation under section  
21      6031 or 6037 (as the case may be) shall be  
22      treated as a return of tax for purposes of sub-  
23      section (a).



1 For purposes of subparagraph (B), rules similar to the  
2 rules of section 168(h)(6) (other than subparagraph (F)  
3 thereof) shall apply.

4 “(d) COORDINATION WITH QUALIFYING ADVANCED  
5 ENERGY PROJECT CREDIT.—

6 “(1) DENIAL OF DOUBLE BENEFIT.—No credit  
7 shall be determined under section 48C with respect  
8 to any property with respect to which an election is  
9 made under this section for the taxable year in  
10 which such property is placed in service or any sub-  
11 sequent taxable year.

12 “(2) FULL CREDIT AMOUNT TO COUNT AGAINST  
13 PROGRAM LIMITATION.—For purposes of admin-  
14 istering the qualifying advanced energy project pro-  
15 gram under subsection (d) of section 48C, the full  
16 amount of the credit with respect to which the pay-  
17 ment under subsection (a) is determined shall be  
18 treated as allowed under such program.

19 “(e) SPECIAL RULES.—For purposes of this sec-  
20 tion—

21 “(1) APPLICATION OF RECAPTURE RULES,  
22 ETC.—Except as otherwise provided by the Sec-  
23 retary—

24 “(A) IN GENERAL.—Except as otherwise  
25 provided in this paragraph, rules similar to the

1 rules of section 50, and section 1603 of the  
2 American Recovery and Reinvestment Act of  
3 2009, shall apply.

4 “(B) EXCEPTION TO LIMITATION ON REAL  
5 ESTATE INVESTMENT TRUSTS, ETC.—Para-  
6 graph (1) of section 50(d) shall not apply.

7 “(C) APPLICATION OF NORMALIZATION  
8 RULES.—Paragraph (2) of section 50(d) shall  
9 not apply with respect to property placed in  
10 service by a person in the trade or business of  
11 furnishing or selling electrical energy if any law  
12 or regulation requires that not less than a cer-  
13 tain amount of the electrical energy so fur-  
14 nished or sold by such person be derived from  
15 one or more renewable resources.

16 “(2) PROVISION OF INFORMATION.—A person  
17 shall not be treated as having elected the application  
18 of this section unless the taxpayer provides such in-  
19 formation as the Secretary (in consultation with the  
20 Secretary of Energy) may require for purposes of  
21 verifying the proper amount to be treated as a pay-  
22 ment under subsection (a) and evaluating the effec-  
23 tiveness of this section.

24 “(3) EXCLUSION FROM GROSS INCOME.—Any  
25 credit or refund allowed or made by reason of this

1 section shall not be includible in gross income or al-  
2 ternative minimum taxable income.”.

3 (d) CONFORMING AMENDMENTS RELATED TO DI-  
4 RECT PAYMENT.—

5 (1) Subparagraph (A) of section 6211(b)(4)(A)  
6 is amended by inserting “and subchapter C of chap-  
7 ter 65 (including any payment treated as made  
8 under such subchapter)” after “6431”.

9 (2) Subparagraph (B) of section 6425(c)(1) is  
10 amended—

11 (A) by striking “the credits” and inserting  
12 “the sum of—

13 “(i) the credits”,

14 (B) by striking the period at the end of  
15 clause (i) thereof (as amended by this para-  
16 graph) and inserting “, plus”, and

17 (C) by adding at the end the following new  
18 clause:

19 “(ii) the payments treated as made  
20 under subchapter C of chapter 65.”.

21 (3) Paragraph (3) of section 6654(f) is amend-  
22 ed—

23 (A) by striking “the credits” and inserting  
24 “the sum of—

25 “(A) the credits”,

1 (B) by striking the period at the end of  
2 subparagraph (A) thereof (as amended by this  
3 paragraph) and inserting “, and”, and

4 (C) by adding at the end the following new  
5 subparagraph:

6 “(B) the payments treated as made under  
7 subchapter C of chapter 65.”.

8 (4) Subparagraph (B) of section 6655(g)(1) is  
9 amended—

10 (A) by striking “the credits” and inserting  
11 “the sum of—

12 “(i) the credits”,

13 (B) by striking the period at the end of  
14 clause (i) thereof (as amended by this para-  
15 graph) and inserting “, plus”, and

16 (C) by adding at the end the following new  
17 clause:

18 “(ii) the payments treated as made  
19 under subchapter C of chapter 65.”.

20 (5) Paragraph (2) of section 1324(b) of title  
21 31, United States Code, is amended by inserting “,  
22 or from the provisions of subchapter C of chapter 65  
23 of such Code” before the period at the end.

1           (6) The table of subchapters for chapter 65 is  
2           amended by adding at the end the following new  
3           item:

                  “SUBCHAPTER C. DIRECT PAYMENT PROVISIONS.”.

4           (e) OTHER CONFORMING AMENDMENTS.—

5           (1) Paragraph (3) of section 48C(b) is amended  
6           to read as follows:

7           “(3) LIMITATION.—The amount which is treat-  
8           ed as a qualified investment for all taxable years  
9           with respect to any qualifying advanced manufac-  
10          turing project shall not exceed the amount des-  
11          ignated by the Secretary under subsection (d).”.

12          (2) Subparagraph (A) of section 48C(e)(2) is  
13          amended by inserting “in the case of a qualifying  
14          advanced energy project,” before “which is nec-  
15          essary”.

16          (3) Subparagraph (A) of section 48C(d)(2) is  
17          amended—

18                  (A) by striking “during the 2-year period”  
19                  and inserting “during the—

20                          “(i) in the case of an allocation from  
21                          the limitation described in paragraph  
22                          (1)(B)(i), the 2-year period”,

23                  (B) by striking the period at the end and  
24                  inserting “, or”, and

1 (C) by adding at the end the following new  
2 clause:

3 “(ii) in the case of an allocation from  
4 the limitation described in paragraph  
5 (1)(B)(ii), the 1-year period beginning on  
6 the date of the enactment of this clause.”.

7 (4) Clause (v) of section 49(a)(1)(C) is amend-  
8 ed by inserting “which is statutory advanced energy  
9 property (as defined in section 48C(c)(3)) or” after  
10 “the basis of any property”.

11 (f) EFFECTIVE DATE.—

12 (1) IN GENERAL.—Except as provided in para-  
13 graph (2), the amendments made by this section  
14 shall apply to periods after the date of the enact-  
15 ment of this Act, under rules similar to the rules of  
16 section 48(m) of the Internal Revenue Code of 1986  
17 (as in effect on the day before the date of the enact-  
18 ment of the Revenue Reconciliation Act of 1990).

19 (2) DIRECT PAYMENT PROVISIONS.—The  
20 amendments made by subsections (c) and (d) shall  
21 apply to property placed in service after the date of  
22 the enactment of this Act.

1 **SEC. 102. EXTENSION AND MODIFICATION OF ENERGY EF-**  
2 **FICIENT APPLIANCE CREDIT.**

3 (a) DISHWASHERS.—Paragraph (1) of section  
4 45M(b) is amended by striking “and” at the end of sub-  
5 paragraph (A), by striking the period at the end of sub-  
6 paragraph (B) and inserting a comma, and by adding at  
7 the end the following new subparagraphs:

8 “(C) \$25 in the case of a dishwasher which  
9 is manufactured in calendar year 2011 and  
10 which uses no more than 307 kilowatt hours  
11 per year and 5.0 gallons per cycle (5.5 gallons  
12 per cycle for dishwashers designed for greater  
13 than 12 place settings),

14 “(D) \$50 in the case of a dishwasher  
15 which is manufactured in calendar year 2011,  
16 2012, or 2013 and which uses no more than  
17 295 kilowatt hours per year and 4.25 gallons  
18 per cycle (4.75 gallons per cycle for dishwashers  
19 designed for greater than 12 place settings),  
20 and

21 “(E) \$75 in the case of a dishwasher  
22 which is manufactured in calendar year 2011,  
23 2012, or 2013 and which uses no more than  
24 280 kilowatt hours per year and 4 gallons per  
25 cycle (4.5 gallons per cycle for dishwashers de-  
26 signed for greater than 12 place settings).”.

1 (b) CLOTHES WASHERS.—Paragraph (2) of section  
2 45M(b) is amended by striking “and” at the end of sub-  
3 paragraph (C), by striking the period at the end of sub-  
4 paragraph (D) and inserting a comma, and by adding at  
5 the end the following new subparagraphs:

6 “(E) \$175 in the case of a top-loading  
7 clothes washer manufactured in calendar year  
8 2011 which meets or exceeds a 2.2 modified en-  
9 ergy factor and does not exceed a 4.5 water  
10 consumption factor, and

11 “(F) \$225 in the case of a clothes washer  
12 manufactured in calendar year 2011, 2012, or  
13 2013—

14 “(i) which is a top-loading clothes  
15 washer and which meets or exceeds a 2.4  
16 modified energy factor and does not exceed  
17 a 4.2 water consumption factor, or

18 “(ii) which is a front-loading clothes  
19 washer and which meets or exceeds a 2.8  
20 modified energy factor and does not exceed  
21 a 3.5 water consumption factor.”.

22 (c) REFRIGERATORS.—Paragraph (3) of section  
23 45M(b) is amended by striking “and” at the end of sub-  
24 paragraph (C), by striking the period at the end of sub-



1 paragraph (D) and inserting a comma, and by adding at  
2 the end the following new subparagraphs:

3 “(E) \$150 in the case of a refrigerator  
4 manufactured in calendar year 2011, 2012, or  
5 2013 which consumes at least 30 percent less  
6 energy than the 2001 energy conservation  
7 standards, and

8 “(F) \$200 in the case of a refrigerator  
9 manufactured in calendar year 2011, 2012, or  
10 2013 which consumes at least 35 percent less  
11 energy than the 2001 energy conservation  
12 standards.”.

13 (d) REBASING OF LIMITATIONS.—

14 (1) IN GENERAL.—Paragraph (1) of section  
15 45M(e) is amended by striking “December 31,  
16 2007” and inserting “December 31, 2010”.

17 (2) EXCEPTION FOR CERTAIN REFRIGERATORS  
18 AND CLOTHES WASHERS.—Paragraph (2) of section  
19 45M(e) is amended—

20 (A) by striking “subsection (b)(3)(D)” and  
21 inserting “subsection (b)(3)(F)”, and

22 (B) by striking “subsection (b)(2)(D)” and  
23 inserting “subsection (b)(2)(F)”.

1           (3) GROSS RECEIPTS LIMITATION.—Paragraph  
2           (3) of section 45M(e) is amended by striking “2 per-  
3           cent” and inserting “4 percent”.

4           (e) EFFECTIVE DATE.—

5           (1) IN GENERAL.—Except as provided in para-  
6           graph (2), the amendments made by this section  
7           shall apply to appliances produced after December  
8           31, 2010.

9           (2) LIMITATIONS.—The amendments made by  
10          subsection (d) shall apply to taxable years beginning  
11          after December 31, 2010.

## 12   **TITLE II—RENEWABLE ENERGY**

### 13   **SEC. 201. ELECTIVE PAYMENT FOR SPECIFIED ENERGY** 14                                   **PROPERTY.**

15          (a) IN GENERAL.—Subchapter C of chapter 65, as  
16          added by section 101, is amended by adding at the end  
17          the following new section:

### 18   **“SEC. 6452. ELECTIVE PAYMENT FOR SPECIFIED ENERGY** 19                                   **PROPERTY.**

20          “(a) IN GENERAL.—Any person electing the applica-  
21          tion of this section with respect to any specified energy  
22          property originally placed in service by such person during  
23          the taxable year shall be treated as making a payment  
24          against the tax imposed by subtitle A for the taxable year  
25          equal to the applicable percentage of the basis of such

1 property. Such payment shall be treated as made on the  
2 later of the due date of the return of such tax or the date  
3 on which such return is filed.

4 “(b) APPLICABLE PERCENTAGE.—For purposes of  
5 this section, the term ‘applicable percentage’ means—

6 “(1) 30 percent in the case of any property de-  
7 scribed in paragraph (2)(A)(i) or (5) of section  
8 48(a), and

9 “(2) 10 percent in the case of any other prop-  
10 erty.

11 “(c) DOLLAR LIMITATIONS.—In the case of property  
12 described in paragraph (1), (2), or (3) of section 48(c),  
13 the payment otherwise treated as made under subsection  
14 (a) with respect to such property shall not exceed the limi-  
15 tation applicable to such property under such paragraph.

16 “(d) SPECIFIED ENERGY PROPERTY.—For purposes  
17 of this section—

18 “(1) IN GENERAL.—The term ‘specified energy  
19 property’ means energy property (within the mean-  
20 ing of section 48) which—

21 “(A) is originally placed in service before  
22 January 1, 2013, or

23 “(B) is originally placed in service on or  
24 after such date and before the credit termi-  
25 nation date with respect to such property, but

1           only if the construction of such property began  
2           before January 1, 2013.

3           “(2) CREDIT TERMINATION DATE.—The term  
4           ‘credit termination date’ means—

5                   “(A) in the case of any energy property  
6                   which is part of a facility described in para-  
7                   graph (1) of section 45(d), January 1, 2013,

8                   “(B) in the case of any energy property  
9                   which is part of a facility described in para-  
10                  graph (2), (3), (4), (6), (7), (9), or (11) of sec-  
11                  tion 45(d), January 1, 2014, and

12                  “(C) in the case of any energy property de-  
13                  scribed in section 48(a)(3), January 1, 2017.

14           In the case of any property which is described in  
15           subparagraph (C) and also in another subparagraph  
16           of this paragraph, subparagraph (C) shall apply with  
17           respect to such property.

18           “(e) COORDINATION WITH PRODUCTION AND IN-  
19           VESTMENT CREDITS.—In the case of any property with  
20           respect to which an election is made under this section—

21                   “(1) DENIAL OF PRODUCTION AND INVEST-  
22                   MENT CREDITS.—No credit shall be determined  
23                   under section 45 or 48 with respect to such property  
24                   for the taxable year in which such property is origi-

1 nally placed in service or any subsequent taxable  
2 year.

3 “(2) REDUCTION OF PAYMENT BY PROGRESS  
4 EXPENDITURES ALREADY TAKEN INTO ACCOUNT.—

5 The amount of the payment treated as made under  
6 subsection (a) with respect to such property shall be  
7 reduced by the aggregate amount of credits deter-  
8 mined under section 48 with respect to such prop-  
9 erty for all taxable years preceding the taxable year  
10 in which such property is originally placed in service.

11 “(f) OTHER DEFINITIONS AND SPECIAL RULES.—  
12 For purposes of this section—

13 “(1) OTHER DEFINITIONS.—Terms used in this  
14 section which are also used in section 45 or 48 shall  
15 have the same meanings for purposes of this section  
16 as when used in such sections.

17 “(2) APPLICATION OF CERTAIN RULES.—Rules  
18 similar to the rules of subsections (c) and (e) of sec-  
19 tion 6451 shall apply for purposes of this section.

20 “(3) COORDINATION WITH GRANT PROGRAM.—  
21 If a grant under section 1603 of the American Re-  
22 covery and Reinvestment Tax Act of 2009 is made  
23 with respect to any specified energy property—

1           “(A) no election may be made under sub-  
2           section (a) with respect to such property on or  
3           after the date of such grant, and

4           “(B) if such grant is made after such elec-  
5           tion, such property shall be treated as having  
6           ceased to be specified energy property imme-  
7           diately after such property was originally placed  
8           in service.”.

9           (b) CLERICAL AMENDMENT.—The table of sections  
10          for subchapter C of chapter 65, as added by section 101,  
11          is amended by adding at the end the following new item:

          “Sec. 6452. Elective payment for specified energy property.”.

12          (c) TECHNICAL AMENDMENTS.—

13           (1) Paragraphs (1) and (2) of section 1603(a)  
14           of the American Recovery and Reinvestment Tax  
15           Act of 2009 are each amended by striking “is placed  
16           in service” and inserting “is originally placed in  
17           service by such person”.

18           (2) Paragraph (1) of section 1603(d) of such  
19           Act is amended—

20           (A) by striking “(within the meaning of  
21           section 45 of such Code)”, and

22           (B) by inserting before the period at the  
23           end the following: “which would (but for section  
24           48(d)(1) of such Code) be eligible for credit  
25           under section 45 of such Code (determined

1 without regard to subsection (a)(2)(B) there-  
2 of)”.  
3

3 (3) Subsection (f) of section 1603 of such Act  
4 is amended—

5 (A) by striking the second sentence and in-  
6 serting the following: “In applying such rules,  
7 any increase in tax under chapter 1 of such  
8 Code by reason of the property being disposed  
9 of (or otherwise ceasing to be specified energy  
10 property) shall be imposed on the person to  
11 whom the grant was made.”,

12 (B) by striking “In making grants under”  
13 and inserting the following:

14 “(1) IN GENERAL.—In making grants under”,  
15 and

16 (C) by adding at the end following new  
17 paragraph:

18 “(2) SPECIAL RULES.—

19 “(A) RECAPTURE OF EXCESSIVE GRANT  
20 AMOUNTS.—If the amount of a grant made  
21 under this section exceeds the amount allowable  
22 as a grant under this section, such excess shall  
23 be recaptured under paragraph (1) as if the  
24 property to which such grant relates were dis-

1 posed of immediately after such grant was  
2 made.

3 “(B) GRANT INFORMATION NOT TREATED  
4 AS RETURN INFORMATION.—For purposes of  
5 section 6103 of the Internal Revenue Code of  
6 1986, in no event shall any of the following be  
7 treated as return information:

8 “(i) The amount of a grant made  
9 under subsection (a).

10 “(ii) The identity of the person to  
11 whom the grant was made.

12 “(iii) A description of the property  
13 with respect to which the grant was made.

14 “(iv) The fact and amount of any re-  
15 capture.

16 “(v) The content of any report re-  
17 quired by the Secretary of the Treasury to  
18 be filed in connection with the grant.”.

19 (4) Subsection (g) of section 1603 of such Act  
20 is amended—

21 (A) by redesignating paragraphs (1)  
22 through (4) as subparagraphs (A) through (D),  
23 respectively,

24 (B) by moving such subparagraphs (as so  
25 redesignated) 2 ems to the right,



1 (C) by striking “paragraph (1), (2), or  
2 (3)” in subparagraph (D) (as so redesignated)  
3 and inserting “subparagraphs (A), (B), or (C)”,  
4 (D) by striking “The Secretary” and in-  
5 serting the following:

6 “(1) IN GENERAL.—Except as provided in para-  
7 graph (2), the Secretary”, and

8 (E) by adding at the end the following new  
9 paragraph:

10 “(2) EXCEPTION WHERE PROPERTY USED IN  
11 UNRELATED TRADE OR BUSINESS.—

12 “(A) IN GENERAL.—Paragraph (1) shall  
13 not apply to any person or entity described  
14 therein to the extent the grant is with respect  
15 to unrelated trade or business property.

16 “(B) UNRELATED TRADE OR BUSINESS  
17 PROPERTY.—For purposes of this paragraph,  
18 the term ‘unrelated trade or business property’  
19 means any property with respect to which sub-  
20 stantially all of the income derived therefrom by  
21 an organization described in section 511(a)(2)  
22 of the Internal Revenue Code of 1986 is subject  
23 to tax under section 511 of such Code.

24 “(C) INFORMATION WITH RESPECT TO  
25 PASS-THRU.—In the case of a partnership or

1 other pass-thru entity, partners or other holders  
2 of an equity or profits interest must provide to  
3 such partnership or entity such information as  
4 the Secretary may require to carry out the pur-  
5 poses of this subsection.”.

6 (d) EFFECTIVE DATE.—

7 (1) IN GENERAL.—Except as provided in para-  
8 graph (2), the amendments made by this section  
9 shall apply to property originally placed in service  
10 after the date of the enactment of this Act.

11 (2) TECHNICAL AMENDMENTS.—The amend-  
12 ments made by subsection (c) shall take effect as if  
13 included in section 1603 of the American Recovery  
14 and Reinvestment Tax Act of 2009.

15 **SEC. 202. EXTENSION OF 30 PERCENT INVESTMENT CREDIT**  
16 **FOR GEOTHERMAL AND OFFSHORE WIND EN-**  
17 **ERGY FACILITIES.**

18 (a) EXTENSION FOR GEOTHERMAL.—Clause (i) of  
19 section 48(a)(2)(A) is amended by striking “and” at the  
20 end of subclause (III) and by adding at the end the fol-  
21 lowing new subclause:

22 “(V) energy property described in  
23 paragraph (3)(A)(iii) but only with re-  
24 spect to periods ending before Janu-  
25 ary 1, 2017, and”.

1 (b) EXTENSION FOR OFFSHORE WIND ENERGY.—

2 (1) IN GENERAL.—Clause (i) of section  
3 48(a)(2)(A), as amended by subsection (a), is  
4 amended by striking “and” at the end of subclause  
5 (IV) and by adding at the end the following new  
6 subclause:

7 “(VI) qualified offshore wind en-  
8 ergy property, and”.

9 (2) QUALIFIED OFFSHORE WIND ENERGY PROP-  
10 erty DEFINED.—Subsection (c) of section 48 is  
11 amended by adding at the end the following new  
12 paragraph:

13 “(5) QUALIFIED OFFSHORE WIND ENERGY  
14 PROPERTY.—

15 “(A) IN GENERAL.—The term ‘qualified  
16 offshore wind energy property’ means property  
17 which—

18 “(i) uses wind to generate electricity,

19 and

20 “(ii) is located in—

21 “(I) the coastal waters of the  
22 Unites States, including the territorial  
23 seas of the United States, the exclu-  
24 sive economic zone of the United

1 States, and the outer Continental  
2 Shelf of the United States, or

3 “(II) the Great Lakes.

4 “(B) TERMINATION.—The term ‘qualified  
5 offshore wind energy property’ shall not include  
6 any property for any period after December 31,  
7 2016.”.

8 (3) CONFORMING AMENDMENT.—Subparagraph  
9 (A) of section 48(a)(3) is amended by striking “or”  
10 at the end of clause (vi), by inserting “or” at the  
11 end of clause (vii), and by adding at the end the fol-  
12 lowing new clause:

13 “(viii) qualified offshore wind energy  
14 property,”.

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to periods after December 31,  
17 2012, under rules similar to the rules of section 48(m)  
18 of the Internal Revenue Code of 1986 (as in effect on the  
19 day before the date of the enactment of the Revenue Rec-  
20 onciliation Act of 1990).

21 **SEC. 203. EXTENSION AND EXPANSION OF NEW CLEAN RE-**  
22 **NEWABLE ENERGY BONDS.**

23 (a) INCREASED LIMITATION ON ISSUANCE OF NEW  
24 CLEAN RENEWABLE ENERGY BONDS.—

1           (1) IN GENERAL.—Subsection (c) of section  
2           54C is amended by adding at the end the following  
3           new paragraph:

4           “(5) 2010 ADDITIONAL LIMITATION.—The na-  
5           tional new clean renewable bond limitation shall be  
6           increased by \$3,500,000,000. Such increase shall be  
7           allocated by the Secretary as provided in paragraph  
8           (3), except that—

9                   “(A) 60 percent thereof shall be allocated  
10                   to qualified projects of public power providers,  
11                   and

12                   “(B) 40 percent thereof shall be allocated  
13                   to qualified projects of cooperative electric com-  
14                   panies.”.

15           (2) CONFORMING AMENDMENT.—Paragraph (4)  
16           of section 54C(c) is amended by striking “ADDI-  
17           TIONAL” in the heading thereof and inserting “2009  
18           ADDITIONAL”.

19           (b) ENERGY STORAGE SYSTEMS AND BIOGAS PROP-  
20           PERTY MADE ELIGIBLE FOR FINANCING.—Paragraph (1)  
21           of section 54C(d) is amended by inserting “, an energy  
22           storage system used in connection with electric grids to  
23           support the use of intermittent sources of renewable en-  
24           ergy, or eligible property (as defined in section 48E(c)(2))

1 which is part of a project described in section  
2 48E(c)(1)(E),” before “owned by”.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this subsection shall apply to obligations issued after the  
5 date of the enactment of this Act.

6 **SEC. 204. PROPERTY ASSESSED CLEAN ENERGY BONDS.**

7 (a) IN GENERAL.—Paragraph (1) of section 141(e)  
8 is amended by striking “or” at the end of subparagraph  
9 (F), by striking the period at the end of subparagraph  
10 (G) and inserting “, or”, and by adding at the end the  
11 following new subparagraph:

12 “(H) a property assessed clean energy  
13 bond.”.

14 (b) PROPERTY ASSESSED CLEAN ENERGY BOND.—  
15 Section 144 is amended by adding at the end the following  
16 new subsection:

17 “(d) PROPERTY ASSESSED CLEAN ENERGY  
18 BONDS.—For purposes of this part—

19 “(1) IN GENERAL.—The term ‘property as-  
20 sessed clean energy bond’ means any bond issued as  
21 part of an issue 95 percent or more of the net pro-  
22 ceeds of which are to be used under a qualified prop-  
23 erty assessed clean energy program to finance clean  
24 energy improvements.

1           “(2) DEFINITIONS.—For purposes of this sub-  
2           section—

3                   “(A) IN GENERAL.—The term ‘qualified  
4                   property assessed clean energy program’ means  
5                   a program of a State or local government (or  
6                   a political subdivision thereof) under which fi-  
7                   nancing is provided for clean energy improve-  
8                   ments with respect to any residential building  
9                   in exchange for an assessment with respect to  
10                  such building under an agreement which—

11                           “(i) is between such State or local  
12                           government (or political subdivision there-  
13                           of) and the owner of the building, and

14                                   “(ii) specifies the amount of clean en-  
15                                   ergy improvements to be financed and the  
16                                   term and rate of assessment with respect  
17                                   to the building for such improvements.

18                   “(B) CLEAN ENERGY IMPROVEMENTS.—  
19                   The term ‘clean energy improvement’ means  
20                   any property which—

21                                   “(i) is installed on or in connection  
22                                   with a residential building located in the  
23                                   United States, and

24                                   “(ii) either—

1                   “(I) uses solar or wind energy to  
2                   generate electricity primarily for use  
3                   in such building, or

4                   “(II) is designed and used to re-  
5                   ceive and store electricity primarily  
6                   for use in such building.”.

7           (c) CLERICAL AMENDMENTS.—

8                   (1) The heading of section 144 is amended by  
9                   striking “**BOND.**” and inserting “**BOND; PROP-**  
10                   **ERTY ASSESSED CLEAN ENERGY BOND.**”

11                   (2) The item relating to section 144 in the table  
12                   of sections for subpart A of part IV of subchapter  
13                   B of chapter 1 is amended to read as follows:

                  “Sec. 144. Qualified small issuer bond; qualified student loan bond; qualified  
                  development bond; property assessed clean energy bond.”.

14                   (d) EFFECTIVE DATE.—The amendments made by  
15                   this section shall apply to bonds issued after the date of  
16                   the enactment of this Act.

## 17   **TITLE III—ENERGY EFFICIENCY** 18                   **AND CONSERVATION**

### 19   **SEC. 301. HOME ENERGY CONSERVATION BONDS.**

20                   (a) IN GENERAL.—Subpart I of part IV of sub-  
21                   chapter A of chapter 1 is amended by adding at the end  
22                   the following new section:



1 **“SEC. 54G. HOME ENERGY CONSERVATION BONDS.**

2 “(a) HOME ENERGY CONSERVATION BOND.—For  
3 purposes of this subchapter, the term ‘home energy con-  
4 servation bond’ means any bond issued as part of an issue  
5 if—

6 “(1) 100 percent of the available project pro-  
7 ceeds of such issue are to be used to carry out a  
8 qualified residential energy efficiency assistance pro-  
9 gram,

10 “(2) repayments of principal and applicable in-  
11 terest on financing provided by the issue are used  
12 not later than the close of the 3-month period begin-  
13 ning on the date the prepayment (or complete repay-  
14 ment) is received to redeem bonds which are part of  
15 the issue or to make qualified residential energy effi-  
16 ciency assistance grants and loans which meet the  
17 requirements of subsection (e) (applied by treating  
18 such repayments as available project proceeds),

19 “(3) the bond is issued by a State or local gov-  
20 ernment, and

21 “(4) the issuer designates such bond for pur-  
22 poses of this section.

23 “(b) LIMITATION ON AMOUNT OF BONDS DES-  
24 IGNATED.—The maximum aggregate face amount of  
25 bonds which may be designated under subsection (a) by

1 any issuer shall not exceed the limitation amount allocated  
2 under subsection (d) to such issuer.

3 “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS  
4 DESIGNATED.—There is a national home energy conserva-  
5 tion bond limitation of \$2,400,000,000.

6 “(d) ALLOCATIONS.—

7 “(1) IN GENERAL.—The limitation under sub-  
8 section (c) shall be allocated by the Secretary among  
9 the States in proportion to the population of the  
10 States.

11 “(2) ALLOCATIONS TO LARGEST LOCAL GOV-  
12 ERNMENTS.—

13 “(A) IN GENERAL.—In the case of any  
14 State in which there is a large local govern-  
15 ment, each such local government shall be allo-  
16 cated the portion of such State’s allocation  
17 which bears the same ratio to the State’s alloca-  
18 tion (determined without regard to this sub-  
19 paragraph) as the population of such large local  
20 government bears to the population of such  
21 State.

22 “(B) ALLOCATION OF UNUSED LIMITATION  
23 TO STATE.—The amount allocated under this  
24 subsection to a large local government may be

1           reallocated by such local government to the  
2           State in which such local government is located.

3           “(C) LARGE LOCAL GOVERNMENT.—For  
4           purposes of this section, the term ‘large local  
5           government’ means any municipality or county  
6           if such municipality or county has a population  
7           of 450,000 or more.

8           “(e) QUALIFIED RESIDENTIAL ENERGY EFFICIENCY  
9 ASSISTANCE PROGRAM.—For purposes of this section, the  
10 term ‘qualified residential energy efficiency assistance pro-  
11 gram’ means a program to make qualified residential en-  
12 ergy efficiency assistance grants and loans if—

13           “(1) not less than 20 percent of the available  
14 project proceeds of the issue which funds such  
15 project are used to make qualified low-income resi-  
16 dential energy efficiency assistance grants and loans,

17           “(2) not less than 10 percent of the available  
18 project proceeds of the issue which funds such  
19 project are used to make qualified very low-income  
20 residential energy efficiency assistance grants, and

21           “(3) no portion of the available project proceeds  
22 of the issue which funds such project are used for  
23 the administrative expenses of such program.

1           “(f) QUALIFIED RESIDENTIAL ENERGY EFFICIENCY  
2 ASSISTANCE GRANTS AND LOANS.—For purposes of this  
3 section—

4           “(1) IN GENERAL.—Qualified residential energy  
5 efficiency assistance grants and loans are any grant  
6 or low-interest loan, as the case may be, to acquire  
7 (including reasonable installation and testing costs)  
8 any of the following:

9           “(A) Any property which meets (at a min-  
10 imum) the requirements of the Energy Star  
11 program and which is to be installed in a dwell-  
12 ing unit.

13           “(B) Any property not described in sub-  
14 paragraph (A) which meets (at a minimum) the  
15 requirements of the Water Sense program and  
16 which is to be installed in a dwelling unit.

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 ments will yield at least a 20 percent reduction  
21 in total household energy consumption related  
22 to heating, cooling, lighting, and appliances.  
23 For purposes of this subparagraph, improve-  
24 ments to a dwelling unit for basic health and  
25 safety may be taken into account to the extent

1           that such improvements do not exceed 10 per-  
2           cent of the value of the grant or loan and are  
3           required under State or local law as a condition  
4           of making the other improvements described in  
5           this subparagraph.

6           “(2) DOLLAR LIMITATIONS.—

7                 “(A) DWELLING UNIT IMPROVEMENTS.—

8                     “(i) IN GENERAL.—Qualified residen-  
9                     tial energy efficiency assistance grants and  
10                    loans shall not include any grant or loan  
11                    for improvements described in paragraph  
12                    (1)(C) with respect to any dwelling unit to  
13                    the extent that such grant or loan (when  
14                    added to all other grants or loans for such  
15                    improvements made under a qualified resi-  
16                    dential energy efficiency assistance pro-  
17                    gram) exceeds \$5,000.

18                    “(ii) INCREASED LIMITATION FOR  
19                    CERTAIN PRINCIPAL RESIDENCES.—In the  
20                    case of a dwelling unit which is used as a  
21                    principal residence (within the meaning of  
22                    section 121) by the recipient of the grant  
23                    or loan referred to in clause (i)—

24                             “(I) clause (i) shall be applied by  
25                             substituting ‘\$12,000’ for ‘\$5,000’ if

1 such grant or loan would satisfy the  
2 requirements of paragraph (1)(C) if  
3 such paragraph were applied by sub-  
4 stituting ‘40 percent’ for ‘20 percent’,  
5 and

6 “(II) in any case to which sub-  
7 clause (I) does not apply, clause (i)  
8 shall be applied by substituting  
9 ‘\$8,000’ for ‘\$5,000’ if such grant or  
10 loan would satisfy the requirements of  
11 paragraph (1)(C) if such paragraph  
12 were applied by substituting ‘30 per-  
13 cent’ for ‘20 percent’.

14 “(iii) INCREASED LIMITATION FOR  
15 CASH POSITIVE LOANS.—In the case of a  
16 dwelling unit which is used as a principal  
17 residence (within the meaning of section  
18 121) by the recipient of a loan with respect  
19 to which the reduced energy costs which  
20 result from the improvements described in  
21 paragraph (1)(C) exceed the payments re-  
22 quired under the terms of the loan—

23 “(I) clause (i) shall be applied by  
24 substituting ‘\$12,000’ for ‘\$5,000’,  
25 and

1                   “(II) clause (ii) shall not apply.

2                   “(B) REDUCTION IN WATER CONSUMP-  
3                   TION.—Such term shall not include any grant  
4                   or loan for property described in paragraph  
5                   (1)(B) with respect to any dwelling unit to the  
6                   extent that such grant or loan (when added to  
7                   all other grants or loans for such property) ex-  
8                   ceeds \$500.

9                   “(3) LOW-INTEREST LOAN.—The term ‘low in-  
10                  terest loan’ means any loan which charges interest  
11                  at a rate which does not exceed the applicable Fed-  
12                  eral rate in effect under section 1288(b)(1) deter-  
13                  mined as of the issuance of the loan.

14                  “(4) EXCLUSION OF CERTAIN PROPERTY.—The  
15                  following property shall not be taken into account  
16                  for purposes of paragraph (1):

17                         “(A) Any equipment used in connection  
18                         with a swimming pool, hot tub, or similar prop-  
19                         erty.

20                         “(B) Any television.

21                         “(C) Any device for converting digital sig-  
22                         nal to analog.

23                         “(D) Any DVD player.

24                         “(E) Any video cassette recorder (VCR).

25                         “(F) Any audio equipment.

1           “(G) Any cordless phone.

2           “(H) Any other item of property where  
3           there is substantial recreational use.

4           “(g) QUALIFIED LOW-INCOME RESIDENTIAL EFFI-  
5           CIENCY ASSISTANCE GRANTS AND LOANS.—

6           “(1) IN GENERAL.—Qualified low-income resi-  
7           dential energy efficiency assistance grants and loans  
8           are any qualified residential energy efficiency assist-  
9           ance grant or loan, as the case may be, with respect  
10          to a dwelling unit which is occupied (at the time of  
11          the grant or loan) by individuals whose income is  
12          100 percent or less of area median gross income.  
13          Rules similar to the rules of section 142(d)(2)(B)  
14          shall apply for purposes of this paragraph.

15          “(2) RESTRICTION TO GRANTS AND VERY LOW  
16          INTEREST LOANS.—Such term shall not include any  
17          loan unless the rate of interest on such loan does not  
18          exceed the excess of—

19                 “(A) the applicable Federal rate in effect  
20                 under section 1288(b)(1) determined as of the  
21                 issuance of the loan, over

22                 “(B) 100 basis points.

23          “(h) QUALIFIED VERY LOW-INCOME RESIDENTIAL  
24          EFFICIENCY ASSISTANCE GRANTS.—For purposes of this  
25          section, qualified very low-income residential energy effi-



1 ciency assistance grants are any qualified low-income resi-  
2 dential energy efficiency assistance grant with respect to  
3 a dwelling unit which is occupied (at the time of the grant)  
4 by individuals whose income is 50 percent or less of area  
5 median gross income. Rules similar to the rules of section  
6 142(d)(2)(B) shall apply for purposes of this paragraph.

7 “(i) DEFINITIONS AND SPECIAL RULES.—For pur-  
8 poses of this section—

9 “(1) APPLICABLE INTEREST.—The term ‘appli-  
10 cable interest’ means, with respect to any loan, so  
11 much of any interest on such loan which exceeds 1  
12 percentage point.

13 “(2) SPECIAL RULE RELATING TO ARBI-  
14 TRAGE.—An issue shall not be treated as failing to  
15 meet the requirements of section 54A(d)(4)(A) by  
16 reason of any investment of available project pro-  
17 ceeds in qualified residential energy efficiency assist-  
18 ance loans.

19 “(3) POPULATION.—The population of any  
20 State or local government shall be determined as  
21 provided in section 146(j) for the calendar year  
22 which includes the date of the enactment of this sec-  
23 tion.

24 “(4) REPORTING.—

1           “(A) REPORTS BY ISSUERS.—Issuers of  
2 home energy conservation bonds shall, not later  
3 than 6 months after the expenditure period (as  
4 defined in section 54A) and annually thereafter  
5 until the last such bond is redeemed, submit re-  
6 ports to the Secretary regarding such bonds, in-  
7 cluding information regarding—

8                   “(i) the number and monetary value  
9 of loans and grants provided and the pur-  
10 poses for which provided,

11                   “(ii) the number of dwelling units the  
12 energy efficiency of which improved as re-  
13 sult of such loans and grants,

14                   “(iii) the types of property described  
15 in subparagraphs (A) and (B) of sub-  
16 section (f)(1) installed as a result of such  
17 loans and grants and the projected energy  
18 savings with respect to such property, and

19                   “(iv) the projected energy savings as a  
20 result of such loans and grants for im-  
21 provements described in subsection  
22 (f)(1)(C).

23           “(B) REPORT TO CONGRESS.—Not later  
24 than 12 months after receipt of the first report  
25 under subparagraph (A) and annually there-

1 after until the last such report is required to be  
2 submitted, the Secretary, in consultation with  
3 the Secretary of Energy and the Administrator  
4 of the Environmental Protection Agency, shall  
5 submit a report to Congress regarding the bond  
6 program under this section, including informa-  
7 tion regarding—

8 “(i) the aggregate of each category of  
9 information described in subparagraph (A)  
10 (including any independent assessment of  
11 projected energy savings), and

12 “(ii) an estimate of the amount of  
13 greenhouse gas emissions reduced as a re-  
14 sult of such bond program.”.

15 (b) TREATMENT AS A SPECIFIED TAX CREDIT BOND  
16 FOR PURPOSES OF DIRECT PAYMENT PROVISIONS.—Sub-  
17 paragraph (A) of section 6431(f)(3) is amended by strik-  
18 ing “or” at the end of clause (iii), by striking “and” at  
19 the end of clause (iv) and inserting “or”, and by adding  
20 at the end the following new clause:

21 “(v) a home energy conservation bond  
22 (as defined in section 54G), and”.

23 (c) CONFORMING AMENDMENTS.—

24 (1) Paragraph (1) of section 54A(d) is amended  
25 by striking “or” at the end of subparagraph (D), by

1 inserting “or” at the end of subparagraph (E), and  
2 by inserting after subparagraph (E) the following  
3 new subparagraph:

4 “(F) a home energy conservation bond,”.

5 (2) Subparagraph (C) of section 54A(d)(2) is  
6 amended by striking “and” at the end of clause (iv),  
7 by striking the period at the end of clause (v) and  
8 inserting “, and”, and by adding at the end the fol-  
9 lowing new clause:

10 “(vi) in the case of a home energy  
11 conservation bond, a purpose specified in  
12 section 54G(a)(1).”.

13 (3) The table of sections for subpart I of part  
14 IV of subchapter A of chapter 1 is amended by add-  
15 ing at the end the following new item:

“Sec. 54G. Home energy conservation bonds.”.

16 (d) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to obligations issued after the date  
18 of the enactment of this Act.

19 **SEC. 302. RESIDENTIAL ENERGY EFFICIENT PROPERTY**  
20 **CREDIT.**

21 (a) INCREASED LIMITATION FOR FUEL CELLS.—  
22 Paragraph (1) of section 25D(b) is amended by striking  
23 “\$500” and inserting “\$1,500”.

24 (b) APPLICATION TO MICRO COMBINED HEAT AND  
25 POWER PROPERTY.—

1           (1) IN GENERAL.—Subsection (a) of section  
2           25D is amended by striking “and” at the end of  
3           paragraph (4), by striking the period at the end of  
4           paragraph (5) and inserting “, and”, and by adding  
5           at the end the following new paragraph:

6           “(6) 30 percent of the qualified micro combined  
7           heat and power property expenditures made by the  
8           taxpayer during such year.”.

9           (2) QUALIFIED MICRO COMBINED HEAT AND  
10          POWER PROPERTY EXPENDITURES.—Subsection (d)  
11          of section 25D is amended by adding at the end the  
12          following new paragraph:

13          “(6) QUALIFIED MICRO COMBINED HEAT AND  
14          POWER PROPERTY EXPENDITURE.—

15                 “(A) IN GENERAL.—The term ‘qualified  
16                 micro combined heat and power property ex-  
17                 penditure’ means any expenditure for a quali-  
18                 fied micro combined heat and power system  
19                 which provides electricity, and heating or cool-  
20                 ing, for use in a dwelling unit located in the  
21                 United States and used as a residence by the  
22                 taxpayer.

23                 “(B) QUALIFIED MICRO COMBINED HEAT  
24                 AND POWER SYSTEM.—The term ‘qualified

1           micro combined heat and power system’ means  
2           any system which—

3                   “(i) is an integrated system which  
4                   uses the same energy source for the gen-  
5                   eration of electrical power and the genera-  
6                   tion of thermal energy for heating or cool-  
7                   ing,

8                   “(ii) which produces—

9                           “(I) at least 20 percent of its  
10                           total useful energy in the form of  
11                           thermal energy which is used to heat  
12                           or cool a building, and

13                           “(II) at least 10 percent of its  
14                           total useful energy in the form of elec-  
15                           trical power,

16                           “(iii) has a fuel use efficiency in the  
17                           production of heat and electricity of not  
18                           less than 85 percent,

19                           “(iv) operates with a rated capacity of  
20                           at least 1 kilowatt, but not more than 30  
21                           kilowatts, of electricity, and

22                           “(v) is capable of being connected to  
23                           the local electric power distribution sys-  
24                           tem.”.

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

4 **SEC. 303. ENERGY EFFICIENT COMMERCIAL BUILDINGS DE-**  
5 **DUCTION.**

6 (a) CERTIFIED HISTORIC STRUCTURES.—Section  
7 179D is amended by redesignating subsection (g) as sub-  
8 section (h) and by inserting after subsection (f) the fol-  
9 lowing new subsection:

10 “(g) SPECIAL RULES FOR CERTIFIED HISTORIC  
11 STRUCTURES.—In the case of energy efficient commercial  
12 building property installed on or in a certified historic  
13 structure (as defined in section 47(c)(3)) in connection  
14 with a certified rehabilitation (as defined in section  
15 47(c)(2)(C))—

16 “(1) subsection (c)(1)(D) shall be applied by  
17 substituting ‘30 percent’ for ‘50 percent’,

18 “(2) subsection (b)(1)(A) shall be applied by  
19 substituting ‘\$3.00’ for ‘\$1.80’,

20 “(3) subparagraphs (A) and (C)(i) of sub-  
21 section (d)(1) shall be applied by substituting  
22 ‘\$1.00’ for ‘\$.60’ and the substitutions described in  
23 such subparagraphs shall be made without regard to  
24 the substitution described in paragraph (2), and

1           “(4) the amount of any credit under section 47  
2           with respect to such property shall be determined  
3           without regard to any reduction in the basis of such  
4           property under subsection (e).”.

5           (b) ENERGY EFFICIENT ROOFS.—Paragraph (1) of  
6           section 179D(d) is amended by adding at the end the fol-  
7           lowing new subparagraph:

8                       “(C) SPECIAL RULE FOR ENERGY EFFI-  
9                       CIENT ROOFS.—

10                      “(i) IN GENERAL.—If—

11                               “(I) the building envelope is not  
12                               treated as meeting the requirements  
13                               of subsection (c)(1)(D) under sub-  
14                               paragraph (A) of this paragraph, but

15                               “(II) the roof exceeds the min-  
16                               imum requirements of Standard 90.1-  
17                               2001 by 50 percent or more,

18                      then the requirement of subsection  
19                      (c)(1)(D) shall be treated as met with re-  
20                      spect to the roof, and the deduction under  
21                      subsection (a) shall be allowed with respect  
22                      to energy efficient commercial building  
23                      property installed as part of such roof, ex-  
24                      cept that subsection (b) shall be applied to



1           such property by substituting ‘the applica-  
2           ble percentage of \$.60’ for ‘\$1.80’.

3           “(ii) APPLICABLE PERCENTAGE.—For  
4           purposes of this subparagraph, the term  
5           ‘applicable percentage’ means the ratio (ex-  
6           pressed as a percentage) of—

7                       “(I) the square footage of the  
8                       roof, over

9                       “(II) the square footage of the  
10                      building envelope.”.

11       (c) EFFECTIVE DATE.—The amendment made by  
12 this section shall apply to property placed in service after  
13 the date of the enactment of this Act.

14 **SEC. 304. RENEWABLE ENERGY AND CONSERVATION**  
15 **PROJECT CREDIT.**

16       (a) IN GENERAL.—Subpart E of part IV of sub-  
17 chapter A of chapter 1 is amended by adding at the end  
18 the following new section:

19 **“SEC. 48E. RENEWABLE ENERGY AND CONSERVATION**  
20 **PROJECT CREDIT.**

21       “(a) IN GENERAL.—For purposes of section 46, the  
22 renewable energy and conservation project credit for any  
23 taxable year is an amount equal to 30 percent of the quali-  
24 fied investment for such taxable year with respect to any  
25 renewable energy and conservation project of the taxpayer.

1 “(b) QUALIFIED INVESTMENT.—

2 “(1) IN GENERAL.—For purposes of subsection  
3 (a), the qualified investment for any taxable year is  
4 the basis of eligible property placed in service by the  
5 taxpayer during such taxable year which is part of  
6 a renewable energy and conservation project.

7 “(2) CERTAIN QUALIFIED PROGRESS EXPENDI-  
8 TURES RULES MADE APPLICABLE.—Rules similar to  
9 the rules of subsections (c)(4) and (d) of section 46  
10 (as in effect on the day before the date of the enact-  
11 ment of the Revenue Reconciliation Act of 1990)  
12 shall apply for purposes of this section.

13 “(3) LIMITATION.—The amount which is treat-  
14 ed as a qualified investment for all taxable years  
15 with respect to any renewable energy and conserva-  
16 tion project shall not exceed the amount designated  
17 by the Secretary under subsection (d).

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

19 “(1) RENEWABLE ENERGY AND CONSERVATION  
20 PROJECT.—The term ‘renewable energy and con-  
21 servation project’ means any project if—

22 “(A) such project makes energy efficiency  
23 improvements to manufacturing facilities (in-  
24 cluding combined heat and power equipment,  
25 waste-heat energy equipment, mechanical insu-

1           lation, energy efficient motors, chillers, and  
2           equipment for the distribution of natural sun-  
3           light to illuminate the interior of a building),

4           “(B) such project consists of—

5           “(i) energy storage systems for use in  
6           connection with electric grids or supplying  
7           electricity to one or more buildings or  
8           structures, or

9           “(ii) super conducting electrical trans-  
10          mission lines,

11          “(C) such project—

12          “(i) uses municipal solid waste or mu-  
13          nicipal sewage sludge as the feedstock for  
14          producing solid, liquid, or gas fuel (other  
15          than landfill facilities which add outside  
16          liquids, recirculate leachate, regrade land-  
17          fill surfaces to encourage surface water to  
18          infiltrate the cells, or delay installation of  
19          covers longer than 18 months following the  
20          cell reaching more than 90 percent of its  
21          final grade), and

22          “(ii) meets such environmental re-  
23          quirements as the Secretary, in consulta-  
24          tion with the Administrator of the Envi-

1           ronmental Protection Agency, may pre-  
2           scribe,

3           “(D) such project—

4                 “(i) (I) converts post-consumer or  
5                 post-industrial waste plastics into oil,

6                 “(II) re-refines used oil, or

7                 “(III) converts post-industrial waste  
8                 (including waste products from paper and  
9                 pulp manufacturing) into energy or alter-  
10                native fuels, and

11                “(ii) meets such environmental re-  
12                quirements as the Secretary, in consulta-  
13                tion with the Administrator of the Envi-  
14                ronmental Protection Agency, may pre-  
15                scribe, or

16                “(E) such project consists of a system  
17                which—

18                 “(i) uses anaerobic digesters (alone or  
19                 in combination with other biological, chem-  
20                 ical, thermal, or mechanical processes) to  
21                 convert open-loop biomass (as defined in  
22                 section 45(c)(3)) or any nonhazardous or-  
23                 ganic wastes or byproducts from har-  
24                 vesting, fermentation processes, biodiesel  
25                 production, slaughter of agricultural live-

1 stock, food production, food processing, or  
2 food service into a gas which consists of  
3 not less than 52 percent methane,

4 “(ii) captures such gas for use as a  
5 fuel,

6 “(iii) may include property which  
7 cleans and conditions the gas referred to in  
8 clause (i) for use as a fuel, and

9 “(iv) is not located on a municipal  
10 solid waste disposal facility.

11 “(2) ELIGIBLE PROPERTY.—The term ‘eligible  
12 property’ means any property—

13 “(A) which is—

14 “(i) tangible personal property, or

15 “(ii) other tangible property (not in-  
16 cluding a building or its structural compo-  
17 nents), but only if such property is used as  
18 an integral part of the renewable energy  
19 and conservation project, and

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

23 “(d) RENEWABLE ENERGY AND CONSERVATION  
24 PROJECT PROGRAM.—

25 “(1) ESTABLISHMENT.—

1           “(A) IN GENERAL.—Not later than 180  
2 days after the date of enactment of this section,  
3 the Secretary, in consultation with the Sec-  
4 retary of Energy, shall establish a renewable  
5 energy and conservation project program to  
6 consider and award certifications for qualified  
7 investments eligible for credits under this sec-  
8 tion to renewable energy and conservation  
9 project sponsors.

10           “(B) LIMITATION.—The total amount of  
11 qualified investments which may be designated  
12 under such program shall not exceed the  
13 amount which will result in \$2,000,000,000 of  
14 credits allowed under such program. To the ex-  
15 tent qualified applications are received under  
16 paragraph (2), the total amount of qualified in-  
17 vestments designated with respect to—

18           “(i) projects described in subsection  
19 (c)(1)(A) shall be the amount which will  
20 result in \$850,000,000 of such credits,

21           “(ii) projects described in subsection  
22 (c)(1)(B) shall be the amount which will  
23 result in \$500,000,000 of such credits,

1           “(iii) projects described in subsection  
2           (c)(1)(C) shall be the amount which will  
3           result in \$250,000,000 of such credits,

4           “(iv) projects described in subsection  
5           (c)(1)(D) shall be the amount which will  
6           result in \$150,000,000 of such credits,

7           “(v) projects described in subsection  
8           (c)(1)(E) shall be the amount which will  
9           result in \$250,000,000 of such credits.

10          “(2) CERTIFICATION.—

11           “(A) APPLICATION PERIOD.—Each appli-  
12           cant for certification under this paragraph shall  
13           submit an application containing such informa-  
14           tion as the Secretary may require during the 2-  
15           year period beginning on the date the Secretary  
16           establishes the program under paragraph (1).

17           “(B) TIME TO MEET CRITERIA FOR CER-  
18           TIFICATION.—Each applicant for certification  
19           shall have 1 year from the date of acceptance  
20           by the Secretary of the application during  
21           which to provide to the Secretary evidence that  
22           the requirements of the certification have been  
23           met.

24           “(C) PERIOD OF ISSUANCE.—An applicant  
25           which receives a certification shall have 3 years

1 from the date of issuance of the certification in  
2 order to place the project in service and if such  
3 project is not placed in service by that time pe-  
4 riod, then the certification shall no longer be  
5 valid.

6 “(3) REVIEW AND REDISTRIBUTION.—Rules  
7 similar to the rules of section 48C(d)(4) shall apply  
8 for purposes of this section.

9 “(4) DISCLOSURE OF ALLOCATIONS.—The Sec-  
10 retary shall, upon making a certification under this  
11 section, publicly disclose the identity of the applicant  
12 and the amount of the credit with respect to such  
13 applicant.

14 “(e) SELECTION CRITERIA.—

15 “(1) IN GENERAL.—In determining which re-  
16 newable energy and conservation projects to certify  
17 under this section, the Secretary, in consultation  
18 with the Secretary of Energy—

19 “(A) shall take into consideration only  
20 those projects where there is a reasonable ex-  
21 pectation of commercial viability, and

22 “(B) shall take into consideration which  
23 projects—

24 “(i) will provide the greatest domestic  
25 job creation (both direct and indirect),



1           “(ii) will provide the greatest net im-  
2           pact in avoiding or reducing pollutants,  
3           greenhouse gases, and other risks to envi-  
4           ronmental or human health,

5           “(iii) have the greatest potential for  
6           technical innovation and commercial de-  
7           ployment, and

8           “(iv) have the lowest levelized cost of  
9           generated or stored energy, or of measured  
10          reduction in energy consumption or green-  
11          house gas emission (based on costs of the  
12          full supply chain).

13          “(2) ENERGY EFFICIENCY IMPROVEMENTS TO  
14          MANUFACTURING FACILITIES.—In determining  
15          which projects described in subsection (c)(1)(A) to  
16          certify under this section, in addition to the consid-  
17          erations described in paragraph (1), the Secretary,  
18          in consultation with the Secretary of Energy, shall  
19          take into consideration which projects will result in  
20          the greatest increase in energy efficiency of manu-  
21          facturing facilities.

22          “(3) ENERGY STORAGE SYSTEMS AND SUPER  
23          CONDUCTING TRANSMISSION LINES.—In determining  
24          which projects described in subsection (c)(1)(B) to  
25          certify under this section, in addition to the consid-

1       erations described in paragraph (1), the Secretary,  
2       in consultation with the Secretary of Energy, shall  
3       take into consideration which projects have the  
4       greatest potential for increasing the integration of  
5       intermittent sources of renewable energy or for in-  
6       creasing the efficiency of electrical transmission.

7               “(4) MUNICIPAL WASTE.—

8                       “(A) IN GENERAL.—In determining which  
9                       projects described in subsection (c)(1)(C) to  
10                      certify under this section, in addition to the  
11                      considerations described in paragraph (1), the  
12                      Secretary, in consultation with the Adminis-  
13                      trator of the Environmental Protection Agen-  
14                      cy—

15                      “(i) shall take into consideration  
16                      which projects will use the least amount of  
17                      waste which would otherwise enter the re-  
18                      cycling stream, and

19                      “(ii) shall not certify any project if  
20                      such project does not produce a net benefit  
21                      in cumulative lifecycle greenhouse emis-  
22                      sions.

23                      “(B) PROGRAM CARRIED OUT IN CON-  
24                      SULTATION WITH EPA.—In the case of any  
25                      project described in subsection (c)(1)(C), para-

1 graph (1) and subsection (d)(1)(A) shall be ap-  
2 plied by substituting ‘the Administrator of the  
3 Environmental Protection Agency’ for ‘the Sec-  
4 retary of Energy’.

5 “(5) POST-CONSUMER AND POST-INDUSTRIAL  
6 WASTE.—In determining which projects described in  
7 subsection (c)(1)(D) to certify under this section, in  
8 addition to the considerations described in para-  
9 graph (1), the Secretary, in consultation with the  
10 Secretary of Energy, shall take into consideration  
11 which projects have the greatest potential to increase  
12 recycling and reduce consumption of conventional  
13 fossil fuels.

14 “(6) ANAEROBIC DIGESTERS.—In determining  
15 which projects described in subsection (c)(1)(E) to  
16 certify under this section, in addition to the consid-  
17 erations described in paragraph (1), the Secretary,  
18 in consultation with the Secretary of Energy, shall  
19 take into consideration which projects have the  
20 greatest potential to produce gas which is suitable  
21 for injection into natural gas pipelines.

22 “(f) DENIAL OF DOUBLE BENEFIT.—

23 “(1) IN GENERAL.—A credit shall not be al-  
24 lowed under this section for any qualified investment  
25 for which—

1           “(A) a credit is allowed under section 45,  
2           48, 48A, 48B, 48C, or 48D, or

3           “(B) a payment or grant is made under  
4           subchapter C of chapter 65 or section 1603 of  
5           the American Recovery and Reinvestment Act  
6           of 2009.

7           “(2) COORDINATION WITH 10 PERCENT ENERGY  
8           CREDIT.—In the case of any qualified investment for  
9           which a credit is allowable (determined without re-  
10          gard to this paragraph) under section 48 at the per-  
11          centage specified in section 48(a)(1)(A)(ii)—

12           “(A) no credit shall be allowed under sec-  
13          tion 48, and

14           “(B) paragraph (1) shall not apply.”.

15          (b) CREDIT MADE PART OF INVESTMENT CREDIT.—  
16          Section 46 is amended by striking “and” at the end of  
17          paragraph (5), by striking the period at the end of para-  
18          graph (6) and inserting “, and”, and by adding at the  
19          end the following new paragraph:

20           “(7) the renewable energy and conservation  
21          project credit.”.

22          (c) ELECTIVE DIRECT PAYMENT OF CREDIT.—Sub-  
23          chapter C of chapter 65, as added by section 101 and  
24          amended by section 201, is amended by adding at the end  
25          the following new section:

1 **“SEC. 6453. ELECTIVE PAYMENT FOR RENEWABLE ENERGY**  
2 **AND CONSERVATION PROJECT CREDIT.**

3 “(a) IN GENERAL.—Any person electing the applica-  
4 tion of this section with respect to any renewable energy  
5 and conservation property placed in service by such person  
6 during the taxable year shall be treated as making a pay-  
7 ment against the tax imposed by subtitle A for the taxable  
8 year equal to 85 percent of the credit which would (but  
9 for subsection (c)) be determined under section 48E with  
10 respect to such property for such taxable year. Such pay-  
11 ment shall be treated as made on the later of the due date  
12 of the return of such tax or the date on which such return  
13 is filed.

14 “(b) RENEWABLE ENERGY AND CONSERVATION  
15 PROPERTY.—For purposes of this section, the term ‘re-  
16 newable energy and conservation property’ means eligible  
17 property (as defined in section 48E(c)(2)) which is part  
18 of a renewable energy and conservation project (as defined  
19 in section 48E(c)(1)).

20 “(c) COORDINATION WITH RENEWABLE ENERGY  
21 AND CONSERVATION PROJECT CREDIT.—

22 “(1) DENIAL OF DOUBLE BENEFIT.—No credit  
23 shall be determined under section 48E with respect  
24 to any property with respect to which an election is  
25 made under this section for the taxable year in

1       which such property is placed in service or any sub-  
2       sequent taxable year.

3               “(2) FULL CREDIT AMOUNT TO COUNT AGAINST  
4       PROGRAM LIMITATION.—For purposes of admin-  
5       istering the renewable energy and conservation  
6       project program under section 48E(d), the full  
7       amount of the credit with respect to which the pay-  
8       ment under subsection (a) is determined shall be  
9       treated as allowed under such program.

10              “(d) APPLICATION OF SPECIAL RULES.—Rules simi-  
11      lar to the rules of subsections (c) and (e) of section 6451  
12      shall apply for purposes of this section.”.

13              (d) CONFORMING AMENDMENTS.—

14              (1) Subparagraph (C) of section 49(a)(1) is  
15      amended by striking “and” at the end of clause (v),  
16      by striking the period at the end of clause (vi) and  
17      inserting “, and”, and by adding at the end the fol-  
18      lowing new clause:

19                      “(vii) the basis of any property which  
20                      is part of a renewable energy and con-  
21                      servation project under section 48E.”.

22              (2) The table of sections for subpart E of part  
23      IV of subchapter A of chapter 1 is amended by add-  
24      ing at the end the following new item:

“Sec. 48E. Renewable energy and conservation project credit.”.

1           (3) The table of sections for subchapter C of  
2           chapter 65, as added by section 101 and amended  
3           by section 201, is amended by adding at the end the  
4           following new item:

“Sec. 6453. Elective payment for renewable energy and conservation project  
credit.”.

5           (e) EFFECTIVE DATE.—

6           (1) IN GENERAL.—Except as provided in para-  
7           graph (2), the amendments made by this section  
8           shall apply to periods after the date of the enact-  
9           ment of this Act under rules similar to the rules of  
10          section 48(m) of the Internal Revenue Code of 1986  
11          (as in effect on the day before the date of the enact-  
12          ment of the Revenue Reconciliation Act of 1990).

13          (2) DIRECT PAYMENT PROVISION.—The amend-  
14          ment made by subsection (c) shall apply to property  
15          placed in service after the date of the enactment of  
16          this Act.

## 17           **TITLE IV—TRANSPORTATION**

### 18           **SEC. 401. CREDIT FOR HEAVY NATURAL GAS AND HYBRID** 19           **VEHICLES.**

20          (a) IN GENERAL.—Subpart B of part IV of sub-  
21          chapter A of chapter 1 is amended by adding at the end  
22          the following new section:

1 **“SEC. 30E. HEAVY NATURAL GAS AND HEAVY HYBRID VEHI-**  
2 **CLE CREDIT.**

3 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
4 lowed as a credit against the tax imposed by this chapter  
5 for the taxable year an amount equal to the sum of—

6 “(1) the new qualified heavy natural gas motor  
7 vehicle credit determined under subsection (b), and

8 “(2) the new qualified heavy hybrid motor vehi-  
9 cle credit determined under subsection (c).

10 “(b) NEW QUALIFIED HEAVY NATURAL GAS MOTOR  
11 VEHICLE CREDIT.—

12 “(1) IN GENERAL.—The new qualified heavy  
13 natural gas motor vehicle credit determined under  
14 this subsection is an amount equal to 80 percent of  
15 the incremental cost of any new qualified heavy nat-  
16 ural gas motor vehicle placed in service by the tax-  
17 payer during the taxable year.

18 “(2) NEW QUALIFIED HEAVY NATURAL GAS  
19 MOTOR VEHICLE.—For purposes of this subsection,  
20 the term ‘new qualified heavy natural gas motor ve-  
21 hicle’ means any motor vehicle—

22 “(A) which is only capable of operating on  
23 compressed or liquified natural gas,

24 “(B) which has a gross vehicle weight rat-  
25 ing of more than 8,500 pounds,



1           “(C) the original use of which commences  
2 with the taxpayer,

3           “(D) which is acquired by the taxpayer for  
4 use or lease, but not for resale, and

5           “(E) which is made by a manufacturer.

6           “(3) CREDIT FOR MIXED-FUEL VEHICLES.—

7           “(A) IN GENERAL.—In the case of a  
8 mixed-fuel vehicle placed in service by the tax-  
9 payer during the taxable year, the credit deter-  
10 mined under this subsection is an amount equal  
11 to—

12           “(i) in the case of a 65/35 mixed-fuel  
13 vehicle, 65 percent of the credit which  
14 would have been allowed under this sub-  
15 section if such vehicle was a new qualified  
16 heavy natural gas motor vehicle, and

17           “(ii) in the case of a 90/10 mixed-fuel  
18 vehicle, 90 percent of the credit which  
19 would have been allowed under this sub-  
20 section if such vehicle was a new qualified  
21 heavy natural gas motor vehicle.

22           “(B) MIXED-FUEL VEHICLE.—For pur-  
23 poses of this paragraph, the term ‘mixed-fuel  
24 vehicle’ means any motor vehicle which—

1           “(i) would be a new qualified heavy  
2 natural gas motor vehicle but for the re-  
3 quirement of paragraph (2)(A),

4           “(ii) is certified by the manufacturer  
5 as being able to perform efficiently in nor-  
6 mal operation on a combination of com-  
7 pressed or liquified natural gas and an-  
8 other petroleum-based fuel, and

9           “(iii) either—

10           “(I) has received a certificate of  
11 conformity under the Clean Air Act,  
12 or

13           “(II) has received an order certi-  
14 fying the vehicle as meeting the same  
15 requirements as vehicles which may be  
16 sold or leased in California and meets  
17 or exceeds the low emission vehicle  
18 standard under section 88.105-94 of  
19 title 40, Code of Federal Regulations,  
20 for that make and model year vehicle.

21           “(C) 65/35 MIXED-FUEL VEHICLE.—For  
22 purposes of this paragraph, the term ‘65/35  
23 mixed-fuel vehicle’ means a mixed-fuel vehicle  
24 which operates using at least 65 percent com-

1           pressed or liquified natural gas and not more  
2           than 35 percent petroleum-based fuel.

3           “(D) 90/10 MIXED-FUEL VEHICLE.—For  
4           purposes of this paragraph, the term ‘90/10  
5           mixed-fuel vehicle’ means a mixed-fuel vehicle  
6           which operates using at least 90 percent com-  
7           pressed or liquified natural gas and not more  
8           than 10 percent petroleum-based fuel.

9           “(e) NEW QUALIFIED HEAVY HYBRID MOTOR VEHI-  
10          CLE CREDIT.—

11           “(1) IN GENERAL.—The new qualified heavy  
12          natural gas motor vehicle credit determined under  
13          this subsection is an amount equal to 80 percent of  
14          the incremental cost of any new qualified heavy hy-  
15          brid motor vehicle placed in service by the taxpayer  
16          during the taxable year.

17           “(2) NEW QUALIFIED HEAVY HYBRID MOTOR  
18          VEHICLE.—For purposes of this subsection—

19           “(A) IN GENERAL.—The term ‘new quali-  
20          fied heavy hybrid motor vehicle’ means a motor  
21          vehicle—

22                   “(i) which draws propulsion energy  
23                   from an onboard rechargeable energy stor-  
24                   age system,

1           “(ii) which, in the case of a vehicle  
2           which has an internal combustion or heat  
3           engine which uses consumable fuel, has re-  
4           ceived, with respect to such engine, a cer-  
5           tificate of conformity under the Clean Air  
6           Act as meeting the emission standards set  
7           in the regulations prescribed by the Ad-  
8           ministrator of the Environmental Protec-  
9           tion Agency for 2004 through 2007 model  
10          year diesel heavy duty engines or ottocycle  
11          heavy duty engines, as applicable,

12          “(iii) which has a gross vehicle weight  
13          rating of more than 8,500 pounds,

14          “(iv) which has a maximum available  
15          power of at least—

16                 “(I) 10 percent in the case of a  
17                 vehicle which has a gross vehicle  
18                 weight rating of not more than  
19                 14,000 pounds, and

20                 “(II) 15 percent in the case of a  
21                 vehicle which has a gross vehicle  
22                 weight rating of more than 14,000  
23                 pounds,

24          “(v) the original use of which com-  
25          mences with the taxpayer,

1                   “(vi) which is acquired by the tax-  
2                   payer for use or lease, but not for resale,  
3                   and

4                   “(vii) which is made by a manufac-  
5                   turer.

6                   “(B) CONSUMABLE FUEL.—For purposes  
7                   of subparagraph (A)(ii)(I), the term  
8                   ‘consumable fuel’ means any solid, liquid, or  
9                   gaseous matter which releases energy when con-  
10                  sumed by an auxiliary power unit.

11                  “(C) MAXIMUM AVAILABLE POWER.—For  
12                  purposes of subparagraph (A)(iii), the term  
13                  ‘maximum available power’ means the max-  
14                  imum power available from the rechargeable en-  
15                  ergy storage system during a standard 10 sec-  
16                  ond pulse power or equivalent test, divided by  
17                  the vehicle’s total traction power. For purposes  
18                  of the preceding sentence, the term ‘total trac-  
19                  tion power’ means the sum of the peak power  
20                  from the rechargeable energy storage system  
21                  and the heat engine peak power of the vehicle,  
22                  except that if such storage system is the sole  
23                  means by which the vehicle can be driven, the  
24                  total traction power is the peak power of such  
25                  storage system.

1 “(d) APPLICATION WITH OTHER CREDITS.—

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

10 “(2) PERSONAL CREDIT.—

11 “(A) IN GENERAL.—For purposes of this  
12 title, the credit allowed under subsection (a) for  
13 any taxable year (determined after application  
14 of paragraph (1)) shall be treated as a credit  
15 allowable under subpart A for such taxable  
16 year.

17 “(B) LIMITATION BASED ON AMOUNT OF  
18 TAX.—In the case of a taxable year to which  
19 section 26(a)(2) does not apply, the credit al-  
20 lowed under subsection (a) for any taxable year  
21 (determined after application of paragraph (1))  
22 shall not exceed the excess of—

23 “(i) the sum of the regular tax liabil-  
24 ity (as defined in section 26(b)) plus the  
25 tax imposed by section 55, over

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

5           “(e) OTHER DEFINITIONS AND SPECIAL RULES.—  
6 For purposes of this section—

7                   “(1) INCREMENTAL COST.—The term ‘incre-  
8                   mental cost’ means, with respect to any motor vehi-  
9                   cle, the excess of the manufacturer’s suggested retail  
10                  price for such vehicle over such price for a gasoline  
11                  or diesel fuel motor vehicle of the same model (or,  
12                  if there is no such gasoline or diesel fuel motor vehi-  
13                  cle of the same model, a gasoline or diesel fuel motor  
14                  vehicle which is comparable in weight, size, and use  
15                  to such vehicle), to the extent such amount does not  
16                  exceed—

17                         “(A) \$20,000, if such vehicle has a gross  
18                         vehicle weight rating of not more than 14,000  
19                         pounds,

20                         “(B) \$50,000, if such vehicle has a gross  
21                         vehicle weight rating of more than 14,000  
22                         pounds but not more than 26,000 pounds,

23                         “(C) \$80,000, if such vehicle has a gross  
24                         vehicle weight rating of more than 26,000  
25                         pounds but not more than 33,000 pounds, and

1           “(D) \$100,000, if such vehicle has a gross  
2           vehicle weight rating of more than 33,000  
3           pounds.

4           The amount described in the preceding sentence  
5           shall be certified by the manufacturer and shall be  
6           determined in accordance with guidance prescribed  
7           by the Secretary.

8           “(2) MOTOR VEHICLE.—The term ‘motor vehi-  
9           cle’ means any vehicle which is manufactured pri-  
10          marily for use on public streets, roads, and highways  
11          (not including a vehicle operated exclusively on a rail  
12          or rails) and which has at least 4 wheels.

13          “(3) MANUFACTURER.—The term ‘manufac-  
14          turer’ has the meaning given such term in regula-  
15          tions prescribed by the Administrator of the Envi-  
16          ronmental Protection Agency for purposes of the ad-  
17          ministration of title II of the Clean Air Act (42  
18          U.S.C. 7521 et seq.).

19          “(4) REDUCTION IN BASIS.—For purposes of  
20          this subtitle, the basis of any property for which a  
21          credit is allowable under subsection (a) shall be re-  
22          duced by the amount of such credit so allowed (de-  
23          termined without regard to subsection (d)).

24          “(5) NO DOUBLE BENEFIT.—The amount of  
25          any deduction or other credit allowable under this



1 chapter with respect to any motor vehicle shall be  
2 reduced by the amount of the credit allowed under  
3 subsection (a) for such vehicle (determined without  
4 regard to subsection (d)).

5 “(6) PROPERTY USED BY TAX-EXEMPT ENTI-  
6 TY.—In the case of a vehicle whose use is described  
7 in paragraph (3) or (4) of section 50(b) and which  
8 is not subject to a lease, the person who sold such  
9 vehicle to the person or entity using such vehicle  
10 shall be treated as the taxpayer that placed such ve-  
11 hicle in service, but only if such person clearly dis-  
12 closes to such person or entity in a document the  
13 amount of any credit allowable under subsection (a)  
14 with respect to such vehicle (determined without re-  
15 gard to subsection (d)). For purposes of subsection  
16 (d), property to which this paragraph applies shall  
17 be treated as of a character subject to an allowance  
18 for depreciation.

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

1           “(8) RECAPTURE.—The Secretary shall, by reg-  
2           ulations, provide for recapturing the benefit of any  
3           credit allowable under subsection (a) with respect to  
4           any property which ceases to be property eligible for  
5           such credit (including recapture in the case of a  
6           lease period of less than the economic life of a vehi-  
7           cle).

8           “(9) ELECTION TO NOT TAKE CREDIT.—No  
9           credit shall be allowed under subsection (a) for any  
10          vehicle if the taxpayer elects to not have this section  
11          apply to such vehicle.

12          “(10) INTERACTION WITH AIR QUALITY AND  
13          MOTOR VEHICLE SAFETY STANDARDS.—Unless oth-  
14          erwise provided in this section, a motor vehicle shall  
15          not be considered eligible for a credit under this sec-  
16          tion unless such vehicle is in compliance with—

17                 “(A) the applicable provisions of the Clean  
18                 Air Act for the applicable make and model year  
19                 of the vehicle (or applicable air quality provi-  
20                 sions of State law in the case of a State which  
21                 has adopted such provision under a waiver  
22                 under section 209(b) of the Clean Air Act), and

23                 “(B) the motor vehicle safety provisions of  
24                 sections 30101 through 30169 of title 49,  
25                 United States Code.

1 “(f) TERMINATION.—This section shall not apply to  
2 motor vehicles acquired after December 31, 2016.”.

3 (b) COORDINATION WITH NEW QUALIFIED PLUG-IN  
4 ELECTRIC DRIVE MOTOR VEHICLE CREDIT.—Subpara-  
5 graph (E) of section 30D(d)(1) is amended by striking  
6 “less than 14,000 pounds” and inserting “not more than  
7 8,500 pounds”.

8 (c) CONFORMING AMENDMENTS.—

9 (1) Section 38(b) is amended by striking “plus”  
10 at the end of paragraph (35), by striking the period  
11 at the end of paragraph 36 and inserting “, plus”,  
12 and by adding at the end the following new para-  
13 graph:

14 “(37) the portion of the new qualified heavy  
15 natural gas motor vehicle credit and the new quali-  
16 fied heavy hybrid motor vehicle credit to which sec-  
17 tion 30E(d)(1) applies.”.

18 (2) Section 24(b)(3)(B) is amended by striking  
19 “and 30D” and inserting “30D, and 30E”.

20 (3) Section 25(e)(1)(C)(ii) is amended by in-  
21 serting “30E,” after “30D,”.

22 (4) Section 26(a)(1) is amended by striking  
23 “and 30D” and inserting “30D, and 30E”.

24 (5) Section 30(c)(2) is amended by striking  
25 “and 30D” and inserting “30D, and 30E”.

1           (6) Section 30B(g)(2)(B)(ii) is amended by  
2 striking “and 30D” and inserting “30D, and 30E”.

3           (7) Section 30D(c)(2)(B)(ii) is amended by  
4 striking “and 25D” and inserting “25D, and 30E”.

5           (8) Section 904(i) is amended by striking “and  
6 30D” and inserting “30D, and 30E”.

7           (9) Section 1400C(d)(2) is amended by striking  
8 “and 30D” and inserting “30D, and 30E”.

9           (10) Section 30E(e)(2)(B)(ii), as added by this  
10 section, is amended by striking “sections 23 and  
11 25D” and inserting “section 25D”.

12           (11) Section 1016(a) is amended by striking  
13 “and” at the end of paragraph (36), by striking the  
14 period at the end of paragraph (37) and inserting “,  
15 and”, and by adding at the end the following new  
16 paragraph:

17           “(38) to the extent provided in section  
18 30E(e)(4).”.

19           (12) Section 6501(m) is amended by inserting  
20 “30E(e)(9),” after “30D(e)(4),”.

21           (13) The table of sections for subpart B of part  
22 IV of subchapter A of chapter 1 is amended by add-  
23 ing at the end the following new item:

“Sec. 30E. Heavy natural gas and heavy hybrid vehicle credit.”.

24           (d) EFFECTIVE DATE.—

1           (1) IN GENERAL.—The amendments made by  
2 this section shall apply to vehicles acquired after De-  
3 cember 31, 2010.

4           (2) APPLICATION OF EGTRRA SUNSET.—

5           (A) The amendment made by subsection  
6 (c)(2) shall be subject to title IX of the Eco-  
7 nomic Growth and Tax Relief Reconciliation  
8 Act of 2001 in the same manner as the provi-  
9 sion of such Act to which such amendment re-  
10 lates.

11           (B) The amendment made by subsection  
12 (c)(10) shall be subject to title IX of the Eco-  
13 nomic Growth and Tax Relief Reconciliation  
14 Act of 2001 in the same manner as the amend-  
15 ments made by section 10909 of the Patient  
16 Protection and Affordable Care Act.

17 **SEC. 402. ALTERNATIVE FUEL VEHICLE REFUELING PROP-**  
18 **ERTY.**

19           (a) EXTENSION OF CREDIT.—Subsection (g) of sec-  
20 tion 30C is amended by striking “placed in service” and  
21 all that follows and inserting “placed in service after De-  
22 cember 31, 2014.”.

23           (b) EXTENSION OF INCREASED CREDIT LIMITA-  
24 TIONS.—Paragraph (6) of section 30C(e) is amended—

1           (1) by striking “January 1, 2011” and insert-  
2           ing “January 1, 2014”, and

3           (2) by striking “AND 2010” in the heading and  
4           inserting “THRU 2013”.

5           (c) EXTENSION OF CREDIT TO REFUELING OF NON-  
6 HIGHWAY HYDROGEN FUEL CELL VEHICLES.—Sub-  
7 section (c) of section 30C is amended by striking “and”  
8 at the end of paragraph (1), by redesignating paragraph  
9 (2) as paragraph (3), and by inserting after paragraph  
10 (1) the following new paragraph:

11           “(2) in the case of a vehicle propelled by a fuel  
12           cell power plant (as defined in section 48(c)(1)(C))  
13           which converts hydrogen into electricity, the term  
14           ‘motor vehicle’ includes any vehicle which is not op-  
15           erated exclusively on rails and the primary purpose  
16           of which is other than the transport of passengers,  
17           and”.

18           (d) CLARIFICATION OF DEFINITION OF ELECTRIC  
19 REFUELING PROPERTY.—Subparagraph (B) of section  
20 179A(d)(3) is amended to read as follows:

21           “(B) exclusively used for the recharging of  
22           motor vehicles propelled by electricity (other  
23           than property used for the generation of elec-  
24           tricity).”.

1 (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to property placed in service after  
3 the date of the enactment of this Act.

4 **SEC. 403. TRANSPORTATION FRINGE BENEFITS.**

5 (a) EXTENSION OF PARITY FOR MASS TRANSIT  
6 FRINGE BENEFITS.—Paragraph (2) of section 132(f) is  
7 amended by striking “January 1, 2011” in the last sen-  
8 tence and inserting “January 1, 2012”.

9 (b) COORDINATION OF QUALIFIED BICYCLE COM-  
10 MUTING REIMBURSEMENTS WITH OTHER TRANSPOR-  
11 TATION FRINGE BENEFITS.—

12 (1) IN GENERAL.—Clause (ii) of section  
13 132(f)(5)(F) is amended to read as follows:

14 “(ii) APPLICABLE ANNUAL LIMITA-  
15 TION.—The term ‘applicable annual limita-  
16 tion’ means, with respect to any employee  
17 for any calendar year, the lesser of—

18 “(I) the product of \$20 multi-  
19 plied by the number of qualified bicy-  
20 cle commuting months during such  
21 year, or

22 “(II) the excess (if any) of the  
23 product of 12 multiplied by the dollar  
24 amount in effect under paragraph  
25 (2)(A) for the first month during such

1 year, over the aggregate of the bene-  
2 fits described in subparagraphs (A)  
3 and (B) of paragraph (1) excluded  
4 from gross income under subsection  
5 (a) with respect to months during  
6 such year.”.

7 (2) CONFORMING AMENDMENT.—Subclause (II)  
8 of section 132(f)(5)(F)(iii) is amended by striking  
9 “subparagraph (A), (B), or (C) of paragraph (1)”  
10 and inserting “paragraph (1)(C)”.

11 (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to months beginning after Decem-  
13 ber 31, 2010.

14 **SEC. 404. RESTRUCTURING OF NEW YORK LIBERTY ZONE**  
15 **TAX CREDITS.**

16 (a) IN GENERAL.—Part I of subchapter Y of chapter  
17 1 is amended by redesignating section 1400L as section  
18 1400K and by adding at the end the following new section:

19 **“SEC. 1400L. NEW YORK LIBERTY ZONE TAX CREDITS.**

20 “(a) IN GENERAL.—In the case of a New York Lib-  
21 erty Zone governmental unit, there shall be allowed as a  
22 credit against any taxes imposed for any payroll period  
23 by section 3402 for which such governmental unit is liable  
24 under section 3403 an amount equal to so much of the  
25 portion of the qualifying project expenditure amount allo-



1 cated under subsection (b)(3) to such governmental unit  
2 for the calendar year as is allocated by such governmental  
3 unit to such period under subsection (b)(4).

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

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

9 “(A) the total expenditures paid or in-  
10 curred during such calendar year by all New  
11 York Liberty Zone governmental units and the  
12 Port Authority of New York and New Jersey  
13 for any portion of qualifying projects located  
14 wholly within the City of New York, New York,  
15 and

16 “(B) any such expenditures—

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

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

22 “(2) QUALIFYING PROJECT.—The term ‘quali-  
23 fying project’ means any transportation infrastruc-  
24 ture project, including highways, mass transit sys-  
25 tems, railroads, airports, ports, and waterways, in or

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

6 “(3) GENERAL ALLOCATION.—

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

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

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

23 “(i) \$115,000,000 (\$425,000,000 in  
24 the case of the last 2 years in the credit  
25 period), plus

1                   “(ii) the aggregate amount authorized  
2                   to be allocated under this paragraph for all  
3                   preceding calendar years in the credit pe-  
4                   riod which was not so allocated.

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

16                           “(i) the lesser of—

17                                   “(I) such excess, or

18                                   “(II) the qualifying project ex-  
19                                   penditure amount for such calendar  
20                                   year, reduced by

21                           “(ii) the aggregate amount allocated  
22                           under this subparagraph for all preceding  
23                           calendar years.

24                   “(4) ALLOCATION TO PAYROLL PERIODS.—

25                   Each New York Liberty Zone governmental unit

1       which has been allocated a portion of the qualifying  
2       project expenditure amount under paragraph (3) for  
3       a calendar year may allocate such portion to payroll  
4       periods beginning in such calendar year as such gov-  
5       ernmental unit determines appropriate.

6       “(c) CARRYOVER OF UNUSED ALLOCATIONS.—

7               “(1) IN GENERAL.—Except as provided in para-  
8       graph (2), if the amount allocated under subsection  
9       (b)(3) to a New York Liberty Zone governmental  
10      unit for any calendar year exceeds the aggregate  
11      taxes imposed by section 3402 for which such gov-  
12      ernmental unit is liable under section 3403 for peri-  
13      ods beginning in such year, such excess shall be car-  
14      ried to the succeeding calendar year and added to  
15      the allocation of such governmental unit for such  
16      succeeding calendar year.

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

1           “(d) DEFINITIONS AND SPECIAL RULES.—For pur-  
2 poses of this section—

3           “(1) CREDIT PERIOD.—The term ‘credit period’  
4 means the 12-year period beginning on January 1,  
5 2011.

6           “(2) NEW YORK LIBERTY ZONE GOVERN-  
7 MENTAL UNIT.—The term ‘New York Liberty Zone  
8 governmental unit’ means—

9           “(A) the State of New York,

10           “(B) the City of New York, New York, and

11           “(C) any agency or instrumentality of such  
12 State or City.

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

18           “(4) TREATMENT OF CREDIT AMOUNTS FOR  
19 PURPOSES OF WITHHOLDING TAXES.—For purposes  
20 of this title, a New York Liberty Zone governmental  
21 unit shall be treated as having paid to the Secretary,  
22 on the day on which wages are paid to employees,  
23 an amount equal to the amount of the credit allowed  
24 to such entity under subsection (a) with respect to  
25 such wages, but only if such governmental unit de-

1 ducts and withholds wages for such payroll period  
2 under section 3401 (relating to wage withholding).

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

6 “(1) which certifies—

7 “(A) the qualifying project expenditure  
8 amount for the calendar year, and

9 “(B) the amount allocated to each New  
10 York Liberty Zone governmental unit under  
11 subsection (b)(3) for the calendar year, and

12 “(2) includes such other information as the  
13 Secretary may require to carry out this section.

14 “(f) GUIDANCE.—The Secretary may prescribe such  
15 guidance as may be necessary or appropriate to ensure  
16 compliance with the purposes of this section.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Section 38(c)(3)(B) is amended by striking  
19 “section 1400L(a)” and inserting “section  
20 1400K(a)”.

21 (2) Section 168(k)(2)(D)(ii) is amended by  
22 striking “section 1400L(c)(2)” and inserting “sec-  
23 tion 1400K(c)(2)”.

24 (3) The table of sections for part I of sub-  
25 chapter Y of chapter 1 is amended by redesignating

1 the item relating to section 1400L as an item relat-  
2 ing to section 1400K and by inserting after such  
3 item the following new item:

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

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall take effect on the date of the enactment  
6 of this Act.

7 **TITLE V—BIOFUELS AND**  
8 **ALTERNATIVE FUELS**

9 **SEC. 501. ETHANOL, ETC., CREDIT.**

10 (a) INCOME TAX CREDIT.—

11 (1) EXTENSION.—Paragraph (1) of section  
12 40(e) is amended—

13 (A) by striking “2010” in subparagraph  
14 (A) and inserting “2011”, and

15 (B) by striking “2011” in subparagraph  
16 (B) and inserting “2012”.

17 (2) REDUCED RATE FOR ETHANOL BLEND-  
18 ERS.—Subsection (h) of section 40 is amended—

19 (A) by striking paragraph (3), and

20 (B) by striking the period at the end of the  
21 table contained in paragraph (2) and by adding  
22 at the end the following new row:

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2011 .....	36 cents .....	26.66 cents.
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1           (3) REDUCED RATE FOR SMALL ETHANOL PRO-  
2       DUCER CREDIT.—Subsections (b)(4)(A) and  
3       (d)(3)(C) of section 40 are each amended by striking  
4       “10 cents” and inserting “8 cents”.

5       (b) EXCISE TAX CREDIT AND OUTLAY PAYMENTS.—

6           (1) EXTENSION.—Sections 6426(b)(6) and  
7       6427(e)(6)(A) are each amended by striking “2010”  
8       and inserting “2011”.

9           (2) REDUCED RATE FOR ETHANOL BLEND-  
10      ERS.—Paragraph (2) of section 6426(b) is amend-  
11      ed—

12                   (A) by striking “the applicable amount is”  
13                   and all that follows in subparagraph (A) and  
14                   inserting “the applicable amount is 36 cents.”,  
15                   and

16                   (B) by striking subparagraph (C).

17       (c) EXTENSION OF TARIFF.—Headings 9901.00.50  
18      and 9901.00.52 of the Harmonized Tariff Schedule of the  
19      United States are each amended in the effective period  
20      column by striking “1/1/2011” and inserting “1/1/2012”.

21       (d) EFFECTIVE DATE.—

22           (1) IN GENERAL.—Except as provided in para-  
23      graph (2), the amendments made by this section  
24      shall apply to fuel sold or used after December 31,  
25      2010.



1           (2) **TARIFF EXTENSION.**—The amendment  
2           made by subsection (c) shall take effect on the date  
3           of the enactment of this Act.

4 **SEC. 502. INCENTIVES FOR BIODIESEL AND RENEWABLE**  
5 **DIESEL.**

6           (a) **CREDITS FOR BIODIESEL AND RENEWABLE DIE-**  
7 **SEL USED AS FUEL.**—Section 40A is amended by adding  
8           at the end the following new subsection:

9           “(h) **EXTENSION.**—Notwithstanding subsection (g),  
10          this section shall apply to any sale or use after December  
11          31, 2010, and before January 1, 2012.”.

12          (b) **EXCISE TAX CREDITS FOR BIODIESEL AND RE-**  
13 **NEWABLE DIESEL FUEL MIXTURES.**—Subsection (c) of  
14          section 6426 is amended by adding at the end the fol-  
15          lowing new paragraph:

16                 “(7) **EXTENSION.**—Notwithstanding paragraph  
17          (6), this subsection shall apply to any sale, use, or  
18          removal for any period after December 31, 2010,  
19          and before January 1, 2012.”.

20          (c) **CROSS REFERENCE.**—For extension of payment  
21          authority for biodiesel and renewable diesel fuel mixtures,  
22          see section 503(c).

23          (d) **EFFECTIVE DATE.**—The amendments made by  
24          this section shall apply to fuel sold or used after December  
25          31, 2010.

1 **SEC. 503. EXCISE TAX CREDITS AND OUTLAY PAYMENTS**  
2 **FOR ALTERNATIVE FUEL AND ALTERNATIVE**  
3 **FUEL MIXTURES.**

4 (a) **ALTERNATIVE FUEL CREDIT.**—Subsection (d) of  
5 section 6426 is amended by adding at the end the fol-  
6 lowing new paragraph:

7 “(6) **EXTENSION.**—Notwithstanding paragraph  
8 (5), this subsection shall apply to any sale or use for  
9 any period after December 31, 2010, and before  
10 January 1, 2012, in the case of liquified petroleum  
11 gas (other than for use as fuel in a forklift) and  
12 fuels described in subparagraph (C), (F), or (G) of  
13 paragraph (2).”.

14 (b) **ALTERNATIVE FUEL MIXTURE CREDIT.**—Sub-  
15 section (e) of section 6426 is amended by adding at the  
16 end the following new paragraph:

17 “(4) **EXTENSION.**—Notwithstanding paragraph  
18 (3), this subsection shall apply to any sale or use for  
19 any period after December 31, 2010, and before  
20 January 1, 2012, in the case of liquified petroleum  
21 gas (other than for use as fuel in a forklift) and  
22 fuels described in subparagraph (C), (F), or (G) of  
23 paragraph (2).”.

24 (c) **PAYMENT AUTHORITY.**—Subsection (e) of section  
25 6427 is amended by adding at the end the following new  
26 paragraph:

1           “(7) EXTENSION.—Notwithstanding subpara-  
2           graphs (B) and (C) of paragraph (6), this subsection  
3           shall apply to any sale or use for any period after  
4           December 31, 2010, and before January 1, 2012, in  
5           the case of—

6                   “(A) any biodiesel mixture (as defined in  
7                   section 6426(e)(3)), and

8                   “(B) any alternative fuel or alternative fuel  
9                   mixture (as defined in subsection (d)(2) or  
10                  (e)(3) of section 6426) involving liquified petro-  
11                  leum gas (other than for use as fuel in a fork-  
12                  lift) or fuels described in subparagraph (C),  
13                  (F), or (G) of section 6426(d)(2).”.

14           (d) EXCLUSION OF BLACK LIQUOR FROM CREDIT  
15           ELIGIBILITY.—The last sentence of section 6426(d)(2) is  
16           amended by striking “or biodiesel” and inserting “bio-  
17           diesel, or any fuel (including lignin, wood residues, or  
18           spent pulping liquors) derived from the production of  
19           paper or pulp”.

20           (e) EFFECTIVE DATE.—The amendments made by  
21           this section shall apply to fuel sold or used after December  
22           31, 2010.

1 **SEC. 504. ALGAE TREATED AS A QUALIFIED FEEDSTOCK**  
2 **FOR PURPOSES OF THE CELLULOSIC**  
3 **BIOFUEL PRODUCER CREDIT, ETC.**

4 (a) IN GENERAL.—Subclause (I) of section  
5 40(b)(6)(E)(i) is amended to read as follows:

6 “(I) is derived solely from quali-  
7 fied feedstocks, and”.

8 (b) QUALIFIED FEEDSTOCK; SPECIAL RULES FOR  
9 ALGAE.—Paragraph (6) of section 40(b) is amended by  
10 redesignating subparagraphs (F), (G), and (H) as sub-  
11 paragraphs (H), (I), and (J), respectively, and by insert-  
12 ing after subparagraph (E) the following new subpara-  
13 graphs:

14 “(F) QUALIFIED FEEDSTOCK.—For pur-  
15 poses of this paragraph, the term ‘qualified  
16 feedstock’ means—

17 “(i) any lignocellulosic or  
18 hemicellulosic matter that is available on a  
19 renewable or recurring basis, and

20 “(ii) any cultivated algae,  
21 cyanobacteria, or lemna.

22 “(G) SPECIAL RULES FOR ALGAE.—In the  
23 case of fuel which is derived from feedstock de-  
24 scribed in subparagraph (F)(ii) and which is  
25 sold by the taxpayer to another person for re-  
26 fining by such other person into a fuel which

1           meets the requirements of subparagraph  
2           (E)(i)(II)—

3                   “(i) such sale shall be treated as de-  
4                   scribed in subparagraph (C)(i),

5                   “(ii) such fuel shall be treated as  
6                   meeting the requirements of subparagraph  
7                   (E)(i)(II) in the hands of such taxpayer,  
8                   and

9                   “(iii) except as provided in this sub-  
10                  paragraph, such fuel (and any fuel derived  
11                  from such fuel) shall not be taken into ac-  
12                  count under subparagraph (C) with respect  
13                  to the taxpayer or any other person.”.

14           (c) ALGAE TREATED AS A QUALIFIED FEEDSTOCK  
15 FOR PURPOSES OF BONUS DEPRECIATION FOR BIOFUEL  
16 PLANT PROPERTY.—

17                   (1) IN GENERAL.—Subparagraph (A) of section  
18                   168(l)(2) is amended by striking “solely to produce  
19                   cellulosic biofuel” and inserting “solely to produce  
20                   second generation biofuel (as defined in section  
21                   40(b)(6)(E))”.

22                   (2) CONFORMING AMENDMENTS.—Subsection  
23                   (l) of section 168 is amended—

1 (A) by striking “cellulosic biofuel” each  
2 place it appears in the text thereof and insert-  
3 ing “second generation biofuel”,

4 (B) by striking paragraph (3) and redesign-  
5 ating paragraphs (4) through (8) as para-  
6 graphs (3) through (7), respectively,

7 (C) by striking “CELLULOSIC” in the  
8 heading of such subsection and inserting “SEC-  
9 OND GENERATION”, and

10 (D) by striking “CELLULOSIC” in the head-  
11 ing of paragraph (2) and inserting “SECOND  
12 GENERATION”.

13 (d) CONFORMING AMENDMENTS.—

14 (1) Section 40, as amended by subsection (b),  
15 is amended—

16 (A) by striking “cellulosic biofuel” each  
17 place it appears in the text thereof and insert-  
18 ing “second generation biofuel”,

19 (B) by striking “CELLULOSIC” in the  
20 headings of subsections (b)(6), (b)(6)(E), and  
21 (d)(3)(D) and inserting “SECOND GENERA-  
22 TION”, and

23 (C) by striking “CELLULOSIC” in the head-  
24 ings of subsections (b)(6)(C), (b)(6)(D),

1 (b)(6)(H), (d)(6), and (e)(3) and inserting  
2 “SECOND GENERATION”.

3 (2) Clause (ii) of section 40(b)(6)(E) is amend-  
4 ed by striking “Such term shall not” and inserting  
5 “The term ‘second generation biofuel’ shall not”.

6 (3) Paragraph (1) of section 4101(a) is amend-  
7 ed by striking “cellulosic biofuel” and inserting “sec-  
8 ond generation biofuel”.

9 (e) EFFECTIVE DATE.—

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

14 (2) APPLICATION TO BONUS DEPRECIATION.—  
15 The amendments made by subsection (c) shall apply  
16 to property placed in service after the date of the en-  
17 actment of this Act.

18 **SEC. 505. ELECTIVE INVESTMENT TAX CREDIT IN LIEU OF**  
19 **PRODUCTION CREDIT FOR SECOND GENERA-**  
20 **TION BIOFUEL PRODUCTION PROPERTY.**

21 (a) IN GENERAL.—Subsection (a) of section 48 is  
22 amended by adding at the end the following new para-  
23 graph:

1           “(6) ELECTION TO TREAT SECOND GENERA-  
2           TION BIOFUEL PRODUCTION PROPERTY AS ENERGY  
3           PROPERTY.—

4                   “(A) IN GENERAL.—In the case of any  
5           qualified property which is second generation  
6           biofuel production property—

7                           “(i) such property shall be treated as  
8           energy property for purposes of this sec-  
9           tion, and

10                           “(ii) the energy percentage with re-  
11           spect to such property shall be 30 percent.

12                   “(B) DENIAL OF PRODUCTION AND  
13           BLENDER CREDITS, ETC.—

14                           “(i) IN GENERAL.—No specified pro-  
15           duction incentives shall be allowed or made  
16           to any taxpayer for any taxable year with  
17           respect to any second generation biofuel  
18           produced by second generation biofuel pro-  
19           duction property.

20                           “(ii) DISCLOSURE BY PRODUCER.—  
21           Subparagraph (A) shall not apply unless  
22           the taxpayer provides such information to  
23           the Secretary and to persons who produce  
24           mixtures which include fuel produced from  
25           the second generation biofuel production



1 property referred to in subparagraph (A)  
2 as the Secretary determines necessary to  
3 provide for the proper administration of  
4 clause (i).

5 “(iii) SPECIFIED TAX INCENTIVES.—  
6 For purposes of this paragraph, the term  
7 ‘specified tax incentive’ means—

8 “(I) any credit allowed under sec-  
9 tion 34, 40, 40A, or 6426, and

10 “(II) any payment made under  
11 section 6427(e).

12 “(C) SECOND GENERATION BIOFUEL PRO-  
13 DUCION PROPERTY.—For purposes of this  
14 paragraph, the term ‘second generation biofuel  
15 production property’ means any property used  
16 exclusively for the production of second genera-  
17 tion biofuel production (within the meaning of  
18 section 40(b)(6)) if no specified tax incentive  
19 has been allowed or made with respect to sec-  
20 ond generation biofuel produced by such prop-  
21 erty and the taxpayer makes an irrevocable  
22 election to have this paragraph apply to such  
23 property.

1                   “(D) TERMINATION.—Subparagraph (A)  
2                   shall not apply with respect to periods ending  
3                   after December 31, 2012.”.

4                   (b) CONFORMING AMENDMENT.—Section 48(a)(3) is  
5 amended by striking “section 45” and inserting “section  
6 40 or 45”.

7                   (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to periods after December 31,  
9 2010, under rules similar to the rules of section 48(m)  
10 of the Internal Revenue Code of 1986 (as in effect on the  
11 day before the date of the enactment of the Revenue Rec-  
12 onciliation Act of 1990).

## 13                   **TITLE VI—STUDIES AND** 14                   **REPORTS**

### 15                   **SEC. 601. STUDY OF TAX EXPENDITURES BY JOINT COM-** 16                   **MITTEE ON TAXATION.**

17                   (a) IN GENERAL.—The Chief of Staff of the Joint  
18 Committee on Taxation, in consultation with the Comp-  
19 troller General of the United States, shall submit to the  
20 Committee on Ways and Means of the House of Rep-  
21 resentatives and to the Committee on Finance of the Sen-  
22 ate a written report on each tax expenditure made pursu-  
23 ant to this Act. Such reports shall be based on data re-  
24 ceived from the Secretary of the Treasury, the Energy In-  
25 formation Administration, the Secretary of Energy, the

1 Administrator of the Environmental Protection Agency,  
2 and such other agencies and sources as the Chief of Staff  
3 of the Joint Committee on Taxation determines are appro-  
4 priate.

5 (b) CONTENT OF REPORTS.—With respect to each  
6 tax expenditure made pursuant to this Act, the report de-  
7 scribed in subsection (a) shall include the following:

8 (1) The marginal effect of the tax expenditure  
9 on the activity which is intended to be subsidized.

10 (2) The ability of the beneficiaries to leverage  
11 private capital as a result of the tax expenditure.

12 (3) The extent to which the tax expenditure  
13 benefits emerging technologies and helps diversify  
14 energy technologies.

15 (4) The extent to which the tax expenditure  
16 makes energy affordable and reduces our dependence  
17 on foreign energy.

18 (5) The contribution of the tax expenditure to  
19 the safety and reliability of our energy supply.

20 (6) The amount of greenhouse gas reduction  
21 achieved by the tax expenditure.

22 (7) The impact of the tax expenditure on local  
23 and regional air and water quality.

24 (8) An analysis of the extent to which further  
25 extending the tax expenditure would be necessary to

1       achieve the goals the tax expenditure is intended to  
2       achieve.

3           (9) A description of the direct and indirect  
4       beneficiaries of the tax expenditure, including identi-  
5       fying any unintended beneficiaries.

6           (10) A description of any unintended effects of  
7       the tax expenditure that are useful in understanding  
8       the overall value of the tax expenditure.

9           (11) An analysis of how the tax expenditure  
10       could be modified to better achieve its original pur-  
11       pose including whether a direct spending equivalent  
12       would be more effective.

13          (12) A brief description of any interactions (ac-  
14       tual or potential) with other tax expenditures or di-  
15       rect spending programs in the same or related budg-  
16       et function worthy of further study.

17          (13) A description of any unavailable informa-  
18       tion the Joint Committee on Taxation may need to  
19       complete a more thorough examination and analysis  
20       of the tax expenditure and what must be done to  
21       make such information available.

22       (c) TIMING OF REPORTS.—With respect to each tax  
23       expenditure made pursuant to this Act, the report de-  
24       scribed in subsection (a) shall be submitted—

1           (1) in the case of the credits allowed under sec-  
2           tions 48C and 48E of the Internal Revenue Code of  
3           1986 (or payments made in lieu of such credits  
4           under sections 6451 or 6453 of such Code), not  
5           later than 1 year after the Secretary of the Treasury  
6           has made initial allocations of the full amount of  
7           limitation provided with respect to such credits pur-  
8           suant to this Act, and

9           (2) in the case of any other tax expenditure, not  
10          later than 1 year after the Chief of Staff of the  
11          Joint Committee on Taxation receives data from the  
12          Internal Revenue Service with respect to such tax  
13          expenditure.

14 **SEC. 602. REPORT ON CERTAIN COMPETITIVE CREDITS BY**  
15 **SECRETARY OF THE TREASURY.**

16          (a) IN GENERAL.—In the case of the credits allowed  
17          under sections 48C and 48E of the Internal Revenue Code  
18          of 1986 (or payments made in lieu of such credits under  
19          sections 6451 or 6453 of such Code), the Secretary of the  
20          Treasury shall submit to the Committee on Ways and  
21          Means of the House of Representatives and to the Com-  
22          mittee on Finance of the Senate a written report with re-  
23          spect to qualified investments designated after the date  
24          of the enactment of this Act under such sections.

1 (b) CONTENTS OF REPORT.—Such report shall in-  
2 clude—

3 (1) with respect to each such designation—

4 (A) the identity of the applicant,

5 (B) the amount of the credit with respect  
6 to such applicant, and

7 (C) a description of what the Secretary ex-  
8 pects the applicant to accomplish with the cred-  
9 it,

10 (2) a description of the challenges faced by the  
11 Secretary in selecting the applicants which received  
12 designations with respect to each such credit, and

13 (3) any recommendations of the Secretary of  
14 the Treasury for modifications to each such credit.

15 (c) TIMING OF REPORT.—The report described in  
16 subsection (a) shall be submitted not later than 90 days  
17 after the Secretary of the Treasury has made initial alloca-  
18 tions of the full amount of limitation provided with respect  
19 to such credits pursuant to this Act.

20 **SEC. 603. STUDY OF BIOGAS.**

21 The Secretary of the Treasury shall enter into an  
22 agreement with the National Renewable Energy Labora-  
23 tory to undertake a study of biogas. Such agreement shall  
24 provide for a written report to be submitted, not later than  
25 2 years after the date of the enactment of this Act, to

1 the Committee on Ways and Means of the House of Rep-  
2 resentatives and to the Committee on Finance of the Sen-  
3 ate. Such report shall address the following issues:

4           (1) The quality of biogas, including a compari-  
5           son of biogas to natural gas and the identification  
6           of any components of biogas which make it unsuit-  
7           able for injection into existing natural gas pipelines.

8           (2) Methods for obtaining the highest energy  
9           content in biogas, including the use of co-digestion  
10          and identifying the optimal feed mixture.

11          (3) Recommendations for the expansion of  
12          biogas production, including an analysis of the ex-  
13          tent to which increasing the methane content of  
14          biogas would result in its greater use and an anal-  
15          ysis of how the expanded use of biogas could help  
16          meet the growing energy needs of the United States.