

110TH CONGRESS
1ST SESSION

H. R. 2776

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

IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 2007

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

A BILL

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

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

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

1 (b) AMENDMENT OF 1986 CODE.—Except as other-
 2 wise expressly provided, whenever in this Act an amend-
 3 ment or repeal is expressed in terms of an amendment
 4 to, or repeal of, a section or other provision, the reference
 5 shall be considered to be made to a section or other provi-
 6 sion of the Internal Revenue Code of 1986.

7 (c) TABLE OF CONTENTS.—The table of contents of
 8 this Act is as follows:

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

TITLE I—PRODUCTION INCENTIVES

- Sec. 101. Extension and modification of renewable energy credit.
- Sec. 102. Production credit for electricity produced from marine renewables.
- Sec. 103. Extension and modification of energy credit.
- Sec. 104. New clean renewable energy bonds.
- Sec. 105. Extension and modification of special rule to implement FERC and State electric restructuring policy.
- Sec. 106. Repeal of dollar limitation and allowance against alternative minimum tax for residential solar and fuel cell property credit.

TITLE II—CONSERVATION

Subtitle A—Transportation

- Sec. 201. Credit for plug-in hybrid vehicles.
- Sec. 202. Extension and modification of alternative fuel vehicle refueling property credit.
- Sec. 203. Extension and modification of credits for biodiesel and renewable diesel.
- Sec. 204. Credit for production of cellulosic alcohol.
- Sec. 205. Extension of transportation fringe benefit to bicycle commuters.
- Sec. 206. Modification of limitation on automobile depreciation.
- Sec. 207. Restructuring of New York Liberty Zone tax credits.

Subtitle B—Other Conservation Provisions

- Sec. 211. Qualified energy conservation bonds.
- Sec. 212. Qualified residential energy efficiency assistance bonds.
- Sec. 213. Extension of energy efficient commercial buildings deduction.
- Sec. 214. Modifications of energy efficient appliance credit for appliances produced after 2007.
- Sec. 215. Five-year applicable recovery period for depreciation of qualified energy management devices.

TITLE III—REVENUE PROVISIONS

Subtitle A—Denial of Oil and Gas Tax Benefits

- Sec. 301. Denial of deduction for income attributable to domestic production of oil, natural gas, or primary products thereof.
- Sec. 302. 7-year amortization of geological and geophysical expenditures for certain major integrated oil companies.
- Sec. 303. Clarification of determination of foreign oil and gas extraction income.

Subtitle B—Clarification of Eligibility for Certain Fuel Credits

- Sec. 311. Clarification of eligibility for renewable diesel credit.
- Sec. 312. Clarification that credits for fuel are designed to provide an incentive for United States production.

TITLE IV—OTHER PROVISIONS

Subtitle A—Studies

- Sec. 401. Carbon audit of the tax code.
- Sec. 402. Comprehensive study of biofuels.

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

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

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

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

- 9 (1) Paragraph (1).
- 10 (2) Clauses (i) and (ii) of paragraph (2)(A).
- 11 (3) Clauses (i)(I) and (ii) of paragraph (3)(A).
- 12 (4) Paragraph (4).
- 13 (5) Paragraph (5).
- 14 (6) Paragraph (6).

1 (7) Paragraph (7).

2 (8) Subparagraphs (A) and (B) of paragraph
3 (9).

4 (b) MODIFICATION OF CREDIT PHASEOUT.—

5 (1) REPEAL OF PHASEOUT.—Subsection (b) of
6 section 45 is amended—

7 (A) by striking paragraph (1), and

8 (B) by striking “the 8 cent amount in
9 paragraph (1),” in paragraph (2) thereof.

10 (2) LIMITATION BASED ON INVESTMENT IN FA-
11 CILITY.—Subsection (b) of section 45 is amended by
12 inserting before paragraph (2) the following new
13 paragraph:

14 “(1) LIMITATION BASED ON INVESTMENT IN
15 FACILITY.—

16 “(A) IN GENERAL.—In the case of any
17 qualified facility originally placed in service
18 after December 31, 2008, the amount of the
19 credit determined under subsection (a) for any
20 taxable year with respect to electricity produced
21 at such facility shall not exceed the product
22 of—

23 “(i) the applicable percentage with re-
24 spect to such facility, multiplied by

25 “(ii) the eligible basis of such facility.

1 “(B) CARRYFORWARD OF UNUSED LIMITA-
2 TION AND EXCESS CREDIT.—

3 “(i) UNUSED LIMITATION.—If the
4 limitation imposed under subparagraph (A)
5 with respect to any facility for any taxable
6 year exceeds the credit determined under
7 subsection (a) (determined without regard
8 to this paragraph) with respect to such fa-
9 cility for such taxable year, the limitation
10 imposed under subparagraph (A) with re-
11 spect to such facility for the succeeding
12 taxable year shall be increased by the
13 amount of such excess.

14 “(ii) EXCESS CREDIT.—If the credit
15 determined under subsection (a) (deter-
16 mined without regard to this paragraph)
17 with respect to any facility for any taxable
18 year exceeds the limitation imposed under
19 subparagraph (A) with respect to such fa-
20 cility for such taxable year, the credit de-
21 termined under subsection (a) with respect
22 to such facility for the succeeding taxable
23 year (determined before the application of
24 subparagraph (A) for such succeeding tax-
25 able year) shall be increased by the

1 amount of such excess. With respect to any
2 facility, no amount may be carried forward
3 under this clause to any taxable year be-
4 ginning after the 10-year period described
5 in subsection (a)(2)(A)(ii) with respect to
6 such facility.

7 “(C) APPLICABLE PERCENTAGE.—For
8 purposes of this paragraph—

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

15 “(ii) METHOD OF PRESCRIBING PER-
16 CENTAGES.—The percentages prescribed
17 by the Secretary for any month under
18 clause (i) shall be percentages which yield
19 over a 10-year period amounts of limita-
20 tion under subparagraph (A) which have a
21 present value equal to 35 percent of the el-
22 igible basis of the facility.

23 “(iii) METHOD OF DISCOUNTING.—
24 The present value under clause (ii) shall be
25 determined—

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

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

11 “(III) by taking into account the
12 limitation under subparagraph (A) for
13 any year on the last day of such year.

14 “(D) ELIGIBLE BASIS.—For purposes of
15 this paragraph, the term ‘eligible basis’ means,
16 with respect to any facility, the basis of such fa-
17 cility determined as of the time that such facil-
18 ity is originally placed in service.

19 “(E) SPECIAL RULE FOR FIRST AND LAST
20 YEAR OF CREDIT PERIOD.—In the case of any
21 taxable year any portion of which is not within
22 the 10-year period described in subsection
23 (a)(2)(A)(ii) with respect to any facility, the
24 amount of the limitation under subparagraph
25 (A) with respect to such facility shall be re-

1 “(10) MARINE AND HYDROKINETIC RENEW-
2 ABLE ENERGY.—

3 “(A) IN GENERAL.—The term ‘marine and
4 hydrokinetic renewable energy’ means energy
5 derived from—

6 “(i) waves, tides, and currents in
7 oceans, estuaries, and tidal areas,

8 “(ii) free flowing water in rivers,
9 lakes, and streams,

10 “(iii) free flowing water in an irriga-
11 tion system, canal, or other man-made
12 channel, including projects that utilize non-
13 mechanical structures to accelerate the
14 flow of water for electric power production
15 purposes, or

16 “(iv) differentials in ocean tempera-
17 ture (ocean thermal energy conversion).

18 “(B) EXCEPTIONS.—Such term shall not
19 include any energy which is derived from any
20 source which utilizes a dam, diversionary struc-
21 ture (except as provided in subparagraph
22 (A)(iii)), or impoundment for electric power
23 production purposes.”.

1 (c) DEFINITION OF FACILITY.—Subsection (d) of
2 section 45 is amended by adding at the end the following
3 new paragraph:

4 “(11) MARINE AND HYDROKINETIC RENEW-
5 ABLE ENERGY FACILITIES.—In the case of a facility
6 producing electricity from marine and hydrokinetic
7 renewable energy, the term ‘qualified facility’ means
8 any facility owned by the taxpayer—

9 “(A) which has a nameplate capacity rat-
10 ing of at least 150 kilowatts, and

11 “(B) which is originally placed in service
12 on or after the date of the enactment of this
13 paragraph and before January 1, 2013.”.

14 (d) CREDIT RATE.—Subparagraph (A) of section
15 45(b)(4) is amended by striking “or (9)” and inserting
16 “(9), or (11)”.

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

21 (f) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to electricity produced and sold
23 after the date of the enactment of this Act, in taxable
24 years ending after such date.

1 **SEC. 103. EXTENSION AND MODIFICATION OF ENERGY**
2 **CREDIT.**

3 (a) EXTENSION OF CREDIT.—

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

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

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

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

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

1 (d) PUBLIC ELECTRIC UTILITY PROPERTY TAKEN
2 INTO ACCOUNT.—

3 (1) IN GENERAL.—Paragraph (3) of section
4 48(a) is amended by striking the second sentence
5 thereof.

6 (2) CONFORMING AMENDMENTS.—

7 (A) Paragraph (1) of section 48(c) is
8 amended by striking subparagraph (D) and re-
9 designating subparagraph (E) as subparagraph
10 (D).

11 (B) Paragraph (2) of section 48(c) is
12 amended by striking subparagraph (D) and re-
13 designating subparagraph (E) as subparagraph
14 (D).

15 (e) CLERICAL AMENDMENTS.—Paragraphs (1)(B)
16 and (2)(B) of section 48(c) are each amended by striking
17 “paragraph (1)” and inserting “subsection (a)”.

18 (f) EFFECTIVE DATE.—

19 (1) IN GENERAL.—Except as otherwise pro-
20 vided in this subsection, the amendments made by
21 this section shall take effect on the date of the en-
22 actment of this Act.

23 (2) ALLOWANCE AGAINST ALTERNATIVE MIN-
24 IMUM TAX.—The amendments made by subsection
25 (b) shall apply to credits determined under section

1 46 of the Internal Revenue Code of 1986 in taxable
 2 years beginning after the date of the enactment of
 3 this Act and to carrybacks of such credits.

4 (3) INCREASE IN LIMITATION; PUBLIC ELEC-
 5 TRIC UTILITY PROPERTY.—The amendments made
 6 by subsections (c) and (d) shall apply to periods
 7 after the date of the enactment of this Act, in tax-
 8 able years ending after such date, under rules simi-
 9 lar to the rules of section 48(m) of the Internal Rev-
 10 enue Code of 1986 (as in effect on the day before
 11 the date of the enactment of the Revenue Reconcili-
 12 ation Act of 1990).

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

14 (a) IN GENERAL.—Part IV of subchapter A of chap-
 15 ter 1 (relating to credits against tax) is amended by add-
 16 ing at the end the following new subpart:

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

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

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

18 **“SEC. 54A. CREDIT TO HOLDERS OF QUALIFIED TAX CRED-**
 19 **IT BONDS.**

20 “(a) ALLOWANCE OF CREDIT.—If a taxpayer holds
 21 a qualified tax credit bond on one or more credit allowance
 22 dates of the bond during any taxable year, there shall be
 23 allowed as a credit against the tax imposed by this chapter
 24 for the taxable year an amount equal to the sum of the

1 credits determined under subsection (b) with respect to
2 such dates.

3 “(b) AMOUNT OF CREDIT.—

4 “(1) IN GENERAL.—The amount of the credit
5 determined under this subsection with respect to any
6 credit allowance date for a qualified tax credit bond
7 is 25 percent of the annual credit determined with
8 respect to such bond.

9 “(2) ANNUAL CREDIT.—The annual credit de-
10 termined with respect to any qualified tax credit
11 bond is the product of—

12 “(A) the applicable credit rate, multiplied
13 by

14 “(B) the outstanding face amount of the
15 bond.

16 “(3) APPLICABLE CREDIT RATE.—For purposes
17 of paragraph (2), the applicable credit rate is the
18 rate which the Secretary estimates will permit the
19 issuance of qualified tax credit bonds with a speci-
20 fied maturity or redemption date without discount
21 and without interest cost to the qualified issuer. The
22 applicable credit rate with respect to any qualified
23 tax credit bond shall be determined as of the first
24 day on which there is a binding, written contract for
25 the sale or exchange of the bond.

1 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
2 DEMPTION.—In the case of a bond which is issued
3 during the 3-month period ending on a credit allow-
4 ance date, the amount of the credit determined
5 under this subsection with respect to such credit al-
6 lowance date shall be a ratable portion of the credit
7 otherwise determined based on the portion of the 3-
8 month period during which the bond is outstanding.
9 A similar rule shall apply when the bond is redeemed
10 or matures.

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

12 “(1) IN GENERAL.—The credit allowed under
13 subsection (a) for any taxable year shall not exceed
14 the excess of—

15 “(A) the sum of the regular tax liability
16 (as defined in section 26(b)) plus the tax im-
17 posed by section 55, over

18 “(B) the sum of the credits allowable
19 under this part (other than subpart C and this
20 subpart).

21 “(2) CARRYOVER OF UNUSED CREDIT.—If the
22 credit allowable under subsection (a) exceeds the
23 limitation imposed by paragraph (1) for such taxable
24 year, such excess shall be carried to the succeeding
25 taxable year and added to the credit allowable under

1 subsection (a) for such taxable year (determined be-
2 fore the application of paragraph (1) for such suc-
3 ceeding taxable year).

4 “(d) QUALIFIED TAX CREDIT BOND.—For purposes
5 of this section—

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

11 “(2) SPECIAL RULES RELATING TO EXPENDI-
12 TURES.—

13 “(A) IN GENERAL.—An issue shall be
14 treated as meeting the requirements of this
15 paragraph if, as of the date of issuance, the
16 issuer reasonably expects—

17 “(i) 100 percent or more of the avail-
18 able project proceeds to be spent for 1 or
19 more qualified purposes within the 3-year
20 period beginning on such date of issuance,
21 and

22 “(ii) a binding commitment with a
23 third party to spend at least 10 percent of
24 such available project proceeds will be in-

1 curred within the 6-month period begin-
2 ning on such date of issuance.

3 “(B) FAILURE TO SPEND REQUIRED
4 AMOUNT OF BOND PROCEEDS WITHIN 3
5 YEARS.—

6 “(i) IN GENERAL.—To the extent that
7 less than 100 percent of the available
8 project proceeds of the issue are expended
9 by the close of the expenditure period for
10 1 or more qualified purposes, the issuer
11 shall redeem all of the nonqualified bonds
12 within 90 days after the end of such pe-
13 riod. For purposes of this paragraph, the
14 amount of the nonqualified bonds required
15 to be redeemed shall be determined in the
16 same manner as under section 142.

17 “(ii) EXPENDITURE PERIOD.—For
18 purposes of this subpart, the term ‘expend-
19 iture period’ means, with respect to any
20 issue, the 3-year period beginning on the
21 date of issuance. Such term shall include
22 any extension of such period under clause
23 (iii).

24 “(iii) EXTENSION OF PERIOD.—Upon
25 submission of a request prior to the expira-

1 tion of the expenditure period (determined
2 without regard to any extension under this
3 clause), the Secretary may extend such pe-
4 riod if the issuer establishes that the fail-
5 ure to expend the proceeds within the
6 original expenditure period is due to rea-
7 sonable cause and the expenditures for
8 qualified purposes will continue to proceed
9 with due diligence.

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

13 “(D) REIMBURSEMENT.—For purposes of
14 this subtitle, available project proceeds of an
15 issue shall be treated as spent for a qualified
16 purpose if such proceeds are used to reimburse
17 the issuer for amounts paid for a qualified pur-
18 pose after the date that the Secretary makes an
19 allocation of bond limitation with respect to
20 such issue, but only if—

21 “(i) prior to the payment of the origi-
22 nal expenditure, the issuer declared its in-
23 tent to reimburse such expenditure with
24 the proceeds of a qualified tax credit bond,

1 “(ii) not later than 60 days after pay-
2 ment of the original expenditure, the issuer
3 adopts an official intent to reimburse the
4 original expenditure with such proceeds,
5 and

6 “(iii) the reimbursement is made not
7 later than 18 months after the date the
8 original expenditure is paid.

9 “(3) REPORTING.—An issue shall be treated as
10 meeting the requirements of this paragraph if the
11 issuer of qualified tax credit bonds submits reports
12 similar to the reports required under section 149(e).

13 “(4) SPECIAL RULES RELATING TO ARBI-
14 TRAGE.—

15 “(A) IN GENERAL.—An issue shall be
16 treated as meeting the requirements of this
17 paragraph if the issuer satisfies the require-
18 ments of section 148 with respect to the pro-
19 ceeds of the issue.

20 “(B) SPECIAL RULE FOR INVESTMENTS
21 DURING EXPENDITURE PERIOD.—An issue shall
22 not be treated as failing to meet the require-
23 ments of subparagraph (A) by reason of any in-
24 vestment of available project proceeds during
25 the expenditure period.

1 “(C) SPECIAL RULE FOR RESERVE
2 FUNDS.—An issue shall not be treated as fail-
3 ing to meet the requirements of subparagraph
4 (A) by reason of any fund which is expected to
5 be used to repay such issue if—

6 “(i) such fund is funded at a rate not
7 more rapid than equal annual installments,

8 “(ii) such fund is funded in a manner
9 that such fund will not exceed the amount
10 necessary to repay the issue if invested at
11 the maximum rate permitted under clause
12 (iii), and

13 “(iii) the yield on such fund is not
14 greater than the discount rate determined
15 under paragraph (5)(B) with respect to the
16 issue.

17 “(5) MATURITY LIMITATION.—

18 “(A) IN GENERAL.—An issue shall not be
19 treated as meeting the requirements of this
20 paragraph if the maturity of any bond which is
21 part of such issue exceeds the maximum term
22 determined by the Secretary under subpara-
23 graph (B).

24 “(B) MAXIMUM TERM.—During each cal-
25 endar month, the Secretary shall determine the

1 maximum term permitted under this paragraph
2 for bonds issued during the following calendar
3 month. Such maximum term shall be the term
4 which the Secretary estimates will result in the
5 present value of the obligation to repay the
6 principal on the bond being equal to 50 percent
7 of the face amount of such bond. Such present
8 value shall be determined using as a discount
9 rate the average annual interest rate of tax-ex-
10 empt obligations having a term of 10 years or
11 more which are issued during the month. If the
12 term as so determined is not a multiple of a
13 whole year, such term shall be rounded to the
14 next highest whole year.

15 “(e) OTHER DEFINITIONS.—For purposes of this
16 subchapter—

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

19 “(A) March 15,

20 “(B) June 15,

21 “(C) September 15, and

22 “(D) December 15.

23 Such term includes the last day on which the bond
24 is outstanding.

1 “(2) BOND.—The term ‘bond’ includes any ob-
2 ligation.

3 “(3) STATE.—The term ‘State’ includes the
4 District of Columbia and any possession of the
5 United States.

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

8 “(A) the excess of—

9 “(i) the proceeds from the sale of an
10 issue, over

11 “(ii) the issuance costs financed by
12 the issue (to the extent that such costs do
13 not exceed 2 percent of such proceeds),
14 and

15 “(B) the proceeds from any investment of
16 the excess described in subparagraph (A).

17 “(f) CREDIT TREATED AS INTEREST.—For purposes
18 of this subtitle, the credit determined under subsection (a)
19 shall be treated as interest which is includible in gross in-
20 come.

21 “(g) S CORPORATIONS AND PARTNERSHIPS.—In the
22 case of a tax credit bond held by an S corporation or part-
23 nership, the allocation of the credit allowed by this section
24 to the shareholders of such corporation or partners of such
25 partnership shall be treated as a distribution.

1 “(h) BONDS HELD BY REGULATED INVESTMENT
2 COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

3 If any qualified tax credit bond is held by a regulated in-
4 vestment company or a real estate investment trust, the
5 credit determined under subsection (a) shall be allowed to
6 shareholders of such company or beneficiaries of such
7 trust (and any gross income included under subsection (f)
8 with respect to such credit shall be treated as distributed
9 to such shareholders or beneficiaries) under procedures
10 prescribed by the Secretary.

11 “(i) CREDITS MAY BE STRIPPED.—Under regula-
12 tions prescribed by the Secretary—

13 “(1) IN GENERAL.—There may be a separation
14 (including at issuance) of the ownership of a quali-
15 fied tax credit bond and the entitlement to the credit
16 under this section with respect to such bond. In case
17 of any such separation, the credit under this section
18 shall be allowed to the person who on the credit al-
19 lowance date holds the instrument evidencing the en-
20 titlement to the credit and not to the holder of the
21 bond.

22 “(2) CERTAIN RULES TO APPLY.—In the case
23 of a separation described in paragraph (1), the rules
24 of section 1286 shall apply to the qualified tax credit

1 bond as if it were a stripped bond and to the credit
2 under this section as if it were a stripped coupon.

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

4 “(a) NEW CLEAN RENEWABLE ENERGY BOND.—For
5 purposes of this subpart, the term ‘new clean renewable
6 energy bond’ means any bond issued as part of an issue
7 if—

8 “(1) 100 percent of the available project pro-
9 ceeds of such issue are to be used for capital expend-
10 itures incurred by public power providers or coopera-
11 tive electric companies for one or more qualified re-
12 newable energy facilities,

13 “(2) the bond is issued by a qualified issuer,
14 and

15 “(3) the issuer designates such bond for pur-
16 poses of this section.

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

21 “(c) LIMITATION ON AMOUNT OF BONDS DES-
22 IGNATED.—

23 “(1) IN GENERAL.—The maximum aggregate
24 face amount of bonds which may be designated
25 under subsection (a) by any issuer shall not exceed

1 the limitation amount allocated under this sub-
2 section to such issuer.

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

8 “(A) not more than 60 percent thereof
9 may be allocated to qualified projects of public
10 power providers, and

11 “(B) not more than 40 percent thereof
12 may be allocated to qualified projects of cooper-
13 ative electric companies.

14 “(3) METHOD OF ALLOCATION.—

15 “(A) ALLOCATION AMONG PUBLIC POWER
16 PROVIDERS.—After the Secretary determines
17 the qualified projects of public power providers
18 which are appropriate for receiving an alloca-
19 tion of the national new clean renewable energy
20 bond limitation, the Secretary shall, to the max-
21 imum extent practicable, make allocations
22 among such projects in such manner that the
23 amount allocated to each such project bears the
24 same ratio to the cost of such project as the

1 limitation under subparagraph (2)(A) bears to
2 the cost of all such projects.

3 “(B) ALLOCATION AMONG COOPERATIVE
4 ELECTRIC COMPANIES.—The Secretary shall
5 make allocations of the amount of the national
6 new clean renewable energy bond limitation de-
7 scribed in paragraph (2)(B) among qualified
8 projects of cooperative electric companies in
9 such manner as the Secretary determines ap-
10 propriate.

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

12 “(1) QUALIFIED RENEWABLE ENERGY FACIL-
13 ITY.—The term ‘qualified renewable energy facility’
14 means a qualified facility (as determined under sec-
15 tion 45(d) without regard to paragraphs (8) and
16 (10) thereof and to any placed in service date)
17 owned by a public power provider or a cooperative
18 electric company.

19 “(2) PUBLIC POWER PROVIDER.—The term
20 ‘public power provider’ means a State utility with a
21 service obligation, as such terms are defined in sec-
22 tion 217 of the Federal Power Act (as in effect on
23 the date of the enactment of this paragraph).

24 “(3) COOPERATIVE ELECTRIC COMPANY.—The
25 term ‘cooperative electric company’ means a mutual

1 or cooperative electric company described in section
2 501(c)(12) or section 1381(a)(2)(C).

3 “(4) CLEAN RENEWABLE ENERGY BOND LEND-
4 ER.—The term ‘clean renewable energy bond lender’
5 means a lender which is a cooperative which is
6 owned by, or has outstanding loans to, 100 or more
7 cooperative electric companies and is in existence on
8 February 1, 2002, and shall include any affiliated
9 entity which is controlled by such lender.

10 “(5) QUALIFIED ISSUER.—The term ‘qualified
11 issuer’ means a public power provider, a cooperative
12 electric company, a clean renewable energy bond
13 lender, or a not-for-profit electric utility which has
14 received a loan or loan guarantee under the Rural
15 Electrification Act.”.

16 (b) REPORTING.—Subsection (d) of section 6049 (re-
17 lating to returns regarding payments of interest) is
18 amended by adding at the end the following new para-
19 graph:

20 “(9) REPORTING OF CREDIT ON QUALIFIED
21 TAX CREDIT BONDS.—

22 “(A) IN GENERAL.—For purposes of sub-
23 section (a), the term ‘interest’ includes amounts
24 includible in gross income under section 54A
25 and such amounts shall be treated as paid on

1 the credit allowance date (as defined in section
2 54A(e)(1)).

3 “(B) REPORTING TO CORPORATIONS,
4 ETC.—Except as otherwise provided in regula-
5 tions, in the case of any interest described in
6 subparagraph (A) of this paragraph, subsection
7 (b)(4) of this section shall be applied without
8 regard to subparagraphs (A), (H), (I), (J), (K),
9 and (L)(i).

10 “(C) REGULATORY AUTHORITY.—The Sec-
11 retary may prescribe such regulations as are
12 necessary or appropriate to carry out the pur-
13 poses of this paragraph, including regulations
14 which require more frequent or more detailed
15 reporting.”.

16 (c) CONFORMING AMENDMENTS.—

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

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

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

24 (4) The heading of subpart H of part IV of
25 subchapter A of chapter 1 is amended by striking

1 **“Certain Bonds”** and inserting **“Clean Re-**
2 **newable Energy Bonds”**.

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

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

 “SUBPART I. QUALIFIED TAX CREDIT BONDS.”.

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

10 **SEC. 105. EXTENSION AND MODIFICATION OF SPECIAL**
11 **RULE TO IMPLEMENT FERC AND STATE**
12 **ELECTRIC RESTRUCTURING POLICY.**

13 (a) **EXTENSION FOR QUALIFIED ELECTRIC UTILI-**
14 **TIES.**—

15 (1) **IN GENERAL.**—Paragraph (3) of section
16 451(i) (relating to special rule for sales or disposi-
17 tions to implement Federal Energy Regulatory Com-
18 mission or State electric restructuring policy) is
19 amended by striking “before January 1, 2008,” and
20 inserting “before January 1, 2010, by a qualified
21 electric utility,”.

22 (2) **QUALIFIED ELECTRIC UTILITY.**—Subsection
23 (i) of section 451 is amended by redesignating para-

1 graphs (6) through (10) as paragraphs (7) through
2 (11), respectively, and by inserting after paragraph
3 (5) the following new paragraph:

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

7 “(A) an electric utility (as defined in sec-
8 tion 3(22) of the Federal Power Act (16 U.S.C.
9 796(22)), and

10 “(B) any person in the same holding com-
11 pany system (as defined in section 1262(9) of
12 the Public Utility Holding Company Act of
13 2005 (42 U.S.C. 16451(9)) as an electric utility
14 referred to subparagraph (A).”.

15 (b) EXTENSION OF PERIOD FOR TRANSFER OF
16 OPERATIONAL CONTROL AUTHORIZED BY FERC.—
17 Clause (ii) of section 451(i)(4)(B) is amended by striking
18 “December 31, 2007” and inserting “the date which is
19 4 years after the close of the taxable year in which the
20 transaction occurs”.

21 (c) PROPERTY LOCATED OUTSIDE THE UNITED
22 STATES NOT TREATED AS EXEMPT UTILITY PROP-
23 erty.—Paragraph (5) of section 451(i) is amended by
24 adding at the end the following new subparagraph:

1 “(C) EXCEPTION FOR PROPERTY LOCATED
2 OUTSIDE THE UNITED STATES.—The term ‘ex-
3 empt utility property’ shall not include any
4 property which is located outside the United
5 States.”.

6 (d) EFFECTIVE DATES.—

7 (1) EXTENSION.—The amendment made by
8 subsection (a) shall apply to transactions after De-
9 cember 31, 2007.

10 (2) TRANSFERS OF OPERATIONAL CONTROL.—
11 The amendment made by subsection (b) shall take
12 effect as if included in section 909 of the American
13 Jobs Creation Act of 2004.

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

18 **SEC. 106. REPEAL OF DOLLAR LIMITATION AND ALLOW-**
19 **ANCE AGAINST ALTERNATIVE MINIMUM TAX**
20 **FOR RESIDENTIAL SOLAR AND FUEL CELL**
21 **PROPERTY CREDIT.**

22 (a) REPEAL OF MAXIMUM DOLLAR LIMITATION.—

23 (1) IN GENERAL.—Subsection (b) of section
24 25D (relating to limitations) is amended to read as
25 follows:

1 “(b) CERTIFICATION OF SOLAR WATER HEATING
 2 PROPERTY.—No credit shall be allowed under this section
 3 for an item of property described in subsection (d)(1) un-
 4 less such property is certified for performance by the non-
 5 profit Solar Rating Certification Corporation or a com-
 6 parable entity endorsed by the government of the State
 7 in which such property is installed.”.

8 (2) CONFORMING AMENDMENTS.—

9 (A) Subsection (e) of section 25D is
 10 amended by striking paragraph (4) and by re-
 11 designating paragraphs (5) through (9) as
 12 paragraphs (4) through (8), respectively.

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

18 (b) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
 19 IMUM TAX.—

20 (1) IN GENERAL.—Subsection (c) of section
 21 25D is amended to read as follows:

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

24 “(1) LIMITATION BASED ON AMOUNT OF
 25 TAX.—In the case of a taxable year to which section

1 26(a)(2) does not apply, the credit allowed under
2 subsection (a) for the taxable year shall not exceed
3 the excess of—

4 “(A) the sum of the regular tax liability
5 (as defined in section 26(b)) plus the tax im-
6 posed by section 55, over

7 “(B) the sum of the credits allowable
8 under this subpart (other than this section) and
9 section 27 for the taxable year.

10 “(2) CARRYFORWARD OF UNUSED CREDIT.—

11 “(A) RULE FOR YEARS IN WHICH ALL
12 PERSONAL CREDITS ALLOWED AGAINST REG-
13 ULAR AND ALTERNATIVE MINIMUM TAX.—In
14 the case of a taxable year to which section
15 26(a)(2) applies, if the credit allowable under
16 subsection (a) exceeds the limitation imposed by
17 section 26(a)(2) for such taxable year reduced
18 by the sum of the credits allowable under this
19 subpart (other than this section), such excess
20 shall be carried to the succeeding taxable year
21 and added to the credit allowable under sub-
22 section (a) for such succeeding taxable year.

23 “(B) RULE FOR OTHER YEARS.—In the
24 case of a taxable year to which section 26(a)(2)
25 does not apply, if the credit allowable under

1 subsection (a) exceeds the limitation imposed by
2 paragraph (1) for such taxable year, such ex-
3 cess shall be carried to the succeeding taxable
4 year and added to the credit allowable under
5 subsection (a) for such succeeding taxable
6 year.”.

7 (2) CONFORMING AMENDMENTS.—

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

10 (B) Section 24(b)(3)(B) is amended by
11 striking “and 25B” and inserting “, 25B, and
12 25D”.

13 (C) Section 25B(g)(2) is amended by strik-
14 ing “section 23” and inserting “sections 23 and
15 25D”.

16 (D) Section 26(a)(1) is amended by strik-
17 ing “and 25B” and inserting “25B, and 25D”.

18 (c) EFFECTIVE DATES.—

19 (1) IN GENERAL.—Except as otherwise pro-
20 vided in this subsection, the amendments made by
21 this section shall apply to expenditures made after
22 the date of the enactment of this Act.

23 (2) ALLOWANCE AGAINST ALTERNATIVE MIN-
24 IMUM TAX.—

1 (A) IN GENERAL.—The amendments made
2 by subsection (b) shall apply to taxable years
3 beginning after the date of the enactment of
4 this Act.

5 (B) APPLICATION OF EGTRRA SUNSET.—
6 The amendments made by subsection (b)(2)
7 shall be subject to title IX of the Economic
8 Growth and Tax Relief Reconciliation Act of
9 2001 in the same manner as the provisions of
10 such Act to which such amendments relate.

11 **TITLE II—CONSERVATION**
12 **Subtitle A—Transportation**

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

14 (a) IN GENERAL.—Subpart B of part IV of sub-
15 chapter A of chapter 1 (relating to other credits) is
16 amended by adding at the end the following new section:

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

18 “(a) ALLOWANCE OF CREDIT.—There shall be al-
19 lowed as a credit against the tax imposed by this chapter
20 for the taxable year an amount equal to the sum of the
21 credit amounts determined under subsection (b) with re-
22 spect to each qualified plug-in hybrid vehicle placed in
23 service by the taxpayer during the taxable year.

24 “(b) PER VEHICLE DOLLAR LIMITATION.—

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

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

8 “(3) BATTERY CAPACITY.—In the case of vehi-
9 cle which draws propulsion energy from a battery
10 with not less than 5 kilowatt hours of capacity, the
11 amount determined under this paragraph is \$200,
12 plus \$200 for each kilowatt hour of capacity in ex-
13 cess of 5 kilowatt hours. The amount determined
14 under this paragraph shall not exceed \$2,000.

15 “(c) APPLICATION WITH OTHER CREDITS.—

16 “(1) BUSINESS CREDIT TREATED AS PART OF
17 GENERAL BUSINESS CREDIT.—So much of the credit
18 which would be allowed under subsection (a) for any
19 taxable year (determined without regard to this sub-
20 section) that is attributable to property of a char-
21 acter subject to an allowance for depreciation shall
22 be treated as a credit listed in section 38(b) for such
23 taxable year (and not allowed under subsection (a)).

24 “(2) PERSONAL CREDIT.—

1 “(A) IN GENERAL.—For purposes of this
2 title, the credit allowed under subsection (a) for
3 any taxable year (determined after application
4 of paragraph (1)) shall be treated as a credit
5 allowable under subpart A for such taxable
6 year.

7 “(B) LIMITATION BASED ON AMOUNT OF
8 TAX.—In the case of a taxable year to which
9 section 26(a)(2) does not apply, the credit al-
10 lowed under subsection (a) for any taxable year
11 (determined after application of paragraph (1))
12 shall not exceed the excess of—

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

16 “(ii) the sum of the credits allowable
17 under subpart A (other than this section
18 and sections 23 and 25D) and section 27
19 for the taxable year.

20 “(d) QUALIFIED PLUG-IN HYBRID VEHICLE.—For
21 purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified plug-in
23 hybrid vehicle’ means a motor vehicle (as defined in
24 section 30(c)(2))—

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

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

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

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

8 “(E) which has received a certificate of
9 conformity under the Clean Air Act and meets
10 or exceeds the Bin 5 Tier II emission standard
11 established in regulations prescribed by the Ad-
12 ministrator of the Environmental Protection
13 Agency under section 202(i) of the Clean Air
14 Act for that make and model year vehicle,

15 “(F) which is propelled to a significant ex-
16 tent by an electric motor which draws electricity
17 from a battery which—

18 “(i) has a capacity of not less than 4
19 kilowatt hours, and

20 “(ii) is capable of being recharged
21 from an external source of electricity, and

22 “(G) which either—

23 “(i) is also propelled to a significant
24 extent by other than an electric motor, or

1 “(ii) has a significant onboard source
2 of electricity which also recharges the bat-
3 tery referred to in subparagraph (F).

4 “(2) EXCEPTION.—The term ‘qualified plug-in
5 hybrid vehicle’ shall not include any vehicle which is
6 not a passenger automobile or light truck if such ve-
7 hicle has a gross vehicle weight rating of less than
8 8,500 pounds.

9 “(3) OTHER TERMS.—The terms ‘passenger
10 automobile’, ‘light truck’, and ‘manufacturer’ have
11 the meanings given such terms in regulations pre-
12 scribed by the Administrator of the Environmental
13 Protection Agency for purposes of the administra-
14 tion of title II of the Clean Air Act (42 U.S.C. 7521
15 et seq.).

16 “(4) BATTERY CAPACITY.—The term ‘capacity’
17 means, with respect to any battery, the quantity of
18 electricity which the battery is capable of storing, ex-
19 pressed in kilowatt hours, as measured from a 100
20 percent state of charge to a 0 percent state of
21 charge.

22 “(e) LIMITATION ON NUMBER OF QUALIFIED PLUG-
23 IN HYBRID VEHICLES ELIGIBLE FOR CREDIT.—

24 “(1) IN GENERAL.—In the case of a qualified
25 plug-in hybrid vehicle sold during the phaseout pe-

1 riod, only the applicable percentage of the credit oth-
2 erwise allowable under subsection (a) shall be al-
3 lowed.

4 “(2) PHASEOUT PERIOD.—For purposes of this
5 subsection, the phaseout period is the period begin-
6 ning with the second calendar quarter following the
7 calendar quarter which includes the first date on
8 which the number of qualified plug-in hybrid vehicles
9 manufactured by the manufacturer of the vehicle re-
10 ferred to in paragraph (1) sold for use in the United
11 States after the date of the enactment of this sec-
12 tion, is at least 60,000.

13 “(3) APPLICABLE PERCENTAGE.—For purposes
14 of paragraph (1), the applicable percentage is—

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

17 “(B) 25 percent for the 3d and 4th cal-
18 endar quarters of the phaseout period, and

19 “(C) 0 percent for each calendar quarter
20 thereafter.

21 “(4) CONTROLLED GROUPS.—Rules similar to
22 the rules of section 30B(f)(4) shall apply for pur-
23 poses of this subsection.

24 “(f) SPECIAL RULES.—

1 “(1) BASIS REDUCTION.—The basis of any
2 property for which a credit is allowable under sub-
3 section (a) shall be reduced by the amount of such
4 credit (determined without regard to subsection (c)).

5 “(2) RECAPTURE.—The Secretary shall, by reg-
6 ulations, provide for recapturing the benefit of any
7 credit allowable under subsection (a) with respect to
8 any property which ceases to be property eligible for
9 such credit.

10 “(3) PROPERTY USED OUTSIDE UNITED
11 STATES, ETC., NOT QUALIFIED.—No credit shall be
12 allowed under subsection (a) with respect to any
13 property referred to in section 50(b)(1) or with re-
14 spect to the portion of the cost of any property
15 taken into account under section 179.

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

20 “(5) PROPERTY USED BY TAX-EXEMPT ENTITY;
21 INTERACTION WITH AIR QUALITY AND MOTOR VEHI-
22 CLE SAFETY STANDARDS.—Rules similar to the rules
23 of paragraphs (6) and (10) of section 30B(h) shall
24 apply for purposes of this section.”.

1 (b) PLUG-IN VEHICLES NOT TREATED AS NEW
2 QUALIFIED HYBRID VEHICLES.—Section 30B(d)(3) is
3 amended by adding at the end the following new subpara-
4 graph:

5 “(D) EXCLUSION OF PLUG-IN VEHICLES.—
6 Any vehicle with respect to which a credit is al-
7 lowable under section 30D (determined without
8 regard to subsection (c) thereof) shall not be
9 taken into account under this section.”.

10 (c) CREDIT MADE PART OF GENERAL BUSINESS
11 CREDIT.—Section 38(b) is amended by striking “and” at
12 the end of paragraph (30), by striking the period at the
13 end of paragraph (31) and inserting “, plus”, and by add-
14 ing at the end the following new paragraph:

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

17 (d) CONFORMING AMENDMENTS.—

18 (1)(A) Section 24(b)(3)(B), as amended by this
19 Act, is amended by striking “and 25D” and insert-
20 ing “25D, and 30D”.

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

23 (C) Section 25B(g)(2), as amended by this Act,
24 is amended by striking “and 25D” and inserting “,
25 25D, and 30D”.

1 (D) Section 26(a)(1), as amended by this Act,
2 is amended by striking “and 25D” and inserting
3 “25D, and 30D”.

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

6 (2) Section 1016(a) is amended by striking
7 “and” at the end of paragraph (37), by striking the
8 period at the end of paragraph (38) and inserting “,
9 and”, and by adding at the end the following new
10 paragraph:

11 “(38) to the extent provided in section
12 30D(f)(1).”.

13 (3) Section 6501(m) is amended by inserting
14 “30D(f)(4),” after “30C(e)(5),”.

15 (4) The table of sections for subpart B of part
16 IV of subchapter A of chapter 1 is amended by add-
17 ing at the end the following new item:

“Sec. 30D. Plug-in hybrid vehicles.”.

18 (e) TREATMENT OF ALTERNATIVE MOTOR VEHICLE
19 CREDIT AS A PERSONAL CREDIT.—

20 (1) IN GENERAL.—Paragraph (2) of section
21 30B(g) is amended to read as follows:

22 “(2) PERSONAL CREDIT.—The credit allowed
23 under subsection (a) for any taxable year (after ap-
24 plication of paragraph (1)) shall be treated as a

1 credit allowable under subpart A for such taxable
2 year.”.

3 (2) CONFORMING AMENDMENT.—Subparagraph
4 (A) of section 30C(d)(2) is amended by striking
5 “sections 27, 30, and 30B” and inserting “sections
6 27 and 30”.

7 (f) EFFECTIVE DATE.—

8 (1) IN GENERAL.—Except as otherwise pro-
9 vided in this subsection, the amendments made by
10 this section shall apply to taxable years beginning
11 after December 31, 2007.

12 (2) TREATMENT OF ALTERNATIVE MOTOR VE-
13 HICLE CREDIT AS PERSONAL CREDIT.—The amend-
14 ments made by subsection (e) shall apply to taxable
15 years beginning after December 31, 2006.

16 (g) APPLICATION OF EGTRRA SUNSET.—The
17 amendments made by subsection (d)(1) shall be subject
18 to title IX of the Economic Growth and Tax Relief Rec-
19 onciliation Act of 2001 in the same manner as the provi-
20 sions of such Act to which such amendments relate.

1 **SEC. 202. EXTENSION AND MODIFICATION OF ALTER-**
2 **NATIVE FUEL VEHICLE REFUELING PROP-**
3 **ERTY CREDIT.**

4 (a) INCREASE IN CREDIT AMOUNT.—Section 30C
5 (relating to alternative fuel vehicle refueling property cred-
6 it) is amended—

7 (1) by striking “30 percent” in subsection (a)
8 and inserting “50 percent”, and

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

11 (b) EXTENSION OF CREDIT.—Paragraph (2) of sec-
12 tion 30C(g) (relating to termination) is amended by strik-
13 ing “December 31, 2009” and inserting “December 31,
14 2010”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to property placed in service after
17 the date of the enactment of this Act, in taxable years
18 ending after such date.

19 **SEC. 203. EXTENSION AND MODIFICATION OF CREDITS FOR**
20 **BIODIESEL AND RENEWABLE DIESEL.**

21 (a) IN GENERAL.—Sections 40A(g), 6426(e)(6), and
22 6427(e)(5)(B) are each amended by striking “December
23 31, 2008” and inserting “December 31, 2010”.

24 (b) UNIFORM TREATMENT OF DIESEL PRODUCED
25 FROM BIOMASS.—Paragraph (3) of section 40A(f) is
26 amended—

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

3 (2) by striking “or D396” in subparagraph (B).

4 (c) EFFECTIVE DATE.—

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

9 (2) UNIFORM TREATMENT OF DIESEL PRO-
10 DUCED FROM BIOMASS.—The amendments made by
11 subsection (b) shall apply to fuel produced, and sold
12 or used, after the date which is 30 days after the
13 date of the enactment of this Act.

14 **SEC. 204. CREDIT FOR PRODUCTION OF CELLULOSIC ALCO-**
15 **HOL.**

16 (a) IN GENERAL.—Subsection (b) of section 40 is
17 amended by adding at the end the following new para-
18 graph:

19 “(5) CELLULOSIC ALCOHOL FUEL PRODUCER
20 CREDIT.—

21 “(A) IN GENERAL.—The cellulosic alcohol
22 fuel producer credit of any cellulosic alcohol fuel
23 producer for any taxable year is 50 cents for
24 each gallon of qualified cellulosic fuel produc-
25 tion of such producer.

1 “(B) QUALIFIED CELLULOSIC FUEL PRO-
2 DUCTION.—For purposes of this paragraph, the
3 term ‘qualified cellulosic fuel production’ means
4 any cellulosic alcohol which is produced by a
5 cellulosic alcohol fuel producer, and which dur-
6 ing the taxable year—

7 “(i) is sold by such producer to an-
8 other person—

9 “(I) for use by such other person
10 in the production of a qualified mix-
11 ture in such other person’s trade or
12 business (other than casual off-farm
13 production),

14 “(II) for use by such other per-
15 son as a fuel in a trade or business,
16 or

17 “(III) who sells such alcohol at
18 retail to another person and places
19 such alcohol in the fuel tank of such
20 other person, or

21 “(ii) is used or sold by such producer
22 for any purpose described in clause (i).

23 “(C) CELLULOSIC ALCOHOL.—For pur-
24 poses of this paragraph, the term ‘cellulosic al-
25 cohol’ means any alcohol which—

1 “(i) is produced in the United States
2 for use as a fuel in the United States, and

3 “(ii) is derived from any
4 lignocellulosic or hemicellulosic matter that
5 is available on a renewable or recurring
6 basis.

7 For purposes of this subparagraph, the term
8 ‘United States’ includes any possession of the
9 United States.

10 “(D) CELLULOSIC ALCOHOL FUEL PRO-
11 DUCER.—For purposes of this paragraph, the
12 term ‘cellulosic alcohol fuel producer’ means
13 any person who produces cellulosic alcohol in a
14 trade or business and is registered with the
15 Secretary as a cellulosic alcohol fuel producer.

16 “(E) ADDITIONAL DISTILLATION EX-
17 CLUDED.—The qualified cellulosic fuel produc-
18 tion of any producer for any taxable year shall
19 not include any alcohol which is purchased by
20 the producer and with respect to which such
21 producer increases the proof of the alcohol by
22 additional distillation.”.

23 (b) CONFORMING AMENDMENTS.—

24 (1) Subsection (a) of section 40 is amended by
25 striking “plus” at the end of paragraph (1), by

1 striking “plus” at the end of paragraph (2), by
2 striking the period at the end of paragraph (3) and
3 inserting “, plus”, and by adding at the end the fol-
4 lowing new paragraph:

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

7 (2) Clause (ii) of section 40(d)(3)(C) is amend-
8 ed by striking “subsection (b)(4)(B)” and inserting
9 “paragraph (4)(B) or (5)(B) of subsection (b)”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to alcohol produced after December
12 31, 2007.

13 **SEC. 205. EXTENSION OF TRANSPORTATION FRINGE BEN-**
14 **EFIT TO BICYCLE COMMUTERS.**

15 (a) IN GENERAL.—Paragraph (1) of section 132(f)
16 of the Internal Revenue Code of 1986 (relating to general
17 rule for qualified transportation fringe) is amended by
18 adding at the end the following:

19 “(D) Any qualified bicycle commuting re-
20 imbursement.”.

21 (b) LIMITATION ON EXCLUSION.—Paragraph (2) of
22 section 132(f) of such Code is amended by striking “and”
23 at the end of subparagraph (A), by striking the period
24 at the end of subparagraph (B) and inserting “, and”,
25 and by adding at the end the following new subparagraph:

1 “(C) the applicable annual limitation in
2 the case of any qualified bicycle commuting re-
3 imbursement.”.

4 (c) DEFINITIONS.—Paragraph (5) of section 132(f)
5 of such Code (relating to definitions) is amended by add-
6 ing at the end the following:

7 “(F) DEFINITIONS RELATED TO BICYCLE
8 COMMUTING REIMBURSEMENT.—

9 “(i) QUALIFIED BICYCLE COMMUTING
10 REIMBURSEMENT.—The term ‘qualified bi-
11 cycle commuting reimbursement’ means,
12 with respect to any calendar year, any em-
13 ployer reimbursement during the 15-month
14 period beginning with the first day of such
15 calendar year for reasonable expenses in-
16 curred by the employee during such cal-
17 endar year for the purchase of a bicycle
18 and bicycle improvements, repair, and stor-
19 age, if such bicycle is regularly used for
20 travel between the employee’s residence
21 and place of employment.

22 “(ii) APPLICABLE ANNUAL LIMITA-
23 TION.—The term ‘applicable annual limita-
24 tion’ means, with respect to any employee
25 for any calendar year, the product of \$20

1 multiplied by the number of qualified bicy-
2 cle commuting months during such year.

3 “(iii) QUALIFIED BICYCLE COM-
4 MUTING MONTH.—The term ‘qualified bi-
5 cycle commuting month’ means, with re-
6 spect to any employee, any month during
7 which such employee—

8 “(I) regularly uses the bicycle for
9 a substantial portion of the travel be-
10 tween the employee’s residence and
11 place of employment, and

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

15 (d) CONSTRUCTIVE RECEIPT OF BENEFIT.—Para-
16 graph (4) of section 132(f) is amended by inserting
17 “(other than a qualified bicycle commuting reimburse-
18 ment)” after “qualified transportation fringe”.

19 (e) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 2007.

1 **SEC. 206. MODIFICATION OF LIMITATION ON AUTOMOBILE**
2 **DEPRECIATION.**

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

6 “(5) PASSENGER AUTOMOBILE.—

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

10 “(i) which is primarily designed or
11 which can be used to carry passengers over
12 public streets, roads, or highways (except
13 any vehicle operated exclusively on a rail or
14 rails), and

15 “(ii) which is rated at not more than
16 14,000 pounds gross vehicle weight.

17 “(B) EXCEPTIONS.—The term ‘passenger
18 automobile’ shall not include—

19 “(i) any exempt-design vehicle, and

20 “(ii) any exempt-use vehicle.

21 “(C) EXEMPT-DESIGN VEHICLE.—The
22 term ‘exempt-design vehicle’ means—

23 “(i) any vehicle which, by reason of its
24 nature or design, is not likely to be used
25 more than a de minimis amount for per-
26 sonal purposes, and

1 “(ii) any vehicle—

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

5 “(II) which is equipped with a
6 cargo area of at least 5 feet in interior
7 length which is an open area or is de-
8 signed for use as an open area but is
9 enclosed by a cap and is not readily
10 accessible directly from the passenger
11 compartment, or

12 “(III) has an integral enclosure,
13 fully enclosing the driver compartment
14 and load carrying device, does not
15 have seating rearward of the driver’s
16 seat, and has no body section pro-
17 truding more than 30 inches ahead of
18 the leading edge of the windshield.

19 “(D) EXEMPT-USE VEHICLE.—The term
20 ‘exempt-use vehicle’ means—

21 “(i) any ambulance, hearse, or com-
22 bination ambulance-hearse used by the tax-
23 payer directly in a trade or business,

24 “(ii) any vehicle used by the taxpayer
25 directly in the trade or business of trans-

1 porting persons or property for compensa-
2 tion or hire, and

3 “(iii) any truck or van if substantially
4 all of the use of such vehicle by the tax-
5 payer is directly in—

6 “(I) a farming business (within
7 the meaning of section 263A(e)(4)),

8 “(II) the transportation of a sub-
9 stantial amount of equipment, sup-
10 plies, or inventory, or

11 “(III) the moving or delivery of
12 property which requires substantial
13 cargo capacity.

14 “(E) RECAPTURE.—In the case of any ve-
15 hicle which is not a passenger automobile by
16 reason of being an exempt-use vehicle, if such
17 vehicle ceases to be an exempt-use vehicle in
18 any taxable year after the taxable year in which
19 such vehicle is placed in service, a rule similar
20 to the rule of subsection (b) shall apply.”.

21 (b) CONFORMING AMENDMENT.—Section 179(b) of
22 such Code (relating to limitations) is amended by striking
23 paragraph (6).

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to property placed in service after
 3 December 31, 2007.

4 **SEC. 207. RESTRUCTURING OF NEW YORK LIBERTY ZONE**
 5 **TAX CREDITS.**

6 (a) IN GENERAL.—Part I of subchapter Y of chapter
 7 1 is amended by redesignating section 1400L as 1400K
 8 and by adding at the end the following new section:

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

10 “(a) IN GENERAL.—In the case of a New York Lib-
 11 erty Zone governmental unit, there shall be allowed as a
 12 credit against any taxes imposed for any payroll period
 13 by section 3402 for which such governmental unit is liable
 14 under section 3403 an amount equal to so much of the
 15 portion of the qualifying project expenditure amount allo-
 16 cated under subsection (b)(3) to such governmental unit
 17 for the calendar year as is allocated by such governmental
 18 unit to such period under subsection (b)(4).

19 “(b) QUALIFYING PROJECT EXPENDITURE
 20 AMOUNT.—For purposes of this section—

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

24 “(A) the total expenditures paid or in-
 25 curred during such calendar year by all New

1 York Liberty Zone governmental units and the
2 Port Authority of New York and New Jersey
3 for any portion of qualifying projects located
4 wholly within the City of New York, New York,
5 and

6 “(B) any such expenditures—

7 “(i) paid or incurred in any preceding
8 calendar year which begins after the date
9 of enactment of this section, and

10 “(ii) not previously allocated under
11 paragraph (3).

12 “(2) QUALIFYING PROJECT.—The term ‘quali-
13 fying project’ means any transportation infrastruc-
14 ture project, including highways, mass transit sys-
15 tems, railroads, airports, ports, and waterways, in or
16 connecting with the New York Liberty Zone (as de-
17 fined in section 1400K(h)), which is designated as a
18 qualifying project under this section jointly by the
19 Governor of the State of New York and the Mayor
20 of the City of New York, New York.

21 “(3) GENERAL ALLOCATION.—

22 “(A) IN GENERAL.—The Governor of the
23 State of New York and the Mayor of the City
24 of New York, New York, shall jointly allocate to
25 each New York Liberty Zone governmental unit

1 the portion of the qualifying project expenditure
2 amount which may be taken into account by
3 such governmental unit under subsection (a) for
4 any calendar year in the credit period.

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

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

13 “(i) \$169,000,000, plus

14 “(ii) the aggregate amount authorized
15 to be allocated under this paragraph for all
16 preceding calendar years in the credit pe-
17 riod which was not so allocated.

18 “(D) UNALLOCATED AMOUNTS AT END OF
19 CREDIT PERIOD.—If, as of the close of the cred-
20 it period, the amount under subparagraph (B)
21 exceeds the aggregate amount allocated under
22 subparagraph (A) for all calendar years in the
23 credit period, the Governor of the State of New
24 York and the Mayor of the City of New York,
25 New York, may jointly allocate to New York

1 Liberty Zone governmental units for any cal-
2 endar year in the 5-year period following the
3 credit period an amount equal to—

4 “(i) the lesser of—

5 “(I) such excess, or

6 “(II) the qualifying project ex-
7 penditure amount for such calendar
8 year, reduced by

9 “(ii) the aggregate amount allocated
10 under this subparagraph for all preceding
11 calendar years.

12 “(4) ALLOCATION TO PAYROLL PERIODS.—

13 Each New York Liberty Zone governmental unit
14 which has been allocated a portion of the qualifying
15 project expenditure amount under paragraph (3) for
16 a calendar year may allocate such portion to payroll
17 periods beginning in such calendar year as such gov-
18 ernmental unit determines appropriate.

19 “(c) CARRYOVER OF UNUSED ALLOCATIONS.—

20 “(1) IN GENERAL.—Except as provided in para-
21 graph (2), if the amount allocated under subsection
22 (b)(3) to a New York Liberty Zone governmental
23 unit for any calendar year exceeds the aggregate
24 taxes imposed by section 3402 for which such gov-
25 ernmental unit is liable under section 3403 for peri-

1 ods beginning in such year, such excess shall be car-
2 ried to the succeeding calendar year and added to
3 the allocation of such governmental unit for such
4 succeeding calendar year.

5 “(2) REALLOCATION.—If a New York Liberty
6 Zone governmental unit does not use an amount al-
7 located to it under subsection (b)(3) within the time
8 prescribed by the Governor of the State of New York
9 and the Mayor of the City of New York, New York,
10 then such amount shall after such time be treated
11 for purposes of subsection (b)(3) in the same man-
12 ner as if it had never been allocated.

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

15 “(1) CREDIT PERIOD.—The term ‘credit period’
16 means the 12-year period beginning on January 1,
17 2008.

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

21 “(A) the State of New York,

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

23 “(C) any agency or instrumentality of such
24 State or City.

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

6 “(4) TREATMENT OF CREDIT AMOUNTS FOR
7 PURPOSES OF WITHHOLDING TAXES.—For purposes
8 of this title, a New York Liberty Zone governmental
9 unit shall be treated as having paid to the Secretary,
10 on the day on which wages are paid to employees,
11 an amount equal to the amount of the credit allowed
12 to such entity under subsection (a) with respect to
13 such wages, but only if such governmental unit de-
14 ducts and withholds wages for such payroll period
15 under section 3401 (relating to wage withholding).

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

19 “(1) which certifies—

20 “(A) the qualifying project expenditure
21 amount for the calendar year, and

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

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

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

6 (b) TERMINATION OF SPECIAL ALLOWANCE AND EX-
7 PENSING.—Clause (v) of section 1400K(b)(2)(A), as re-
8 designated by subsection (a), is amended by striking the
9 parenthetical therein and inserting “(in the case of non-
10 residential real property and residential rental property,
11 the date of the enactment of the Renewable Energy and
12 Energy Conservation Tax Act of 2007 or, if acquired pur-
13 suant to a binding contract in effect on such enactment
14 date, December 31, 2009)”.

15 (c) CONFORMING AMENDMENTS.—

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

19 (2) Section 168(k)(2)(D)(ii) is amended by
20 striking “section 1400L(c)(2)” and inserting
21 “1400K(c)(2)”.

22 (3) The table of sections for part I of sub-
23 chapter Y of chapter 1 is amended by redesignating
24 the item relating to section 1400L as an item relat-

1 ing to section 1400K and by inserting after such
 2 item the following new item:

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

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

6 **Subtitle B—Other Conservation** 7 **Provisions**

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

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

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

13 “(a) **QUALIFIED ENERGY CONSERVATION BOND.**—
 14 For purposes of this subchapter, the term ‘qualified en-
 15 ergy conservation bond’ means any bond issued as part
 16 of an issue if—

17 “(1) 100 percent of the available project pro-
 18 ceeds of such issue are to be used for one or more
 19 qualified conservation purposes,

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

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

24 “(b) **LIMITATION ON AMOUNT OF BONDS DES-**
 25 **IGNATED.**—The maximum aggregate face amount of

1 bonds which may be designated under subsection (a) by
2 any issuer shall not exceed the limitation amount allocated
3 to such issuer under subsection (d).

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

7 “(d) ALLOCATIONS.—

8 “(1) IN GENERAL.—The limitation applicable
9 under subsection (c) shall be allocated by the Sec-
10 retary among the States in proportion to the popu-
11 lation of the States.

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

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

23 “(B) ALLOCATION OF UNUSED LIMITATION
24 TO STATE.—The amount allocated under this
25 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 100,000 or more.

8 “(3) ALLOCATION TO ISSUERS; RESTRICTION
9 ON PRIVATE ACTIVITY BONDS.—Any allocation
10 under this subsection to a State or large local gov-
11 ernment shall be allocated by such State or large
12 local government to issuers within the State in a
13 manner that results in not less than 70 percent of
14 the allocation to such State or large local govern-
15 ment being used to designate bonds which are not
16 private activity bonds.

17 “(e) QUALIFIED CONSERVATION PURPOSE.—For
18 purposes of this section—

19 “(1) IN GENERAL.—The term ‘qualified con-
20 servation purpose’ means any of the following:

21 “(A) Capital expenditures incurred for
22 purposes of—

23 “(i) reducing energy consumption in
24 publicly-owned buildings by at least 20
25 percent,

1 “(ii) implementing green community
2 programs, or

3 “(iii) rural development involving the
4 production of electricity from renewable
5 energy resources.

6 “(B) Expenditures with respect to research
7 facilities, and research grants, to support re-
8 search in—

9 “(i) development of cellulosic ethanol
10 or other nonfossil fuels,

11 “(ii) technologies for the capture and
12 sequestration of carbon dioxide produced
13 through the use of fossil fuels,

14 “(iii) increasing the efficiency of exist-
15 ing technologies for producing nonfossil
16 fuels,

17 “(iv) automobile battery technologies
18 and other technologies to reduce fossil fuel
19 consumption in transportation, or

20 “(v) technologies to reduce energy use
21 in buildings.

22 “(C) Mass commuting facilities and related
23 facilities that reduce the consumption of energy,
24 including expenditures to reduce pollution from
25 vehicles used for mass commuting.

1 “(D) Demonstration projects designed to
2 promote the commercialization of—

3 “(i) green building technology,

4 “(ii) conversion of agricultural waste
5 into methane to be used in producing fuel
6 or otherwise,

7 “(iii) advanced battery manufacturing
8 technologies,

9 “(iv) technologies to reduce peak use
10 of electricity, or

11 “(v) technologies for the capture and
12 sequestration of carbon dioxide.

13 “(E) Public education campaigns to pro-
14 mote energy efficiency.

15 “(2) SPECIAL RULES FOR PRIVATE ACTIVITY
16 BONDS.—For purposes of this section, in the case of
17 any private activity bond, the term ‘qualified con-
18 servation purposes’ shall not include any expenditure
19 which is not a capital expenditure.

20 “(f) POPULATION.—

21 “(1) IN GENERAL.—The population of any
22 State or local government shall be determined for
23 purposes of this section as provided in section 146(j)
24 for the calendar year which includes the date of the
25 enactment of this section.

1 “(2) SPECIAL RULE FOR COUNTIES.—In deter-
2 mining the population of any county for purposes of
3 this section, any population of such county which is
4 taken into account in determining the population of
5 any municipality which is a large local government
6 shall not be taken into account in determining the
7 population of such county.

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

12 “(1) an Indian tribal government shall be treat-
13 ed for purposes of subsection (d) as located within
14 a State to the extent of so much of the population
15 of such government as resides within such State,
16 and

17 “(2) any bond issued by an Indian tribal gov-
18 ernment shall be treated as a qualified energy con-
19 servation bond only if issued as part of an issue the
20 available project proceeds of which are used for pur-
21 poses for which such Indian tribal government could
22 issue bonds to which section 103(a) applies.”.

23 (b) CONFORMING AMENDMENTS.—

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

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

3 “(A) a new clean renewable energy bond,
4 or

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

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

10 “(C) QUALIFIED PURPOSE.—For purposes
11 of this paragraph, the term ‘qualified purpose’
12 means—

13 “(i) in the case of a new clean renew-
14 able energy bond, a purpose specified in
15 section 54B(a)(1), and

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

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

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

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

1 **SEC. 212. QUALIFIED RESIDENTIAL ENERGY EFFICIENCY**
2 **ASSISTANCE BONDS.**

3 (a) IN GENERAL.—Subpart I of part IV of sub-
4 chapter A of chapter 1 (as amended by this Act) is amend-
5 ed by adding at the end the following new section:

6 **“SEC. 54D. QUALIFIED RESIDENTIAL ENERGY EFFICIENCY**
7 **ASSISTANCE BONDS.**

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

12 “(1) 100 percent of the available project pro-
13 ceeds of such issue are to be used for 1 or more
14 qualified residential energy efficiency assistance pur-
15 poses,

16 “(2) not less than 20 percent of the available
17 project proceeds of such issue are to be used for 1
18 or more qualified low-income residential energy effi-
19 ciency assistance purposes,

20 “(3) repayments of principal and applicable in-
21 terest on financing provided by the issue are used
22 not later than the close of the 3-month period begin-
23 ning on the date the prepayment (or complete repay-
24 ment) is received to redeem bonds which are part of
25 the issue or to provide for 1 or more qualified resi-
26 dential energy efficiency assistance purposes,

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

2 “(5) the issuer designates such bond for pur-
3 poses of this section.

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

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

12 “(d) LIMITATION ALLOCATED AMONG STATES.—The
13 limitation under subsection (c) shall be allocated by the
14 Secretary among the States in proportion to the popu-
15 lation of the States.

16 “(e) QUALIFIED RESIDENTIAL ENERGY EFFICIENCY
17 ASSISTANCE PURPOSE.—For purposes of this section—

18 “(1) IN GENERAL.—The term ‘qualified resi-
19 dential energy efficiency assistance purpose’ means
20 any grant or low-interest loan to acquire (including
21 reasonable installation costs)—

22 “(A) any property which meets (at a min-
23 imum) the requirements of the Energy Star
24 program and which is to be installed in a dwell-
25 ing unit,

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

7 “(C) any improvements to a dwelling unit
8 which are made pursuant to a plan certified by
9 an energy efficiency expert that such improve-
10 ment will yield at least a 20 percent reduction
11 in total household energy consumption related
12 to heating, cooling, lighting, and appliances.

13 “(2) DOLLAR LIMITATIONS.—

14 “(A) IN GENERAL.—Such term shall not
15 include any grant or loan for improvements de-
16 scribed in paragraph (1)(C) with respect to any
17 dwelling unit to the extent that such grant or
18 loan (when added to all other grants or loans
19 for such improvements) exceeds \$5,000.

20 “(B) INCREASED LIMITATION FOR CER-
21 TAIN PRINCIPAL RESIDENCES.—In the case of a
22 dwelling unit which is used as a principal resi-
23 dence (within the meaning of section 121) by
24 the recipient of the grant or loan referred to in
25 subparagraph (A)—

1 “(i) subparagraph (A) shall be applied
2 by substituting ‘\$12,000’ for ‘\$5,000’ if
3 such grant or loan would satisfy the re-
4 quirements of paragraph (1)(A) if such
5 paragraph were applied by substituting ‘50
6 percent’ for ‘20 percent’, and

7 “(ii) in any case to which clause (i)
8 does not apply, subparagraph (A) shall be
9 applied by substituting ‘\$8,000’ for
10 ‘\$5,000’ if such grant or loan would satisfy
11 the requirements of paragraph (1)(A) if
12 such paragraph were applied by sub-
13 stituting ‘35 percent’ for ‘20 percent’.

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

19 “(f) QUALIFIED LOW-INCOME RESIDENTIAL EFFI-
20 CIENCY ASSISTANCE PURPOSE.—For purposes of this sec-
21 tion—

22 “(1) IN GENERAL.—The term ‘qualified low-in-
23 come residential energy efficiency assistance pur-
24 pose’ means any qualified residential energy effi-
25 ciency assistance purpose with respect to a dwelling

1 unit which is occupied (at the time of the grant or
2 loan) by individuals whose income is 50 percent or
3 less of area median gross income. Rules similar to
4 the rules of section 142(d)(2)(B) shall apply for pur-
5 poses of this paragraph.

6 “(2) RESTRICTION TO GRANTS.—Such term
7 shall not include any loan.

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

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

14 “(2) SPECIAL RULE RELATING TO ARBI-
15 TRAGE.—An issue shall not be treated as failing to
16 meet the requirements of section 54A(d)(4)(A) by
17 reason of any investment of available project pro-
18 ceeds in 1 or more qualified residential energy effi-
19 ciency assistance purposes.

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

25 “(4) REPORTING.—

1 “(A) REPORTS BY ISSUERS.—Issuers of
2 qualified residential energy efficiency assistance
3 bonds shall, not later than 6 months after the
4 expenditure period (as defined in section 54A)
5 and annually thereafter until the last such bond
6 is redeemed, submit reports to the Secretary re-
7 garding such bonds, including information re-
8 garding—

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

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

15 “(iii) the types of property described
16 in subsection (e)(1)(A) installed as a result
17 of such loans and grants and the projected
18 energy savings with respect to such prop-
19 erty,

20 “(iv) the types of property described
21 in subsection (e)(1)(B) installed as a result
22 of such loans and grants and the projected
23 production of such property, and

24 “(v) the projected energy savings as a
25 result of such loans and grants for im-

1 provements described in subsection
2 (e)(1)(C).

3 “(B) REPORT TO CONGRESS.—Not later
4 than 12 months after receipt of the first report
5 under subparagraph (A) and annually there-
6 after until the last such report is required to be
7 submitted, the Secretary, in consultation with
8 the Secretary of Energy and the Administrator
9 of the Environmental Protection Agency, shall
10 submit a report to Congress regarding the bond
11 program under this section, including informa-
12 tion regarding—

13 “(i) the aggregate of each category of
14 information described in subparagraph (A)
15 (including any independent assessment of
16 projected energy savings), and

17 “(ii) an estimate of the amount of
18 greenhouse gas emissions reduced as a re-
19 sult of such bond program.”.

20 (b) CONFORMING AMENDMENTS.—

21 (1) Paragraph (1) of section 54A(d), as added
22 by section 104 and amended by section 211, is
23 amended by striking “or” at the end of subpara-
24 graph (A), by inserting “or” at the end of subpara-

1 graph (B), and by inserting after subparagraph (B)
2 the following new subparagraph:

3 “(C) a qualified residential energy effi-
4 ciency assistance bond,”.

5 (2) Subparagraph (C) of section 54A(d)(2), as
6 added by section 104 and amended by section 211,
7 is amended by striking “and” at the end of clause
8 (i), by striking the period at the end of clause (ii)
9 and inserting “, and”, and by adding at the end the
10 following new clause:

11 “(iii) in the case of a qualified resi-
12 dential energy efficiency assistance bond, a
13 purpose specified in section 54D(a)(1).”.

14 (3) The table of sections for subpart I of part
15 IV of subchapter A of chapter 1, as amended by this
16 Act, is amended by adding at the end the following
17 new item:

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

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

21 **SEC. 213. EXTENSION OF ENERGY EFFICIENT COMMERCIAL**
22 **BUILDINGS DEDUCTION.**

23 Subsection (h) of section 179D (relating to termi-
24 nation) is amended by striking “December 31, 2008” and
25 inserting “December 31, 2013”.

1 **SEC. 214. MODIFICATIONS OF ENERGY EFFICIENT APPLI-**
2 **ANCE CREDIT FOR APPLIANCES PRODUCED**
3 **AFTER 2007.**

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

6 “(b) APPLICABLE AMOUNT.—For purposes of sub-
7 section (a)—

8 “(1) DISHWASHERS.—The applicable amount
9 is—

10 “(A) \$45 in the case of a dishwasher which
11 is manufactured in calendar year 2008 or 2009
12 and which uses no more than 324 kilowatt
13 hours per year and 5.8 gallons per cycle, and

14 “(B) \$75 in the case of a dishwasher
15 which is manufactured in calendar year 2008,
16 2009, or 2010 and which uses no more than
17 307 kilowatt hours per year and 5.0 gallons per
18 cycle (5.5 gallons per cycle for dishwashers de-
19 signed for greater than 12 place settings).

20 “(2) CLOTHES WASHERS.—The applicable
21 amount is—

22 “(A) \$75 in the case of a residential top-
23 loading clothes washer manufactured in cal-
24 endar year 2008 which meets or exceeds a 1.72
25 modified energy factor and does not exceed a
26 8.0 water consumption factor,

1 “(B) \$125 in the case of a residential top-
2 loading clothes washer manufactured in cal-
3 endar year 2008 or 2009 which meets or ex-
4 ceeds a 1.8 modified energy factor and does not
5 exceed a 7.5 water consumption factor,

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

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

16 “(3) REFRIGERATORS.—The applicable amount
17 is—

18 “(A) \$50 in the case of a refrigerator
19 which is manufactured in calendar year 2008,
20 and consumes at least 20 percent but not more
21 than 22.9 percent less kilowatt hours per year
22 than the 2001 energy conservation standards,

23 “(B) \$75 in the case of a refrigerator
24 which is manufactured in calendar year 2008 or
25 2009, and consumes at least 23 percent but no

1 more than 24.9 percent less kilowatt hours per
2 year than the 2001 energy conservation stand-
3 ards,

4 “(C) \$100 in the case of a refrigerator
5 which is manufactured in calendar year 2008,
6 2009 or 2010, and consumes at least 25 per-
7 cent but not more than 29.9 percent less kilo-
8 watt hours per year than the 2001 energy con-
9 servation standards, and

10 “(D) \$200 in the case of a refrigerator
11 manufactured in calendar year 2008, 2009 or
12 2010 and which consumes at least 30 percent
13 less energy than the 2001 energy conservation
14 standards.

15 “(4) DEHUMIDIFIERS.—The applicable amount
16 is—

17 “(A) \$15 in the case of a dehumidifier
18 manufactured in calendar year 2008 that has a
19 capacity less than or equal to 45 pints per day
20 and is 7.5 percent more efficient than the appli-
21 cable Department of Energy energy conserva-
22 tion standard effective October 2012, and

23 “(B) \$25 in the case of a dehumidifier
24 manufactured in calendar year 2008 that has a
25 capacity greater than 45 pints per day and is

1 7.5 percent more efficient than the applicable
2 Department of Energy energy conservation
3 standard effective October 2012.”.

4 (b) ELIGIBLE PRODUCTION.—

5 (1) SIMILAR TREATMENT FOR ALL APPLI-
6 ANCES.—Subsection (c) of section 45M (relating to
7 eligible production) is amended—

8 (A) by striking paragraph (2),

9 (B) by striking “(1) IN GENERAL” and all
10 that follows through “the eligible” and inserting
11 “The eligible”, and

12 (C) by moving the text of such subsection
13 in line with the subsection heading and redesignig-
14 nating subparagraphs (A) and (B) as para-
15 graphs (1) and (2), respectively.

16 (2) MODIFICATION OF BASE PERIOD.—Para-
17 graph (2) of section 45M(c), as amended by para-
18 graph (1) of this section, is amended by striking “3-
19 calendar year” and inserting “2-calendar year”.

20 (c) TYPES OF ENERGY EFFICIENT APPLIANCES.—

21 Subsection (d) of section 45M (defining types of energy
22 efficient appliances) is amended to read as follows:

23 “(d) TYPES OF ENERGY EFFICIENT APPLIANCE.—

24 For purposes of this section, the types of energy efficient
25 appliances are—

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

2 “(2) clothes washers described in subsection

3 (b)(2),

4 “(3) refrigerators described in subsection

5 (b)(3), and

6 “(4) dehumidifiers described in subsection

7 (b)(4).”.

8 (d) AGGREGATE CREDIT AMOUNT ALLOWED.—

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

12 “(1) AGGREGATE CREDIT AMOUNT ALLOWED.—

13 The aggregate amount of credit allowed under sub-

14 section (a) with respect to a taxpayer for any tax-

15 able year shall not exceed \$75,000,000 reduced by

16 the amount of the credit allowed under subsection

17 (a) to the taxpayer (or any predecessor) for all prior

18 taxable years beginning after December 31, 2007.”.

19 (2) EXCEPTION FOR CERTAIN REFRIGERATOR

20 AND CLOTHES WASHERS.—Paragraph (2) of section

21 45M(e) is amended to read as follows:

22 “(2) AMOUNT ALLOWED FOR CERTAIN REFRIG-

23 ERATORS AND CLOTHES WASHERS.—Refrigerators

24 described in subsection (b)(3)(D) and clothes wash-

1 ers described in subsection (b)(2)(D) shall not be
2 taken into account under paragraph (1).”.

3 (e) QUALIFIED ENERGY EFFICIENT APPLIANCES.—

4 (1) IN GENERAL.—Paragraph (1) of section
5 45M(f) (defining qualified energy efficient appliance)
6 is amended to read as follows:

7 “(1) QUALIFIED ENERGY EFFICIENT APPLI-
8 ANCE.—The term ‘qualified energy efficient appli-
9 ance’ means—

10 “(A) any dishwasher described in sub-
11 section (b)(1),

12 “(B) any clothes washer described in sub-
13 section (b)(2),

14 “(C) any refrigerator described in sub-
15 section (b)(3), and

16 “(D) any dehumidifier described in sub-
17 section (b)(4).”.

18 (2) CLOTHES WASHER.—Section 45M(f)(3) (de-
19 fining clothes washer) is amended by inserting
20 “commercial” before “residential” the second place
21 it appears.

22 (3) TOP-LOADING CLOTHES WASHER.—Sub-
23 section (f) of section 45M (relating to definitions) is
24 amended by redesignating paragraphs (4), (5), (6),
25 and (7) as paragraphs (5), (6), (7), and (8), respec-

1 tively, and by inserting after paragraph (3) the fol-
2 lowing new paragraph:

3 “(4) TOP-LOADING CLOTHES WASHER.—The
4 term “top-loading clothes washer” means a clothes
5 washer which has the clothes container compartment
6 access located on the top of the machine and which
7 operates on a vertical axis.”.

8 (4) DEHUMIDIFIER.—Subsection (f) of section
9 45M, as amended by paragraph (3), is amended by
10 redesignating paragraphs (6), (7), and (8) as para-
11 graphs (7), (8) and (9), respectively, and by insert-
12 ing after paragraph (5) the following new para-
13 graph:

14 “(6) DEHUMIDIFIER.—The term ‘dehumidifier’
15 means a self-contained, electrically operated, and
16 mechanically refrigerated encased assembly con-
17 sisting of—

18 “(A) a refrigerated surface that condenses
19 moisture from the atmosphere,

20 “(B) a refrigerating system, including an
21 electric motor,

22 “(C) an air-circulating fan, and

23 “(D) means for collecting or disposing of
24 condensate.”.

1 (5) REPLACEMENT OF ENERGY FACTOR.—Sec-
2 tion 45M(f)(7), as amended by paragraph (4), is
3 amended to read as follows:

4 “(7) MODIFIED ENERGY FACTOR.—The term
5 ‘modified energy factor’ means the modified energy
6 factor established by the Department of Energy for
7 compliance with the Federal energy conservation
8 standard.”.

9 (6) GALLONS PER CYCLE; WATER CONSUMP-
10 TION FACTOR.—Section 45M(f) (relating to defini-
11 tions) is amended by adding at the end the fol-
12 lowing:

13 “(10) GALLONS PER CYCLE.—The term ‘gallons
14 per cycle’ means, with respect to a dishwasher, the
15 amount of water, expressed in gallons, required to
16 complete a normal cycle of a dishwasher.

17 “(11) WATER CONSUMPTION FACTOR.—The
18 term ‘water consumption factor’ means, with respect
19 to a clothes washer, the quotient of the total weight-
20 ed per-cycle water consumption divided by the cubic
21 foot (or liter) capacity of the clothes washer.”.

22 (f) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to appliances produced after De-
24 cember 31, 2007.

1 **SEC. 215. FIVE-YEAR APPLICABLE RECOVERY PERIOD FOR**
2 **DEPRECIATION OF QUALIFIED ENERGY MAN-**
3 **AGEMENT DEVICES.**

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

9 “(vii) any qualified energy manage-
10 ment device.”.

11 (b) DEFINITION OF QUALIFIED ENERGY MANAGE-
12 MENT DEVICE.—Section 168(i) (relating to definitions
13 and special rules) is amended by inserting at the end the
14 following new paragraph:

15 “(18) QUALIFIED ENERGY MANAGEMENT DE-
16 VICE.—

17 “(A) IN GENERAL.—The term ‘qualified
18 energy management device’ means any energy
19 management device which is installed on real
20 property of a customer of the taxpayer and is
21 placed in service by a taxpayer who—

22 “(i) is a supplier of electric energy or
23 a provider of electric energy services, and

24 “(ii) provides all commercial and resi-
25 dential customers of such supplier or pro-

1 vider with net metering upon the request
2 of such customer.

3 “(B) ENERGY MANAGEMENT DEVICE.—
4 For purposes of subparagraph (A), the term
5 ‘energy management device’ means any time-
6 based meter and related communication equip-
7 ment which is capable of being used by the tax-
8 payer as part of a system that—

9 “(i) measures and records electricity
10 usage data on a time-differentiated basis
11 in at least 24 separate time segments per
12 day,

13 “(ii) provides for the exchange of in-
14 formation between supplier or provider and
15 the customer’s energy management device
16 in support of time-based rates or other
17 forms of demand response, and

18 “(iii) provides data to such supplier or
19 provider so that the supplier or provider
20 can provide energy usage information to
21 customers electronically.

22 “(C) NET METERING.—For purposes of
23 subparagraph (A), the term ‘net metering’
24 means allowing customers a credit for providing
25 electricity to the supplier or provider.”.

1 (c) 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 **TITLE III—REVENUE**
5 **PROVISIONS**
6 **Subtitle A—Denial of Oil and Gas**
7 **Tax Benefits**

8 **SEC. 301. DENIAL OF DEDUCTION FOR INCOME ATTRIB-**
9 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**
10 **NATURAL GAS, OR PRIMARY PRODUCTS**
11 **THEREOF.**

12 (a) IN GENERAL.—Subparagraph (B) of section
13 199(c)(4) (relating to exceptions) is amended by striking
14 “or” at the end of clause (ii), by striking the period at
15 the end of clause (iii) and inserting “, or”, and by insert-
16 ing after clause (iii) the following new clause:

17 “(iv) the sale, exchange, or other dis-
18 position of oil, natural gas, or any primary
19 product thereof.”.

20 (b) PRIMARY PRODUCT.—Section 199(c)(4)(B) is
21 amended by adding at the end the following flush sen-
22 tence:

23 “For purposes of clause (iv), the term ‘primary
24 product’ has the same meaning as when used in

1 section 927(a)(2)(C), as in effect before its re-
2 peal.”.

3 (c) CONFORMING AMENDMENTS.—Section 199(c)(4)
4 is amended—

5 (1) in subparagraph (A)(i)(III) by striking
6 “electricity, natural gas,” and inserting “electricity”,
7 and

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

10 (d) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2007.

13 **SEC. 302. 7-YEAR AMORTIZATION OF GEOLOGICAL AND**
14 **GEOPHYSICAL EXPENDITURES FOR CERTAIN**
15 **MAJOR INTEGRATED OIL COMPANIES.**

16 (a) IN GENERAL.—Subparagraph (A) of section
17 167(h)(5) (relating to special rule for major integrated oil
18 companies) is amended by striking “5-year” and inserting
19 “7-year”.

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

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

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

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

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

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

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

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

1 respect to the same mineral (taking into ac-
2 count source, location, quality, and chemical
3 composition).”.

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

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

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

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

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

23 (d) CONFORMING AMENDMENTS.—

24 (1) Subparagraph (C) of section 907(c)(1), as
25 redesignated by this section, is amended by inserting

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

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

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

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

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

13 **SEC. 311. CLARIFICATION OF ELIGIBILITY FOR RENEW-** 14 **ABLE DIESEL CREDIT.**

15 (a) COPRODUCTION WITH PETROLEUM FEED-
16 STOCK.—

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

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

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

4 (b) CLARIFICATION OF ELIGIBILITY FOR ALTER-
5 NATIVE FUEL CREDIT.—

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

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

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

16 (c) EFFECTIVE DATE.—

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

21 (2) CLARIFICATION OF ELIGIBILITY FOR AL-
22 TERNATIVE FUEL CREDIT.—The amendment made
23 by subsection (b) shall take effect as if included in
24 section 11113 of the Safe, Accountable, Flexible, Ef-

1 efficient Transportation Equity Act: A Legacy for
2 Users.

3 **SEC. 312. CLARIFICATION THAT CREDITS FOR FUEL ARE**
4 **DESIGNED TO PROVIDE AN INCENTIVE FOR**
5 **UNITED STATES PRODUCTION.**

6 (a) BIODIESEL FUELS CREDIT.—Paragraph (5) of
7 section 40A(d), as added by subsection (c), is amended
8 to read as follows:

9 “(5) LIMITATION TO BIODIESEL WITH CONNEC-
10 TION TO THE UNITED STATES.—No credit shall be
11 determined under this section with respect to any
12 biodiesel unless—

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

16 “(B) the taxpayer obtains a certification
17 (in such form and manner as prescribed by the
18 Secretary) from the producer of the biodiesel
19 which identifies the product produced and the
20 location of such production.

21 For purposes of this paragraph, the term ‘United
22 States’ includes any possession of the United
23 States.”.

1 (b) EXCISE TAX CREDIT.—Paragraph (2) of section
2 6426(h), as added by subsection (c), is amended to read
3 as follows:

4 “(2) BIODIESEL AND ALTERNATIVE FUELS.—
5 No credit shall be determined under this section
6 with respect to any biodiesel or alternative fuel un-
7 less—

8 “(A) such biodiesel or alternative fuel is
9 produced in the United States for use as a fuel
10 in the United States, and

11 “(B) the taxpayer obtains a certification
12 (in such form and manner as prescribed by the
13 Secretary) from the producer of such biodiesel
14 or alternative fuel which identifies the product
15 produced and the location of such production.”.

16 (c) PROVISIONS CLARIFYING TREATMENT OF FUELS
17 WITH NO NEXUS TO THE UNITED STATES.—

18 (1) ALCOHOL FUELS CREDIT.—Subsection (d)
19 of section 40 is amended by adding at the end the
20 following new paragraph:

21 “(6) LIMITATION TO ALCOHOL WITH CONNEC-
22 TION TO THE UNITED STATES.—No credit shall be
23 determined under this section with respect to any al-
24 cohol which is produced outside the United States
25 for use as a fuel outside the United States. For pur-

1 poses of this paragraph, the term ‘United States’ in-
2 cludes any possession of the United States”.

3 (2) BIODIESEL FUELS CREDIT.—Subsection (d)
4 of section 40A is amended by adding at the end the
5 following new paragraph:

6 “(5) LIMITATION TO BIODIESEL WITH CONNec-
7 TION TO THE UNITED STATES.—No credit shall be
8 determined under this section with respect to any
9 biodiesel which is produced outside the United
10 States for use as a fuel outside the United States.
11 For purposes of this paragraph, the term ‘United
12 States’ includes any possession of the United
13 States”.

14 (3) EXCISE TAX CREDIT.—

15 (A) IN GENERAL.—Section 6426 is amend-
16 ed by adding at the end the following new sub-
17 section:

18 “(h) LIMITATION TO FUELS WITH CONNECTION TO
19 THE UNITED STATES.—

20 “(1) ALCOHOL.—No credit shall be determined
21 under this section with respect to any alcohol which
22 is produced outside the United States for use as a
23 fuel outside the United States.

24 “(2) BIODIESEL AND ALTERNATIVE FUELS.—
25 No credit shall be determined under this section

1 with respect to any biodiesel or alternative fuel
2 which is produced outside the United States for use
3 as a fuel outside the United States.

4 For purposes of this subsection, the term ‘United States’
5 includes any possession of the United States.”.

6 (B) CONFORMING AMENDMENT.—Sub-
7 section (e) of section 6427 is amended by redес-
8 ignating paragraph (5) as paragraph (6) and by
9 inserting after paragraph (4) the following new
10 paragraph:

11 “(5) LIMITATION TO FUELS WITH CONNECTION
12 TO THE UNITED STATES.—No amount shall be pay-
13 able under paragraph (1) or (2) with respect to any
14 mixture or alternative fuel if credit is not allowed
15 with respect to such mixture or alternative fuel by
16 reason of section 6426(h).”.

17 (d) EFFECTIVE DATE.—

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

22 (2) PROVISIONS CLARIFYING TREATMENT OF
23 FUELS WITH NO NEXUS TO THE UNITED STATES.—

24 (A) IN GENERAL.—Except as otherwise
25 provided in this paragraph, the amendments

1 made by subsection (c) shall take effect as if in-
2 cluded in section 301 of the American Jobs
3 Creation Act of 2004.

4 (B) ALTERNATIVE FUEL CREDITS.—So
5 much of the amendments made by subsection
6 (c) as relate to the alternative fuel credit or the
7 alternative fuel mixture credit shall take effect
8 as if included in section 11113 of the Safe, Ac-
9 countable, Flexible, Efficient Transportation
10 Equity Act: A Legacy for Users.

11 (C) RENEWABLE DIESEL.—So much of the
12 amendments made by subsection (c) as relate to
13 renewable diesel shall take effect as if included
14 in section 1346 of the Energy Policy Act of
15 2005.

16 **TITLE IV—OTHER PROVISIONS**

17 **Subtitle A—Studies**

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

19 (a) STUDY.—The Secretary of the Treasury shall
20 enter into an agreement with the National Academy of
21 Sciences to undertake a comprehensive review of the Inter-
22 nal Revenue Code of 1986 to identify the types of and
23 specific tax provisions that have the largest effects on car-
24 bon and other greenhouse gas emissions and to estimate
25 the magnitude of those effects.

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

5 (c) AUTHORIZATION OF APPROPRIATIONS.—There is
6 authorized to be appropriated to carry out this section
7 \$1,500,000 for the period of fiscal years 2008 and 2009.

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

9 (a) STUDY.—The Secretary of the Treasury, in con-
10 sultation with the Secretary of Agriculture, the Secretary
11 of Energy, and the Administrator of the Environmental
12 Protection Agency, shall enter into an agreement with the
13 National Academy of Sciences to produce an analysis of
14 current scientific findings to determine—

15 (1) current biofuels production, as well as pro-
16 jections for future production,

17 (2) the maximum amount of biofuels production
18 capable on United States farmland,

19 (3) the domestic effects of a dramatic increase
20 in biofuels production, for example—

21 (A) the price of fuel,

22 (B) the price of land in rural and subur-
23 ban communities,

24 (C) crop acreage and other land use,

1 (D) the environment, due to changes in
2 crop acreage, fertilizer use, runoff, water use,
3 emissions from vehicles utilizing biofuels, and
4 other factors,

5 (E) the price of feed,

6 (F) the selling price of grain crops,

7 (G) exports and imports of grains,

8 (H) taxpayers, through cost or savings to
9 commodity crop payments, and

10 (I) the expansion of refinery capacity,

11 (4) the ability to convert corn ethanol plants for
12 other uses, such as cellulosic ethanol or biodiesel,

13 (5) a comparative analysis of corn ethanol
14 versus other biofuels and renewable energy sources,
15 considering cost, energy output, and ease of imple-
16 mentation, and

17 (6) the need for additional scientific inquiry,
18 and specific areas of interest for future research.

19 (b) REPORT.—The National Academy of Sciences
20 shall submit an initial report of the findings of the report
21 required under subsection (a) to the Congress not later
22 than 3 months after the date of the enactment of this Act,
23 and a final report not later than 6 months after such date
24 of enactment.

1 **Subtitle B—Application of Certain**
2 **Labor Standards on Projects Fi-**
3 **nanced Under Tax Credit Bonds**

4 **SEC. 411. APPLICATION OF CERTAIN LABOR STANDARDS**
5 **ON PROJECTS FINANCED UNDER TAX CREDIT**
6 **BONDS.**

7 Subchapter IV of chapter 31 of title 40, United
8 States Code, shall apply to projects financed with the pro-
9 ceeds of any tax credit bond (as defined in section 54A
10 of the Internal Revenue Code of 1986).

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