

110TH CONGRESS
2D SESSION

S. _____

To reduce gas prices, to lessen the dependence of the United States on foreign oil, to strengthen the economy of the United States, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. CONRAD (for himself, Mr. CHAMBLISS, Ms. LANDRIEU, Mr. GRAHAM, Mrs. LINCOLN, Mr. ISAKSON, Mr. NELSON of Nebraska, Mr. THUNE, Mr. PRYOR, and Mr. CORKER) introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To reduce gas prices, to lessen the dependence of the United States on foreign oil, to strengthen the economy of the United States, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “New Energy Reform Act of 2008”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

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TITLE I—NATIONAL COMMISSION ON ENERGY INDEPENDENCE

- Sec. 101. Establishment of Commission.
- Sec. 102. Purpose.
- Sec. 103. Composition of Commission.
- Sec. 104. Functions of Commission.
- Sec. 105. Powers of Commission.
- Sec. 106. Reports.
- Sec. 107. Staff of Commission.
- Sec. 108. Compensation and travel expenses.
- Sec. 109. Meetings.
- Sec. 110. Authorization of appropriations.

TITLE II—APOLLO PROJECT FOR CONVERSION OF MOTOR
VEHICLES TO ALTERNATIVE FUELS

- Sec. 201. Sense of Senate on conversion of motor vehicles to alternative fuels and energy independence.
- Sec. 202. Consumer tax credits for advanced vehicles.
- Sec. 203. Transition assistance for American automobile manufacturers.
- Sec. 204. Research and development program for alternative fuel vehicle technologies.
- Sec. 205. Federal fleet requirements.

TITLE III—ENHANCED CONSERVATION AND EFFICIENCY

Subtitle A—Enhancing Efficiency of Conventional Vehicles

PART I—GENERAL PROVISIONS

- Sec. 301. Lightweight materials research and development.
- Sec. 302. Federal Government gasoline consumption.

PART II—TAX PROVISIONS

- Sec. 311. Credit for Fuel-efficient motor vehicles.
- Sec. 312. Exclusion from heavy truck tax for idling reduction units and advanced insulation.
- Sec. 313. Idling reduction tax credit.
- Sec. 314. Determination of certification standards by Secretary of Energy for certifying idling reduction devices.
- Sec. 315. Extension and modification of alternative motor vehicle credit.

Subtitle B—Alternative Fuels and Biofuels

PART I—GENERAL PROVISIONS

- Sec. 321. Bioenergy research and development.
- Sec. 322. Alternative fueled automobile production requirement.
- Sec. 323. Definition of renewable biomass.
- Sec. 324. Loan guarantees for renewable energy pipelines.

PART II—TAX PROVISIONS

- Sec. 330. Reference.
- Sec. 331. Expansion of special allowance to cellulosic biomass alcohol fuel plant property.
- Sec. 332. Credit for producers of fossil free alcohol.

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- Sec. 333. Extension and modification of credit for biodiesel used as fuel.
- Sec. 334. Extension and modification of alternative fuel credit.
- Sec. 335. Extension of suspension of taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.
- Sec. 336. Extension and modification of election to expense certain refineries.
- Sec. 337. Hydrogen installation, infrastructure, and fuel costs.
- Sec. 338. Alternative fuel vehicle refueling property credit.
- Sec. 339. Certain income and gains relating to alcohol fuels and mixtures, biodiesel fuels and mixtures, and alternative fuels and mixtures treated as qualifying income for publicly traded partnerships.

Subtitle C—Other Provisions

PART I—GENERAL PROVISIONS

- Sec. 341. Energy efficiency and conservation block grants.
- Sec. 342. Clean Energy corridors.
- Sec. 343. Weatherization Assistance Program for Low-Income Persons.

PART II—TAX PROVISIONS

- Sec. 350. Reference.

SUBPART A—RENEWABLE ENERGY INCENTIVES

- Sec. 351. Renewable energy credit.
- Sec. 352. Production credit for electricity produced from marine renewables.
- Sec. 353. Energy credit.
- Sec. 354. Credit for residential energy efficient property.
- Sec. 355. Special rule to implement FERC and State electric restructuring policy.
- Sec. 356. New clean renewable energy bonds.

SUBPART B—CARBON MITIGATION PROVISIONS

- Sec. 361. Expansion and modification of advanced coal project investment credit.
- Sec. 362. Expansion and modification of coal gasification investment credit.
- Sec. 363. Temporary increase in coal excise tax.
- Sec. 364. Special rules for refund of the coal excise tax to certain coal producers and exporters.
- Sec. 365. Carbon audit of the tax code.

SUBPART C—ENERGY CONSERVATION AND EFFICIENCY

- Sec. 371. Qualified energy conservation bonds.
- Sec. 372. Credit for nonbusiness energy property.
- Sec. 373. Energy efficient commercial buildings deduction.
- Sec. 374. Modifications of energy efficient appliance credit for appliances produced after 2007.
- Sec. 375. Accelerated recovery period for depreciation of smart meters and smart grid systems.
- Sec. 376. Qualified green building and sustainable design projects.
- Sec. 377. Special depreciation allowance for certain reuse and recycling property.

SUBPART D—GEOTHERMAL INCENTIVES

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Sec. 381. Energy credit for geothermal heat pump systems.

Sec. 382. 3-year accelerated depreciation period for geothermal heat pump systems.

TITLE IV—INCREASED DOMESTIC PRODUCTION

Subtitle A—Outer Continental Shelf

Sec. 401. Production of oil and gas on outer Continental Shelf.

Sec. 402. Lease rental and royalty payments.

Sec. 403. OCS Joint permitting offices.

Subtitle B—Coal-to-Liquid Fuel

Sec. 411. Coal-to-liquid fuel.

Subtitle C—Nuclear Power

Sec. 421. Nuclear Regulatory Commission.

Sec. 422. Nuclear energy workforce.

Sec. 423. Interagency Working Group to promote domestic manufacturing base for nuclear components and equipment.

Sec. 424. Spent fuel recycling program.

Sec. 425. Standby support for certain nuclear plant delays.

Sec. 426. Incentives for innovative technologies.

Subtitle D—Tax Provisions

Sec. 431. Tax credit for carbon dioxide sequestration.

Sec. 432. 5-year accelerated depreciation for new nuclear power facilities.

TITLE V—OFFSETS

Subtitle A—Manufacturing Deduction for Oil and Natural Gas Production

Sec. 501. Limitation of deduction for income attributable to domestic production of oil, gas, or primary products thereof.

Subtitle B—Tax on Crude Oil and Natural Gas Produced From the Outer Continental Shelf in the Gulf of Mexico

Sec. 511. Tax on crude oil and natural gas produced from the outer Continental Shelf in the Gulf of Mexico.

1 SEC. 2. DEFINITIONS.

2 In this Act:

3 (1) **ALTERNATIVE FUEL.**—The term “alter-
4 native fuel” has the meaning given the term in sec-
5 tion 32901(a) of title 49, United States Code.

6 (2) **SECRETARY.**—The term “Secretary” means
7 the Secretary of Energy.

1 **TITLE I—NATIONAL COMMIS-**
2 **SION ON ENERGY INDEPEND-**
3 **ENCE**

4 **SEC. 101. ESTABLISHMENT OF COMMISSION.**

5 There is established in the legislative branch the Na-
6 tional Commission on Energy Independence (referred to
7 in this title as the “Commission”).

8 **SEC. 102. PURPOSE.**

9 The purpose of the Commission is to study and make
10 recommendations to Congress and the President to remove
11 technical obstacles and policy barriers for the United
12 States to achieve independence from foreign oil.

13 **SEC. 103. COMPOSITION OF COMMISSION.**

14 (a) MEMBERS.—The Commission shall be composed
15 of 12 members, of whom—

16 (1) 1 member shall be jointly appointed by the
17 Majority Leader of the Senate and the Speaker of
18 the House of Representatives, who shall serve as
19 Chairperson of the Commission;

20 (2) 1 member shall be jointly appointed by the
21 Minority Leader of the Senate and the Minority
22 Leader of the House of Representatives, who shall
23 serve as Vice-Chairperson of the Commission;

24 (3)(A) 1 member shall be jointly appointed by
25 the Chair and Ranking Member of the Committee on

1 the Environment and Public Works of the Senate;
2 and

3 (B) 1 member shall be jointly appointed by the
4 Chair and Ranking Member of the Committee on
5 Natural Resources of the House of Representatives,
6 in consultation with the Select Committee on Energy
7 Independence and Global Warming of the House of
8 Representatives;

9 (4)(A) 1 member shall be jointly appointed by
10 the Chair and Ranking Member of the Committee on
11 Energy and Natural Resources of the Senate; and

12 (B) 1 member shall be jointly appointed by the
13 Chair and Ranking Member of the Committee on
14 Energy and Commerce of the House of Representa-
15 tives;

16 (5)(A) 1 member shall be jointly appointed by
17 the Chair and Ranking Member of the Committee on
18 Commerce, Science and Transportation of the Sen-
19 ate; and

20 (B) 1 member shall be jointly appointed by the
21 Chair and Ranking Member of the Committee on
22 Science and Technology of the House of Representa-
23 tives and the Committee on Transportation and In-
24 frastructure of the House of Representatives;

1 (6)(A) 1 member shall be jointly appointed by
2 the Chair and Ranking Member of the Committee on
3 Agriculture, Nutrition and Forestry of the Senate;
4 and

5 (B) 1 member shall be jointly appointed by the
6 Chair and Ranking Member of the Committee on
7 Agriculture of the House of Representatives; and

8 (7)(A) 1 member shall be jointly appointed by
9 the Chair and Ranking Member of the Committee on
10 Finance of the Senate; and

11 (B) 1 member shall be jointly appointed by the
12 Chair and Ranking Member of the Committee on
13 Ways and Means of the House of Representatives.

14 (b) QUALIFICATIONS; INITIAL MEETING.—

15 (1) POLITICAL PARTY AFFILIATION.—Each ap-
16 pointment to the Commission shall be made without
17 regard to political party affiliation and on a non-
18 partisan basis.

19 (2) NONGOVERNMENTAL APPOINTEES.—An in-
20 dividual appointed to the Commission may not be an
21 officer or employee of the Federal Government or
22 any State or local government—

23 (A) on the date on which the individual is
24 appointed to the Commission; or

1 (B) at any time during the term of service
2 on the Commission of the individual.

3 (3) OTHER QUALIFICATIONS.—It is the sense of
4 Congress that individuals appointed to the Commis-
5 sion should be prominent United States citizens,
6 with national recognition and significant depth of ex-
7 perience in such professions as governmental service,
8 science, energy, economics, environment, agriculture,
9 manufacturing, public administration, or commerce
10 (including aviation matters).

11 (4) DEADLINE FOR APPOINTMENT.—Each
12 member of the Commission shall be appointed not
13 later than 90 days after the date of enactment of
14 this Act.

15 (c) MEETINGS.—

16 (1) INITIAL MEETING.—The Commission shall
17 hold the initial meeting of the Commission as soon
18 as practicable, and not later than 60 days, after the
19 date on which all members of the Commission are
20 appointed.

21 (2) SUBSEQUENT MEETINGS.—After the initial
22 meeting under paragraph (1), the Commission shall
23 meet at the call of—

24 (A) the Chairperson; or

1 (B) a majority of the members of the Com-
2 mission.

3 (d) QUORUM.—7 members of the Commission shall
4 constitute a quorum.

5 (e) VACANCIES.—A vacancy on the Commission—

6 (1) shall not affect the powers of the Commis-
7 sion; and

8 (2) shall be filled in the same manner in which
9 the original appointment was made.

10 **SEC. 104. FUNCTIONS OF COMMISSION.**

11 The functions of the Commission are—

12 (1) to examine, study, and evaluate the tech-
13 nical obstacles and policy barriers that need to be
14 addressed in order for the United States to achieve
15 independence from foreign oil through a balanced
16 combination of—

17 (A) increased domestic production of en-
18 ergy;

19 (B) enhanced energy conservation and effi-
20 ciency; and

21 (C) the accelerated development of alter-
22 native fuels and technologies to transition the
23 United States motor vehicle fleet away from re-
24 liance on petroleum-based fuels;

1 (2) to investigate matters that relate to achiev-
2 ing independence from foreign oil, such as—

3 (A) carbon capture and storage;

4 (B) nuclear and renewable energy; and

5 (C) the need for upgrading and
6 transitioning the national grid and other energy
7 infrastructure; and

8 (3) to submit to Congress and the President
9 such reports as are required by section 106 con-
10 taining such findings, conclusions, and recommenda-
11 tions as the Commission shall determine to be nec-
12 essary to advise and assist Congress and the Presi-
13 dent in developing legislation, procedures, rules, and
14 regulations relating to the removal of technical ob-
15 stacles and policy barriers to achieve independence
16 from foreign oil.

17 **SEC. 105. POWERS OF COMMISSION.**

18 (a) IN GENERAL.—

19 (1) RULES.—The Commission may establish
20 such rules and regulations relating to administrative
21 procedures as are reasonably necessary to enable the
22 Commission to carry out this title.

23 (2) HEARINGS AND EVIDENCE.—The Commis-
24 sion or, on the authority of the Commission, any
25 subcommittee or member of the Commission may,

1 for the purpose of carrying out this title, hold such
2 hearings and sit and act at such times and places,
3 take such testimony, receive such evidence, and ad-
4 minister such oaths as the Commission determines
5 to be appropriate.

6 (b) CONTRACTING.—To the extent amounts are made
7 available in appropriations Acts, the Commission may
8 enter into contracts to assist the Commission in carrying
9 out the duties of the Commission under this title.

10 (c) INFORMATION FROM FEDERAL AGENCIES.—

11 (1) IN GENERAL.—The Commission may secure
12 directly from a Federal agency such information,
13 suggestions, estimates, and statistics as the Commis-
14 sion considers to be necessary to carry out this title.

15 (2) PROVISION OF INFORMATION.—On request
16 of the Commission, the head of the agency shall pro-
17 vide the information, suggestions, estimates, and
18 statistics to the Commission.

19 (3) TREATMENT.—Information provided to the
20 Commission under this paragraph shall be received,
21 handled, stored, and disseminated by members and
22 staff of the Commission in accordance with applica-
23 ble law (including regulations) and Executive orders.

24 (d) ASSISTANCE FROM FEDERAL AGENCIES.—

1 (1) GENERAL SERVICES ADMINISTRATION.—

2 The Administrator of General Services shall provide
3 to the Commission, on a reimbursable basis, admin-
4 istrative support and other services to assist the
5 Commission in carrying out the duties of the Com-
6 mission under this title.

7 (2) OTHER DEPARTMENTS AND AGENCIES.—In

8 addition to the assistance described in paragraph
9 (1), any other Federal department or agency may
10 provide to the Commission such services, funds, fa-
11 cilities, staff, and other support as the head of the
12 department or agency determines to be appropriate.

13 (e) GIFTS.—The Commission may accept, use, and
14 dispose of gifts or donations of services or property only
15 in accordance with the ethical rules applicable to congres-
16 sional officers and employees.

17 (f) VOLUNTEER SERVICES.—

18 (1) IN GENERAL.—Notwithstanding section
19 1342 of title 31, United States Code, the Commis-
20 sion may accept and use the services of volunteers
21 serving without compensation.

22 (2) REIMBURSEMENT.—The Commission may
23 reimburse a volunteer for office supplies, local travel
24 expenses, and other travel expenses, including per

1 diem in lieu of subsistence, in accordance with sec-
2 tion 5703 of title 5, United States Code.

3 (3) TREATMENT.—A volunteer of the Commis-
4 sion shall be considered to be an employee of the
5 Federal Government in carrying out activities for
6 the Commission, for purposes of—

7 (A) chapter 81 of title 5, United States
8 Code;

9 (B) chapter 11 of title 18, United States
10 Code; and

11 (C) chapter 171 of title 28, United States
12 Code.

13 (g) POSTAL SERVICES.—The Commission may use
14 the United States mails in the same manner and under
15 the same conditions as other agencies of the Federal Gov-
16 ernment.

17 **SEC. 106. REPORTS.**

18 Not later than 1 year after the date on which all
19 members of the Commission are appointed under section
20 103 and each year thereafter, the Commission shall sub-
21 mit to Congress and the President a report that contains
22 the findings, conclusions, and recommendations of the
23 Commission to remove the technical obstacles and policy
24 barriers that need to be addressed in order for the United

1 States to achieve independence from foreign oil and ad-
2 dress related matters in accordance with section 103.

3 **SEC. 107. STAFF OF COMMISSION.**

4 (a) IN GENERAL.—The Chairperson of the Commis-
5 sion (in consultation with the Vice-Chairperson of the
6 Commission) may, without regard to the civil service laws
7 (including regulations), appoint and terminate a staff di-
8 rector and such other additional personnel as are nec-
9 essary to enable the Commission to perform the duties of
10 the Commission.

11 (b) COMPENSATION.—

12 (1) IN GENERAL.—Except as provided in clause
13 (ii), the Chairperson of the Commission may fix the
14 compensation of the staff director and other per-
15 sonnel without regard to the provisions of chapter
16 51 and subchapter III of chapter 53 of title 5,
17 United States Code, relating to classification of posi-
18 tions and General Schedule pay rates.

19 (2) MAXIMUM RATE OF PAY.—The rate of pay
20 for the staff director and other personnel shall not
21 exceed the rate payable for level IV of the Executive
22 Schedule under section 5316 of title 5, United
23 States Code.

24 (c) STATUS.—The staff director and any employee
25 (not including any member) of the Commission shall be

1 considered to be employees under section 2105 of title 5,
2 United States Code, for purposes of chapters 63, 81, 83,
3 84, 85, 87, 89, and 90 of that title.

4 (d) **CONSULTANT SERVICES.**—The Commission may
5 procure the services of experts and consultants in accord-
6 ance with section 3109 of title 5, United States Code, at
7 rates not to exceed the daily rate paid to an individual
8 occupying a position at level IV of the Executive Schedule
9 under section 5315 of title 5, United States Code.

10 **SEC. 108. COMPENSATION AND TRAVEL EXPENSES.**

11 (a) **COMPENSATION OF MEMBERS.**—A member of the
12 Commission shall be compensated at a rate equal to the
13 daily equivalent of the annual rate of basic pay prescribed
14 for level IV of the Executive Schedule under section 5315
15 of title 5, United States Code, for each day (including
16 travel time) during which the member is engaged in the
17 performance of the duties of the Commission.

18 (b) **TRAVEL EXPENSES.**—A member of the Commis-
19 sion shall be allowed travel expenses, including per diem
20 in lieu of subsistence, at rates authorized for an employee
21 of an agency under subchapter I of chapter 57 of title
22 5, United States Code, while away from the home or reg-
23 ular place of business of the member in the performance
24 of the duties of the Commission.

1 **SEC. 109. MEETINGS.**

2 (a) IN GENERAL.—The Federal Advisory Committee
3 Act (5 U.S.C. App.) shall not apply to the Commission.

4 (b) PUBLIC MEETINGS AND RELEASE OF PUBLIC
5 VERSIONS OF REPORTS.—The Commission shall ensure,
6 to the maximum extent practicable, that—

7 (1) all hearings of the Commission are available
8 to the public, including by—

9 (A) providing live and recorded public ac-
10 cess to hearings on the Internet; and

11 (B) publishing all transcripts and records
12 of hearings at such time and in such manner as
13 is agreed to by the majority of members of the
14 Commission; and

15 (2) all reports, findings, and conclusions are
16 made public.

17 (c) PUBLIC HEARINGS.—Public hearings of the Com-
18 mission shall be conducted in a manner consistent with
19 the protection of information provided to or developed for
20 or by the Commission as required by any applicable law
21 (including regulations) or Executive order.

22 **SEC. 110. AUTHORIZATION OF APPROPRIATIONS.**

23 There are authorized to be appropriated to the Com-
24 mission such sums as are necessary to carry out this title,
25 to remain available until expended.

1 **TITLE II—APOLLO PROJECT FOR**
2 **CONVERSION OF MOTOR VE-**
3 **HICLES TO ALTERNATIVE**
4 **FUELS**

5 **SEC. 201. SENSE OF SENATE ON CONVERSION OF MOTOR**
6 **VEHICLES TO ALTERNATIVE FUELS AND EN-**
7 **ERGY INDEPENDENCE.**

8 It is the sense of the Senate that—

9 (1) not later than 20 years after the date of en-
10 actment of this Act, not less than 85 percent of new
11 motor vehicles sold in the United States should run
12 primarily on fuels other than petroleum-based fuels;
13 and

14 (2) not later than calendar year 2030, the
15 United States should be energy independent.

16 **SEC. 202. CONSUMER TAX CREDITS FOR ADVANCED VEHI-**
17 **CLES.**

18 (a) **PLUG-IN ELECTRIC DRIVE MOTOR VEHICLE**
19 **CREDIT.**—

20 (1) **IN GENERAL.**—Subpart B of part IV of
21 subchapter A of chapter 1 (relating to other credits)
22 is amended by adding at the end the following new
23 section:

1 **“SEC. 30D. PLUG-IN ELECTRIC DRIVE MOTOR VEHICLE**
2 **CREDIT.**

3 “(a) ALLOWANCE OF CREDIT.—

4 “(1) IN GENERAL.—There shall be allowed as a
5 credit against the tax imposed by this chapter for
6 the taxable year an amount equal to the applicable
7 amount with respect to each new qualified plug-in
8 electric drive motor vehicle placed in service by the
9 taxpayer during the taxable year.

10 “(2) APPLICABLE AMOUNT.—For purposes of
11 paragraph (1), the applicable amount is sum of—

12 “(A) \$2,500, plus

13 “(B) \$400 for each kilowatt hour of trac-
14 tion battery capacity in excess of 4 kilowatt
15 hours.

16 “(b) LIMITATION.—The amount of the credit allowed
17 under subsection (a) by reason of subsection (a)(2) shall
18 not exceed \$7,500.

19 “(c) NEW QUALIFIED PLUG-IN ELECTRIC DRIVE
20 MOTOR VEHICLE.—For purposes of this section, the term
21 ‘new qualified plug-in electric drive motor vehicle’ means
22 a motor vehicle—

23 “(1) which draws propulsion using a traction
24 battery with at least 4 kilowatt hours of capacity,

25 “(2) which uses an offboard source of energy to
26 recharge such battery,

1 “(3) which, in the case of a passenger vehicle
2 or light truck which has a gross vehicle weight rat-
3 ing of not more than 8,500 pounds, has received a
4 certificate of conformity under the Clean Air Act
5 and meets or exceeds the equivalent qualifying Cali-
6 fornia low emission vehicle standard under section
7 243(e)(2) of the Clean Air Act for that make and
8 model year, and

9 “(A) in the case of a vehicle having a gross
10 vehicle weight rating of 6,000 pounds or less,
11 the Bin 5 Tier II emission standard established
12 in regulations prescribed by the Administrator
13 of the Environmental Protection Agency under
14 section 202(i) of the Clean Air Act for that
15 make and model year vehicle, and

16 “(B) in the case of a vehicle having a gross
17 vehicle weight rating of more than 6,000
18 pounds but not more than 8,500 pounds, the
19 Bin 8 Tier II emission standard which is so es-
20 tablished,

21 “(4) the original use of which commences with
22 the taxpayer,

23 “(5) which is acquired for use or lease by the
24 taxpayer and not for resale, and

25 “(6) which is made by a manufacturer.

1 “(d) APPLICATION WITH OTHER CREDITS.—

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

10 “(2) PERSONAL CREDIT.—The credit allowed
11 under subsection (a) (after the application of para-
12 graph (1)) for any taxable year shall not exceed the
13 excess (if any) of—

14 “(A) the regular tax liability (as defined in
15 section 26(b)) reduced by the sum of the credits
16 allowable under subpart A and sections 27, 30,
17 30B, and 30C, over

18 “(B) the tentative minimum tax for the
19 taxable year.

20 “(e) OTHER DEFINITIONS AND SPECIAL RULES.—

21 For purposes of this section—

22 “(1) MOTOR VEHICLE.—The term ‘motor vehi-
23 cle’ has the meaning given such term by section
24 30(c)(2).

1 “(2) OTHER TERMS.—The terms ‘passenger
2 automobile’, ‘light truck’, and ‘manufacturer’ have
3 the meanings given such terms in regulations pre-
4 scribed by the Administrator of the Environmental
5 Protection Agency for purposes of the administra-
6 tion of title II of the Clean Air Act (42 U.S.C. 7521
7 et seq.).

8 “(3) TRACTION BATTERY CAPACITY.—Traction
9 battery capacity shall be measured in kilowatt hours
10 from a 100 percent state of charge to a zero percent
11 state of charge.

12 “(4) REDUCTION IN BASIS.—For purposes of
13 this subtitle, the basis of any property for which a
14 credit is allowable under subsection (a) shall be re-
15 duced by the amount of such credit so allowed.

16 “(5) NO DOUBLE BENEFIT.—The amount of
17 any deduction or other credit allowable under this
18 chapter for a new qualified plug-in electric drive
19 motor vehicle shall be reduced by the amount of
20 credit allowed under subsection (a) for such vehicle
21 for the taxable year.

22 “(6) PROPERTY USED BY TAX-EXEMPT ENTI-
23 TY.—In the case of a vehicle the use of which is de-
24 scribed in paragraph (3) or (4) of section 50(b) and
25 which is not subject to a lease, the person who sold

1 such vehicle to the person or entity using such vehi-
2 cle shall be treated as the taxpayer that placed such
3 vehicle in service, but only if such person clearly dis-
4 closes to such person or entity in a document the
5 amount of any credit allowable under subsection (a)
6 with respect to such vehicle (determined without re-
7 gard to subsection (b)(2)).

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

14 “(8) RECAPTURE.—The Secretary shall, by reg-
15 ulations, provide for recapturing the benefit of any
16 credit allowable under subsection (a) with respect to
17 any property which ceases to be property eligible for
18 such credit (including recapture in the case of a
19 lease period of less than the economic life of a vehi-
20 cle).

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

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

6 “(A) the applicable provisions of the Clean
7 Air Act for the applicable make and model year
8 of the vehicle (or applicable air quality provi-
9 sions of State law in the case of a State which
10 has adopted such provision under a waiver
11 under section 209(b) of the Clean Air Act), and

12 “(B) the motor vehicle safety provisions of
13 sections 30101 through 30169 of title 49,
14 United States Code.

15 “(f) REGULATIONS.—

16 “(1) IN GENERAL.—Except as provided in para-
17 graph (2), the Secretary shall promulgate such regu-
18 lations as necessary to carry out the provisions of
19 this section.

20 “(2) COORDINATION IN PRESCRIPTION OF CER-
21 TAIN REGULATIONS.—The Secretary of the Treas-
22 ury, in coordination with the Secretary of Transpor-
23 tation and the Administrator of the Environmental
24 Protection Agency, shall prescribe such regulations
25 as necessary to determine whether a motor vehicle

1 meets the requirements to be eligible for a credit
2 under this section.

3 “(g) TERMINATION.—This section shall not apply to
4 property purchased after December 31, 2012.”.

5 (2) COORDINATION WITH OTHER MOTOR VEHI-
6 CLE CREDITS.—

7 (A) NEW QUALIFIED FUEL CELL MOTOR
8 VEHICLES.—Paragraph (3) of section 30B(b) is
9 amended by adding at the end the following
10 new flush sentence:

11 “Such term shall not include any motor vehicle
12 which is a new qualified plug-in electric drive motor
13 vehicle (as defined by section 30D(c)).”.

14 (B) NEW QUALIFIED HYBRID MOTOR VEHI-
15 CLES.—Paragraph (3) of section 30B(d) is
16 amended by adding at the end the following
17 new flush sentence:

18 “Such term shall not include any motor vehicle
19 which is a new qualified plug-in electric drive motor
20 vehicle (as defined by section 30D(c)).”.

21 (3) CONFORMING AMENDMENTS.—

22 (A) Section 38(b) is amended by striking
23 “plus” at the end of paragraph (32), by strik-
24 ing the period at the end of paragraph (33) and

1 inserting “plus”, and by adding at the end the
2 following new paragraph:

3 “(34) the portion of the new qualified plug-in
4 electric drive motor vehicle credit to which section
5 30D(d)(1) applies.”.

6 (B) Section 55(c)(3) is amended by insert-
7 ing “30D(d)(2),” after “30C(d)(2),”.

8 (C) Section 1016(a), as amended by this
9 Act, is amended by striking “and” at the end
10 of paragraph (35), by striking the period at the
11 end of paragraph (36) and inserting “, and”,
12 and by adding at the end the following new
13 paragraph:

14 “(37) to the extent provided in section
15 30D(e)(4).”.

16 (D) Section 6501(m) is amended by insert-
17 ing “30D(e)(9)” after “30C(e)(5)”.

18 (E) The table of sections for subpart B of
19 part IV of subchapter A of chapter 1 is amend-
20 ed by adding at the end the following new item:

“Sec. 30D. Plug-in electric drive motor vehicle credit.”.

21 (b) CONVERSION KITS.—

22 (1) IN GENERAL.—Section 30B (relating to al-
23 ternative motor vehicle credit) is amended by redес-
24 ignating subsections (i) and (j) as subsections (j)

1 and (k), respectively, and by inserting after sub-
2 section (h) the following new subsection:

3 “(i) PLUG-IN CONVERSION CREDIT.—

4 “(1) IN GENERAL.—For purposes of subsection
5 (a), the plug-in conversion credit determined under
6 this subsection with respect to any motor vehicle
7 which is converted to a qualified plug-in electric
8 drive motor vehicle is an amount equal to 20 percent
9 of the cost of the plug-in traction battery module in-
10 stalled in such vehicle as part of such conversion.

11 “(2) LIMITATIONS.—The amount of the credit
12 allowed under this subsection shall not exceed
13 \$2,500 with respect to the conversion of any motor
14 vehicle.

15 “(3) DEFINITIONS AND SPECIAL RULES.—For
16 purposes of this subsection—

17 “(A) QUALIFIED PLUG-IN ELECTRIC DRIVE
18 MOTOR VEHICLE.—The term ‘qualified plug-in
19 electric drive motor vehicle’ means any new
20 qualified plug-in electric drive motor vehicle (as
21 defined in section 30D(c), determined without
22 regard to paragraphs (4) and (6) thereof).

23 “(B) PLUG-IN TRACTION BATTERY MOD-
24 ULE.—The term ‘plug-in traction battery mod-

1 ule’ means an electro-chemical energy storage
2 device which—

3 “(i) has a traction battery capacity of
4 not less than 2.5 kilowatt hours,

5 “(ii) is equipped with an electrical
6 plug by means of which it can be energized
7 and recharged when plugged into an exter-
8 nal source of electric power,

9 “(iii) consists of a standardized con-
10 figuration and is mass produced,

11 “(iv) has been tested and approved by
12 the National Highway Transportation
13 Safety Administration as compliant with
14 applicable motor vehicle and motor vehicle
15 equipment safety standards when installed
16 by a mechanic with standardized training
17 in protocols established by the battery
18 manufacturer as part of a nationwide dis-
19 tribution program, and

20 “(v) is certified by a battery manufac-
21 turer as meeting the requirements of
22 clauses (i) through (iv).

23 “(C) CREDIT ALLOWED TO LESSOR OF
24 BATTERY MODULE.—In the case of a plug-in
25 traction battery module which is leased to the

1 taxpayer, the credit allowed under this sub-
2 section shall be allowed to the lessor of the
3 plug-in traction battery module.

4 “(D) CREDIT ALLOWED IN ADDITION TO
5 OTHER CREDITS.—The credit allowed under
6 this subsection shall be allowed with respect to
7 a motor vehicle notwithstanding whether a cred-
8 it has been allowed with respect to such motor
9 vehicle under this section (other than this sub-
10 section) in any preceding taxable year.

11 “(4) TERMINATION.—This subsection shall not
12 apply to conversions made after December 31,
13 2012.”.

14 (2) CREDIT TREATED AS PART OF ALTER-
15 NATIVE MOTOR VEHICLE CREDIT.—Section 30B(a)
16 is amended by striking “and” at the end of para-
17 graph (3), by striking the period at the end of para-
18 graph (4) and inserting “, and”, and by adding at
19 the end the following new paragraph:

20 “(5) the plug-in conversion credit determined
21 under subsection (i).”.

22 (3) NO RECAPTURE FOR VEHICLES CONVERTED
23 TO QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR VE-
24 HICLES.—Paragraph (8) of section 30B(h) is
25 amended by adding at the end the following: “, ex-

1 cept that no benefit shall be recaptured if such prop-
2 erty ceases to be eligible for such credit by reason
3 of conversion to a qualified plug-in electric drive
4 motor vehicle.”

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to property placed in service after
7 December 31, 2008, in taxable years beginning after such
8 date.

9 **SEC. 203. TRANSITION ASSISTANCE FOR AMERICAN AUTO-**
10 **MOBILE MANUFACTURERS.**

11 (a) IN GENERAL.—Section 32905 of title 49, United
12 States Code, is amended by adding at the end the fol-
13 lowing:

14 “(g) MANUFACTURING FACILITY UPGRADE ASSIST-
15 ANCE.—

16 “(1) IN GENERAL.—The Secretary of Energy
17 shall provide loans to manufacturers with at least 1
18 manufacturing facility in the United States, which
19 loans may be used—

20 “(A) to re-equip, expand, or establish a
21 manufacturing facility constructed in the
22 United States to produce advanced technology
23 motor vehicles and eligible components;

24 “(B) for engineering integration of such
25 vehicles and components;

1 “(iii) any new advanced lean burn
2 technology motor vehicle (as defined in sec-
3 tion 30B(c)(3) of the Internal Revenue
4 Code of 1986);

5 “(iv) any new qualified hybrid motor
6 vehicle (as defined in section 30B(d)(3)(A)
7 of the Internal Revenue Code of 1986 and
8 determined without regard to any gross ve-
9 hicle weight rating);

10 “(v) any new qualified alternative fuel
11 motor vehicle (as defined in section
12 30B(e)(4) of the Internal Revenue Code of
13 1986), including any mixed-fuel vehicle (as
14 defined in section 30B(e)(5)(B) of the In-
15 ternal Revenue Code of 1986); and

16 “(vi) any other motor vehicle using
17 electric drive transportation technology.

18 “(B) ELIGIBLE COMPONENTS.—The term
19 ‘eligible component’ means any component in-
20 herent to any advanced technology motor vehi-
21 cle, including—

22 “(i) with respect to any gasoline or
23 diesel-electric new qualified hybrid motor
24 vehicle—

25 “(I) electric motor or generator;

- 1 “(II) power split device;
- 2 “(III) power control unit;
- 3 “(IV) power controls;
- 4 “(V) integrated starter gener-
- 5 ator; or
- 6 “(VI) battery;
- 7 “(ii) with respect to any hydraulic
- 8 new qualified hybrid motor vehicle—
- 9 “(I) hydraulic accumulator ves-
- 10 sel;
- 11 “(II) hydraulic pump; or
- 12 “(III) hydraulic pump-motor as-
- 13 ssembly;
- 14 “(iii) with respect to any new ad-
- 15 vanced lean burn technology motor vehi-
- 16 cle—
- 17 “(I) diesel engine;
- 18 “(II) turbocharger;
- 19 “(III) fuel injection system; or
- 20 “(IV) after-treatment system,
- 21 such as a particle filter or NO_x ab-
- 22 sorber; and
- 23 “(iv) with respect to any advanced
- 24 technology motor vehicle, any other compo-

1 “(B) \$450,000,000 for fiscal year 2010;
2 “(C) \$650,000,000 for fiscal year 2011;
3 “(D) \$750,000,000 for fiscal year 2012;
4 “(E) \$800,000,000 for fiscal year 2013;
5 “(F) \$900,000,000 for fiscal year 2014;
6 “(G) \$1,000,000,000 for fiscal year 2015;
7 “(H) \$1,000,000,000 for fiscal year 2016;
8 “(I) \$900,000,000 for fiscal year 2017;
9 and
10 “(J) \$900,000,000 for fiscal year 2018.”.

11 (b) FUNDING.—

12 (1) IN GENERAL.—Notwithstanding any other
13 provision of law, on October 1, 2008, and on each
14 October 1 thereafter through October 1, 2017, the
15 Secretary of the Treasury shall transfer to the Sec-
16 retary of Energy, out of any funds in the Treasury
17 not otherwise appropriated, the amount authorized
18 to be appropriated for that fiscal year under section
19 32905(g) of title 49, United States Code, which—

20 (A) shall be used for the cost of loans au-
21 thorized under such subsection; and

22 (B) shall remain available until expended.

23 (2) RECEIPT AND ACCEPTANCE.—The Sec-
24 retary of Energy shall be entitled to receive, shall

1 accept, and shall use the funds transferred under
2 paragraph (1) without further appropriation.

3 (c) RULEMAKING.—The Secretary shall prescribe
4 such regulations as may be necessary to carry out the pro-
5 visions of section 32905(g) of title 49, United States Code.

6 **SEC. 204. RESEARCH AND DEVELOPMENT PROGRAM FOR**
7 **ALTERNATIVE FUEL VEHICLE TECH-**
8 **NOLOGIES.**

9 (a) PURPOSES.—The purposes of this section are—

10 (1) to enable and promote, in partnership with
11 industry, comprehensive development, demonstra-
12 tion, and commercialization of a wide range of alter-
13 native fuel components, systems, and vehicles using
14 diverse transportation technologies;

15 (2) to make critical public investments to help
16 private industry, institutions of higher education,
17 National Laboratories, and research institutions to
18 expand innovation, industrial growth, and jobs in the
19 United States;

20 (3) to expand the availability of the existing al-
21 ternative fuel infrastructure for fueling light-duty
22 transportation vehicles and other on-road and
23 nonroad vehicles that are using petroleum and are
24 mobile sources of emissions, with the goals of—

1 (A) enhancing the energy security of the
2 United States;

3 (B) reducing dependence on imported oil;
4 and

5 (C) reducing emissions through the expan-
6 sion of alternative fuel supported mobility;

7 (4) to accelerate the widespread commercializa-
8 tion of alternative fuel vehicle technology into all
9 sizes and applications of vehicles, including commer-
10 cialization of alternative fuel vehicles; and

11 (5) to improve the energy efficiency of and re-
12 duce the petroleum use in surface transportation.

13 (b) PROGRAM.—The Secretary shall conduct a pro-
14 gram of research, development, demonstration, and com-
15 mercial application for alternative fuel transportation
16 technology, including—

17 (1) high capacity, high-efficiency storage de-
18 vices;

19 (2) high-efficiency on-board and off-board alter-
20 native fuel components;

21 (3) high-powered alternative fuel systems for
22 passenger and commercial vehicles and for nonroad
23 equipment;

1 (4) control system development and power train
2 development and integration for alternative fuel ve-
3 hicles, including—

4 (A) development of efficient cooling sys-
5 tems;

6 (B) analysis and development of control
7 systems that minimize the emissions profile
8 when clean diesel engines are part of an alter-
9 native fuel system; and

10 (C) development of different control sys-
11 tems that optimize for different goals, includ-
12 ing—

13 (i) storage life;

14 (ii) reduction of petroleum consump-
15 tion; and

16 (iii) green house gas reduction;

17 (5) nanomaterial technology applied to both al-
18 ternative fuel systems;

19 (6) large-scale demonstrations, testing, and
20 evaluation of alternative fuel vehicles in different ap-
21 plications with different storage and control systems,
22 including—

23 (A) military applications;

24 (B) mass market passenger and light-duty
25 truck applications;

1 (C) private fleet applications; and

2 (D) medium- and heavy-duty applications;

3 (7) development, in consultation with the Ad-
4 ministrator of the Environmental Protection Agency,
5 of procedures for testing and certification of criteria
6 pollutants, fuel economy, and petroleum use for
7 light-, medium-, and heavy-duty vehicle applications,
8 including consideration of—

9 (A) the vehicle and fuel as a system, not
10 just an engine; and

11 (B) nightly off-board charging; and

12 (8) advancement of alternative fuel transpor-
13 tation technologies in mobile source applications
14 by—

15 (A) improvement in alternative fuel tech-
16 nologies; and

17 (B) working with industry and the Admin-
18 istrator of the Environmental Protection Agen-
19 cy to—

20 (i) understand and inventory markets;

21 and

22 (ii) identify and implement methods of
23 removing barriers for existing and emerg-
24 ing applications.

25 (c) FUNDING.—

1 (1) IN GENERAL.—Out of any funds in the
2 Treasury not otherwise appropriated, the Secretary
3 of the Treasury shall transfer to the Secretary to
4 carry out this section, to remain available until ex-
5 pended—

6 (A) on October 1, 2008, and each October
7 1 thereafter through October 1, 2012,
8 \$1,000,000,000; and

9 (B) on October 1, 2013, and each October
10 1 thereafter through October 1, 2017,
11 \$500,000,000.

12 (2) RECEIPT AND ACCEPTANCE.—The Sec-
13 retary shall be entitled to receive, shall accept, and
14 shall use to carry out this section the funds trans-
15 ferred under paragraph (1), without further appro-
16 priation.

17 **SEC. 205. FEDERAL FLEET REQUIREMENTS.**

18 (a) DEFINITION OF ADVANCED ALTERNATIVE
19 FUELED VEHICLE.—Section 301 of the Energy Policy Act
20 of 1992 (42 U.S.C. 13211) is amended—

21 (1) by redesignating paragraphs (2) through
22 (14) as paragraphs (3) through (15), respectively;
23 and

24 (2) by inserting after paragraph (1) the fol-
25 lowing:

1 “(2) ADVANCED ALTERNATIVE FUELED VEHI-
2 CLE.—

3 “(A) IN GENERAL.—The term ‘advanced
4 alternative fueled vehicle’ means an alternative
5 fueled vehicle that is powered primarily by a
6 nonpetroleum-based fuel.

7 “(B) EXCLUSION.—The term ‘advanced al-
8 ternative fueled vehicle’ does not include a flex
9 fuel vehicle.”.

10 (b) ADVANCED ALTERNATIVE FUEL VEHICLES.—
11 Section 303(b) of the Energy Policy Act of 1992 (42
12 U.S.C. 13212(b)) is amended—

13 (1) by redesignating paragraphs (2) and (3) as
14 paragraphs (3) and (4), respectively;

15 (2) by inserting after paragraph (1) the fol-
16 lowing:

17 “(2) ADVANCED ALTERNATIVE FUEL VEHI-
18 CLES.—Of all vehicles purchased by the Federal
19 Government for a model year, at least the following
20 percentage of the vehicles shall be advanced alter-
21 native fueled vehicles:

22 “(A) 10 percent for each of fiscal years
23 2013 and 2014.

24 “(B) 20 percent for each of fiscal years
25 2015 and 2016.

1 “(C) 30 percent for each of fiscal years
2 2017 and 2018.

3 “(D) 40 percent for each of fiscal years
4 2019 and 2020.

5 “(E) 50 percent for each of fiscal years
6 2021 and 2022.

7 “(F) 60 percent for each of fiscal years
8 2023 and 2024.

9 “(G) 70 percent for each of fiscal years
10 2025 and 2026.

11 “(H) 80 percent for each of fiscal years
12 2027 and 2028.

13 “(I) 90 percent for fiscal year 2029 and
14 each fiscal year thereafter.”; and

15 (3) in paragraph (3) (as redesignated by para-
16 graph (1)), by inserting “or (2)” after “paragraph
17 (1)”.

1 **TITLE III—ENHANCED CON-**
2 **SERVATION AND EFFICIENCY**
3 **Subtitle A—Enhancing Efficiency**
4 **of Conventional Vehicles**

5 **PART I—GENERAL PROVISIONS**

6 **SEC. 301. LIGHTWEIGHT MATERIALS RESEARCH AND DE-**
7 **VELOPMENT.**

8 (a) IN GENERAL.—As soon as practicable after the
9 date of enactment of this Act, the Secretary shall establish
10 a research and development program on lightweight mate-
11 rials and composites and other innovations to increase the
12 fuel efficiency of motor vehicles, including materials, com-
13 posites, and innovation that will permit—

14 (1) the weight of vehicles to be reduced to im-
15 prove fuel efficiency without compromising pas-
16 senger safety; and

17 (2) the cost of lightweight materials (such as
18 steel alloys and carbon fibers) required for the con-
19 struction of lighter-weight vehicles to be reduced.

20 (b) FUNDING.—

21 (1) IN GENERAL.—On October 1, 2008, and on
22 each October 1 thereafter through October 1, 2017,
23 out of any funds in the Treasury not otherwise ap-
24 propriated, the Secretary of the Treasury shall

1 transfer to the Secretary to carry out this subsection
2 \$500,000,000, to remain available until expended.

3 (2) RECEIPT AND ACCEPTANCE.—The Sec-
4 retary shall be entitled to receive, shall accept, and
5 shall use to carry out this subsection the funds
6 transferred under paragraph (1), without further ap-
7 propriation.

8 **SEC. 302. FEDERAL GOVERNMENT GASOLINE CONSUMP-**
9 **TION.**

10 (a) IN GENERAL.—Section 303(b) of the Energy Pol-
11 icy Act of 1992 (42 U.S.C. 13212(b)) (as amended by sec-
12 tion 205) is amended by adding at the end the following:

13 “(5) GASOLINE CONSUMPTION.—The Secretary
14 shall promulgate regulations for Federal fleets sub-
15 ject to this title requiring that, not later than fiscal
16 year 2010, each Federal agency achieve at least a 5-
17 percent reduction in petroleum consumption, as cal-
18 culated from the baseline established by the Sec-
19 retary for fiscal year 2008.”.

20 (b) ADDITIONAL GASOLINE REDUCTION MEAS-
21 URES.—

22 (1) STUDY.—The Comptroller General of the
23 United States shall conduct a study to determine
24 whether additional gasoline reduction measures by

1 Federal departments, agencies, and Congress are
2 technically feasible.

3 (2) REPORT.—Not later than 180 days after
4 the date of enactment of this Act, the Comptroller
5 General shall submit to Congress a report that de-
6 scribes the results of the study, including any rec-
7 ommendations.

8 **PART II—TAX PROVISIONS**

9 **SEC. 311. CREDIT FOR FUEL-EFFICIENT MOTOR VEHICLES.**

10 (a) IN GENERAL.—Subpart B of part IV of sub-
11 chapter A of chapter 1 of the Internal Revenue Code of
12 1986, as amended by this Act, is amended by adding at
13 the end the following new section:

14 **“SEC. 30E. FUEL-EFFICIENT MOTOR VEHICLE CREDIT.**

15 “(a) ALLOWANCE OF CREDIT.—

16 “(1) IN GENERAL.—There shall be allowed as a
17 credit against the tax imposed by this chapter for
18 the taxable year an amount equal to the amount de-
19 termined under paragraph (2) with respect to any
20 new fuel-efficient motor vehicle placed in service by
21 the taxpayer during the taxable year.

22 “(2) CREDIT AMOUNT.—The amount deter-
23 mined under this paragraph shall be—

1 “(A) \$500, if the new fuel-efficient motor
2 vehicle achieves a city fuel economy which is 42
3 miles per gallon or less,

4 “(B) \$1,000, if the new fuel-efficient
5 motor vehicle achieves a city fuel economy
6 which is greater than 42 miles per gallon but
7 less than 45.6 miles per gallon,

8 “(C) \$1,500, if the new fuel-efficient motor
9 vehicle achieves a city fuel economy which is
10 greater than 45.5 miles per gallon but less than
11 49.1 miles per gallon,

12 “(D) \$2,000, if the new fuel-efficient
13 motor vehicle achieves a city fuel economy
14 which is greater than 49 miles per gallon but
15 less than 52.6 miles per gallon, and

16 “(E) \$2,500, if the new fuel-efficient
17 motor vehicle achieves a city fuel economy
18 which is greater than 52.5 miles per gallon.

19 “(b) NEW FUEL-EFFICIENT MOTOR VEHICLE.—For
20 purposes of this section, the term ‘new fuel-efficient motor
21 vehicle’ means any motor vehicle—

22 “(1) which has a gross vehicle weight rating of
23 not more than 8,500 pounds,

24 “(2) which achieves a city fuel economy of at
25 least 38.5 miles per gallon,

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

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

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

6 “(c) OTHER DEFINITIONS AND SPECIAL RULES.—

7 For purposes of this section—

8 “(1) CITY FUEL ECONOMY; MANUFACTURER.—

9 The terms ‘city fuel economy’ and ‘manufacturer’
10 have the meanings given such terms under section
11 30B(h).

12 “(2) BASIS REDUCTION.—The basis of any
13 property for which a credit is allowable under sub-
14 section (a) shall be reduced by the amount of such
15 credit.

16 “(3) RECAPTURE; PROPERTY USED OUTSIDE
17 THE UNITED STATES; ELECTION NOT TO TAKE
18 CREDIT.—For purposes of this section, rules similar
19 to the rules of paragraphs (2), (3), and (4) of sec-
20 tion 30(d) shall apply.

21 “(4) DENIAL OF DOUBLE BENEFIT.—No credit
22 shall be allowed under this section with respect to
23 any new fuel-efficient motor vehicle if a credit is al-
24 lowed with respect to such vehicle under section 30,
25 30B, or 30D.

1 “(d) APPLICATION WITH OTHER CREDITS.—

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

10 “(2) PERSONAL CREDIT.—The credit allowed
11 under subsection (a) (after the application of para-
12 graph (1)) for any taxable year shall not exceed the
13 excess (if any) of—

14 “(A) the regular tax liability (as defined in
15 section 26(b)) reduced by the sum of the credits
16 allowable under subpart A and sections 27, 30,
17 30B, and 30D, over

18 “(B) the tentative minimum tax for the
19 taxable year.

20 “(e) TERMINATION.—This section shall not apply to
21 property placed in service after December 31, 2010.”.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Section 38(b) of the Internal Revenue Code
24 of 1986, as amended by this Act, is amended by
25 striking “plus” at the end of paragraph (33), by

1 striking the period at the end of paragraph (34) and
2 inserting “, plus”, and by adding at the end the fol-
3 lowing new paragraph:

4 “(35) the portion of the new fuel-efficient motor
5 vehicle credit to which section 30E(d)(1) applies.”.

6 (2) Section 1016(a) of such Code, as amended
7 by this Act, is amended by striking “and” at the end
8 of paragraph (36), by striking the period at the end
9 of paragraph (37) and inserting “, and”, and by
10 adding at the end the following new paragraph:

11 “(38) to the extent provided in section
12 30E(e)(2).”.

13 (3) Section 6501(m) of such Code is amended
14 by inserting “30E(c)(3),” after “30D(e)(9),”.

15 (c) CLERICAL AMENDMENT.—The table of sections
16 for subpart B of part IV of subchapter A of chapter 1
17 of the Internal Revenue Code of 1986 is amended by add-
18 ing at the end the following new item:

“Sec. 30E. Fuel-efficient motor vehicle credit.”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to property placed in service after
21 the date of the enactment of this Act.

1 **SEC. 312. EXCLUSION FROM HEAVY TRUCK TAX FOR IDLING**
2 **REDUCTION UNITS AND ADVANCED INSULA-**
3 **TION.**

4 (a) IN GENERAL.—Section 4053 of the Internal Rev-
5 enue Code of 1986 (relating to exemptions) is amended
6 by adding at the end the following new paragraphs:

7 “(9) IDLING REDUCTION DEVICE.—Any device
8 or system of devices which—

9 “(A) is designed to provide to a vehicle
10 those services (such as heat, air conditioning, or
11 electricity) that would otherwise require the op-
12 eration of the main drive engine while the vehi-
13 cle is temporarily parked or remains stationary
14 using one or more devices affixed to a tractor,
15 and

16 “(B) is determined by the Administrator of
17 the Environmental Protection Agency, in con-
18 sultation with the Secretary of Energy and the
19 Secretary of Transportation, to reduce idling of
20 such vehicle at a motor vehicle rest stop or
21 other location where such vehicles are tempo-
22 rarily parked or remain stationary.

23 “(10) ADVANCED INSULATION.—Any insulation
24 that has an R value of not less than R35 per inch.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to sales or installations after the
3 date of the enactment of this Act.

4 **SEC. 313. IDLING REDUCTION TAX CREDIT.**

5 (a) IN GENERAL.—Subpart D of part IV of sub-
6 chapter A of chapter 1 of the Internal Revenue Code of
7 1986 (relating to business-related credits) is amended by
8 adding at the end the following new section:

9 **“SEC. 45Q. IDLING REDUCTION CREDIT.**

10 “(a) GENERAL RULE.—For purposes of section 38,
11 the idling reduction tax credit determined under this sec-
12 tion for the taxable year is an amount equal to 25 percent
13 of the amount paid or incurred for each qualifying idling
14 reduction device placed in service by the taxpayer during
15 the taxable year.

16 “(b) LIMITATION.—The maximum amount allowed as
17 a credit under subsection (a) shall not exceed \$1,000 per
18 device.

19 “(c) DEFINITIONS.—For purposes of subsection
20 (a)—

21 “(1) QUALIFYING IDLING REDUCTION DE-
22 VICE.—The term ‘qualifying idling reduction device’
23 means any device or system of devices that—

24 “(A) is installed on a heavy-duty diesel-
25 powered on-highway vehicle,

1 “(B) is designed to provide to such vehicle
2 those services (such as heat, air conditioning, or
3 electricity) that would otherwise require the op-
4 eration of the main drive engine while the vehi-
5 cle is temporarily parked or remains stationary,

6 “(C) the original use of which commences
7 with the taxpayer,

8 “(D) is acquired for use by the taxpayer
9 and not for resale, and

10 “(E) is certified by the Secretary of En-
11 ergy, in consultation with the Administrator of
12 the Environmental Protection Agency and the
13 Secretary of Transportation, to reduce long-du-
14 ration idling of such vehicle at a motor vehicle
15 rest stop or other location where such vehicles
16 are temporarily parked or remain stationary.

17 “(2) HEAVY-DUTY DIESEL-POWERED ON-HIGH-
18 WAY VEHICLE.—The term ‘heavy-duty diesel-pow-
19 ered on-highway vehicle’ means any vehicle, ma-
20 chine, tractor, trailer, or semi-trailer propelled or
21 drawn by mechanical power and used upon the high-
22 ways in the transportation of passengers or prop-
23 erty, or any combination thereof determined by the
24 Federal Highway Administration.

1 “(3) LONG-DURATION IDLING.—The term ‘long-
2 duration idling’ means the operation of a main drive
3 engine, for a period greater than 15 consecutive
4 minutes, where the main drive engine is not engaged
5 in gear. Such term does not apply to routine stop-
6 pages associated with traffic movement or conges-
7 tion.

8 “(d) NO DOUBLE BENEFIT.—For purposes of this
9 section—

10 “(1) REDUCTION IN BASIS.—If a credit is de-
11 termined under this section with respect to any
12 property by reason of expenditures described in sub-
13 section (a), the basis of such property shall be re-
14 duced by the amount of the credit so determined.

15 “(2) OTHER DEDUCTIONS AND CREDITS.—No
16 deduction or credit shall be allowed under any other
17 provision of this chapter with respect to the amount
18 of the credit determined under this section.

19 “(e) ELECTION NOT TO CLAIM CREDIT.—This sec-
20 tion shall not apply to a taxpayer for any taxable year
21 if such taxpayer elects to have this section not apply for
22 such taxable year.”.

23 (b) CREDIT TO BE PART OF GENERAL BUSINESS
24 CREDIT.—Subsection (b) of section 38 of such Code (re-
25 lating to general business credit), as amended by this Act,

1 is amended by striking “plus” at the end of paragraph
2 (33), by striking the period at the end of paragraph (34)
3 and inserting “, plus”, and by adding at the end the fol-
4 lowing new paragraph:

5 “(35) the idling reduction tax credit determined
6 under section 45Q(a).”.

7 (c) CONFORMING AMENDMENTS.—

8 (1) The table of sections for subpart D of part
9 IV of subchapter A of chapter 1 of such Code is
10 amended by inserting after the item relating to sec-
11 tion 45P the following new item:

“Sec. 45Q. Idling reduction credit.”.

12 (2) Section 1016(a) of such Code, as amended
13 by this Act, is amended by striking “and” at the end
14 of paragraph (37), by striking the period at the end
15 of paragraph (38) and inserting “, and”, and by
16 adding at the end the following:

17 “(39) in the case of a facility with respect to
18 which a credit was allowed under section 45Q, to the
19 extent provided in section 45Q(d)(A).”.

20 (3) Section 6501(m) of such Code is amended
21 by inserting “45Q(e)” after “45C(d)(4)”.

22 (d) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2008.

1 **SEC. 314. DETERMINATION OF CERTIFICATION STANDARDS**
2 **BY SECRETARY OF ENERGY FOR CERTIFYING**
3 **IDLING REDUCTION DEVICES.**

4 Not later than 6 months after the date of the enact-
5 ment of this Act and in order to reduce air pollution and
6 fuel consumption, the Secretary of Energy, in consultation
7 with the Administrator of the Environmental Protection
8 Agency and the Secretary of Transportation, shall publish
9 the standards under which the Secretary, in consultation
10 with the Administrator of the Environmental Protection
11 Agency and the Secretary of Transportation, will, for pur-
12 poses of section 45Q of the Internal Revenue Code of 1986
13 (as added by this Act), certify the idling reduction devices
14 which will reduce long-duration idling of vehicles at motor
15 vehicle rest stops or other locations where such vehicles
16 are temporarily parked or remain stationary in order to
17 reduce air pollution and fuel consumption.

18 **SEC. 315. EXTENSION AND MODIFICATION OF ALTER-**
19 **NATIVE MOTOR VEHICLE CREDIT.**

20 (a) **ELIMINATION OF MANUFACTURER LIMITA-**
21 **TION.—**

22 (1) **IN GENERAL.—**Section 30B of the Internal
23 Revenue Code of 1986, as amended by this Act, is
24 amended—

25 (A) by striking subsection (f), and

1 (B) by redesignating subsections (g)
2 through (k) as subsections (f) through (j), re-
3 spectively.

4 (2) CONFORMING AMENDMENTS.—

5 (A) Paragraphs (4) and (6) of section
6 30B(g) of the Internal Revenue Code of 1986
7 (as redesignated by paragraph (1)) are each
8 amended by striking “(determined without re-
9 gard to subsection (g))” and inserting “deter-
10 mined without regard to subsection (f)”.

11 (B) Section 38(b)(25) of such Code is
12 amended by striking “section 30B(g)(1)” and
13 inserting “section 30B(f)(1)”.

14 (C) Section 55(c)(2) of such Code is
15 amended by striking “section 30B(g)(2)” and
16 inserting “section 30B(f)(2)”.

17 (D) Section 1016(a)(36) of such Code is
18 amended by striking “section 30B(h)(4)” and
19 inserting “section 30B(g)(4)”.

20 (E) Section 6501(m) of such Code is
21 amended by striking “section 30B(h)(9)” and
22 inserting “section 30B(g)(9)”.

23 (b) EXTENSION.—Subsection (j) of section 30B of
24 the Internal Revenue Code of 1986 (as redesignated by
25 subsection (a)) is amended—

1 (1) by striking “December 31, 2010” in para-
2 graphs (2) and (4) and inserting “December 31,
3 2014”, and

4 (2) by striking “December 31, 2009” in para-
5 graph (3) and inserting “December 31, 2012”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to property placed in service after
8 the date of enactment of this Act, in taxable years ending
9 after such date.

10 **Subtitle B—Alternative Fuels and** 11 **Biofuels**

12 **PART I—GENERAL PROVISIONS**

13 **SEC. 321. BIOENERGY RESEARCH AND DEVELOPMENT.**

14 (a) IN GENERAL.—Section 931 of the Energy Policy
15 Act of 2005 (42 U.S.C. 16231) is amended—

16 (1) in subsection (b), by striking paragraphs
17 (3) and (4) and inserting the following:

18 “(3) \$3,352,000,000 for fiscal year 2009; and

19 “(4) \$3,463,000,000 for fiscal year 2010.”; and

20 (2) in subsection (c), by striking paragraphs (3)
21 and (4) and inserting the following:

22 “(3) \$2,898,000,000 for fiscal year 2009, of
23 which \$150,000,000 shall be for section 932(d); and

24 “(4) \$2,919,000,000 for fiscal year 2010, of
25 which \$150,000,000 shall be for section 932(d).”.

1 (b) PIPELINE INFRASTRUCTURE.—Section 212 of the
2 Clean Air Act (42 U.S.C. 7546) is amended by adding
3 at the end the following:

4 “(f) PIPELINE INFRASTRUCTURE.—

5 “(1) IN GENERAL.—The Administrator shall
6 provide grants for research into, and development
7 and implementation of, the manner in which pipeline
8 infrastructure can be retrofitted to accommodate
9 biofuels.

10 “(2) AUTHORIZATION OF APPROPRIATIONS.—

11 There are authorized to be appropriated such sums
12 as are necessary to carry out this subsection for
13 each of fiscal years 2009 through 2014.”.

14 **SEC. 322. ALTERNATIVE FUELED AUTOMOBILE PRODUC-**
15 **TION REQUIREMENT.**

16 Section 32905 of title 49, United States Code, as
17 amended by section 203 of this Act, is further amended
18 by adding at the end the following:

19 “(h) ALTERNATIVE FUELED AUTOMOBILES.—Each
20 manufacturer that manufactures automobiles for sale or
21 use in the United States shall ensure that—

22 “(1) not less than 75 percent of such auto-
23 mobiles manufactured for each of model years 2015
24 through 2019 are alternative fueled automobiles;
25 and

1 “(2) 100 percent of such automobiles manufac-
2 tured for model year 2020 and each subsequent
3 model year are alternative fueled automobiles.”.

4 **SEC. 323. DEFINITION OF RENEWABLE BIOMASS.**

5 Section 211(o)(1) of the Clean Air Act (42 U.S.C.
6 7545(o)(1)) is amended by striking subparagraph (I) and
7 inserting the following:

8 “(I) RENEWABLE BIOMASS.—The term ‘re-
9 newable biomass’ means—

10 “(i) materials, pre-commercial
11 thinnings, or invasive species from Na-
12 tional Forest System land and public lands
13 (as defined in section 103 of the Federal
14 Land Policy and Management Act of 1976
15 (43 U.S.C. 1702)) that—

16 “(I) are byproducts of preventive
17 treatments that are removed—

18 “(aa) to reduce hazardous
19 fuels;

20 “(bb) to reduce or contain
21 disease or insect infestation; or

22 “(cc) to restore ecosystem
23 health;

24 “(II) would not otherwise be used
25 for higher-value products; and

1 “(III) are harvested in accord-
2 ance with—

3 “(aa) applicable law and
4 land management plans; and

5 “(bb) the requirements
6 for—

7 “(AA) old-growth main-
8 tenance, restoration, and
9 management direction of
10 paragraphs (2), (3), and (4)
11 of subsection (e) of section
12 102 of the Healthy Forests
13 Restoration Act of 2003 (16
14 U.S.C. 6512); and

15 “(BB) large-tree reten-
16 tion of subsection (f) of that
17 section; or

18 “(ii) any organic matter that is avail-
19 able on a renewable or recurring basis
20 from non-Federal land or land belonging to
21 an Indian or Indian tribe that is held in
22 trust by the United States or subject to a
23 restriction against alienation imposed by
24 the United States, including—

60

1 “(I) renewable plant material, in-
2 cluding—

3 “(aa) feed grains;

4 “(bb) other agricultural
5 commodities;

6 “(cc) other plants and trees;
7 and

8 “(dd) algae; and

9 “(II) waste material, including—

10 “(aa) crop residue;

11 “(bb) other vegetative waste
12 material (including wood waste
13 and wood residues);

14 “(cc) animal waste and by-
15 products (including fats, oils,
16 greases, and manure); and

17 “(dd) food waste and yard
18 waste.”.

19 **SEC. 324. LOAN GUARANTEES FOR RENEWABLE ENERGY**
20 **PIPELINES.**

21 Subtitle C of title II of the Energy Independence and
22 Security Act of 2007 (42 U.S.C. 17051 et seq.) is amend-
23 ed by adding at the end the following:

1 **“SEC. 249. LOAN GUARANTEES FOR RENEWABLE ENERGY**
2 **PIPELINES.**

3 “(a) DEFINITIONS.—In this section:

4 “(1) COST.—The term ‘cost’ has the meaning
5 given the term ‘cost of a loan guarantee’ in section
6 502(5)(C) of the Federal Credit Reform Act of 1990
7 (2 U.S.C. 661a(5)(C)).

8 “(2) ELIGIBLE PROJECT.—The term eligible
9 project means a project described in subsection
10 (b)(1).

11 “(3) GUARANTEE.—

12 “(A) IN GENERAL.—The term ‘guarantee’
13 has the meaning given the term ‘loan guar-
14 antee’ in section 502 of the Federal Credit Re-
15 form Act of 1990 (2 U.S.C. 661a).

16 “(B) INCLUSION.—The term ‘guarantee’
17 includes a loan guarantee commitment (as de-
18 fined in section 502 of the Federal Credit Re-
19 form Act of 1990 (2 U.S.C. 661a)).

20 “(4) RENEWABLE ENERGY PIPELINE.—The
21 term ‘renewable energy pipeline’ means a common
22 carrier pipeline for transporting renewable energy.

23 “(b) LOAN GUARANTEES.—

24 “(1) IN GENERAL.—The Secretary shall make
25 guarantees under this section for projects that pro-
26 vide for—

1 “(A) the construction of new renewable en-
2 ergy pipelines; or

3 “(B) the modification of pipelines to trans-
4 port renewable energy.

5 “(2) ELIGIBILITY.—In determining the eligi-
6 bility of a project for a guarantee under this section,
7 the Secretary shall consider—

8 “(A) the volume of renewable energy to be
9 moved by the renewable energy pipeline;

10 “(B) the size of the markets to be served
11 by the renewable energy pipeline;

12 “(C) the existence of sufficient storage to
13 facilitate access to the markets served by the
14 renewable energy pipeline;

15 “(D) the proximity of the renewable energy
16 pipeline to ethanol production facilities;

17 “(E) the investment of the entity carrying
18 out the proposed project in terminal infrastruc-
19 ture;

20 “(F) the experience of the entity carrying
21 out the proposed project in working with renew-
22 able energy;

23 “(G) the ability of the entity carrying out
24 the proposed project to maintain the quality of
25 the renewable energy through—

1 “(i) the terminal system of the entity;

2 and

3 “(ii) the dedicated pipeline system;

4 “(H) the ability of the entity carrying out
5 the proposed project to complete the project in
6 a timely manner; and

7 “(I) the ability of the entity carrying out
8 the proposed project to secure property rights-
9 of-way in order to move the proposed project
10 forward in a timely manner.

11 “(3) AMOUNT.—Unless otherwise provided by
12 law, a guarantee by the Secretary under this section
13 shall not exceed an amount equal to 90 percent of
14 the eligible project cost of the renewable energy
15 pipeline that is the subject of the guarantee, as esti-
16 mated at the time at which the guarantee is issued
17 or subsequently modified while the eligible project is
18 under construction.

19 “(4) TERMS AND CONDITIONS.—Guarantees
20 under this section shall be provided in accordance
21 with section 1702 of the Energy Policy Act of 2005
22 (42 U.S.C. 16512), except that subsections (b) and
23 (c) of that section shall not apply to guarantees
24 under this section.

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

5 **SEC. 331. EXPANSION OF SPECIAL ALLOWANCE TO CEL-**
6 **LULOSIC BIOMASS ALCOHOL FUEL PLANT**
7 **PROPERTY.**

8 (a) IN GENERAL.—Paragraph (3) of section 168(l)
9 (relating to special allowance for cellulosic biomass ethanol
10 plant property) is amended to read as follows:

11 “(3) CELLULOSIC BIOMASS ALCOHOL.—For
12 purposes of this subsection, the term ‘cellulosic bio-
13 mass alcohol’ means any alcohol produced from any
14 lignocellulosic or hemicellulosic matter that is avail-
15 able on a renewable or recurring basis.”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Subsection (l) of section 168 is amended by
18 striking “cellulosic biomass ethanol” each place it
19 appears and inserting “cellulosic biomass alcohol”.

20 (2) The heading of section 168(l) is amended
21 by striking “CELLULOSIC BIOMASS ETHANOL” and
22 inserting “CELLULOSIC BIOMASS ALCOHOL”.

23 (3) The heading of paragraph (2) of section
24 168(l) is amended by striking “CELLULOSIC BIO-

1 MASS ETHANOL” and inserting “CELLULOSIC BIO-
2 MASS ALCOHOL”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to property placed in service after
5 the date of the enactment of this Act, in taxable years
6 ending after such date.

7 **SEC. 332. CREDIT FOR PRODUCERS OF FOSSIL FREE ALCO-**
8 **HOL.**

9 (a) IN GENERAL.—Subsection (a) of section 40 (re-
10 lating to alcohol used as fuel) is amended by striking
11 “plus” at the end of paragraph (3), by striking the period
12 at the end of paragraph (4) and inserting “, plus”, and
13 by adding at the end the following new paragraph:

14 “(5) the small fossil free alcohol producer cred-
15 it.”.

16 (b) SMALL FOSSIL FREE ALCOHOL PRODUCER
17 CREDIT.—

18 (1) IN GENERAL.—Subsection (b) of section 40
19 is amended by adding at the end the following new
20 paragraph:

21 “(7) SMALL FOSSIL FREE ALCOHOL PRODUCER
22 CREDIT.—

23 “(A) IN GENERAL.—In addition to any
24 other credit allowed under this section, there
25 shall be allowed as a credit against the tax im-

1 posed by this chapter for the taxable year an
2 amount equal to 25 cents for each gallon of
3 qualified fossil free alcohol production.

4 “(B) QUALIFIED FOSSIL FREE ALCOHOL
5 PRODUCTION.—For purposes of this section,
6 the term ‘qualified fossil free alcohol produc-
7 tion’ means alcohol which is produced by an eli-
8 gible small fossil free alcohol producer at a fos-
9 sil free alcohol production facility and which
10 during the taxable year—

11 “(i) is sold by the taxpayer to another
12 person—

13 “(I) for use by such other person
14 in the production of a qualified alco-
15 hol mixture in such other person’s
16 trade or business (other than casual
17 off-farm production),

18 “(II) for use by such other per-
19 son as a fuel in a trade or business,
20 or

21 “(III) who sells such alcohol at
22 retail to another person and places
23 such alcohol in the fuel tank of such
24 other person, or

1 “(ii) is used or sold by the taxpayer
2 for any purpose described in clause (i).

3 “(C) ADDITIONAL DISTILLATION EX-
4 CLUDED.—The qualified fossil free alcohol pro-
5 duction of any taxpayer for any taxable year
6 shall not include any alcohol which is purchased
7 by the taxpayer and with respect to which such
8 producer increases the proof of the alcohol by
9 additional distillation.”.

10 (c) ELIGIBLE SMALL FOSSIL FREE ALCOHOL PRO-
11 DUCER.—Section 40 is amended by adding at the end the
12 following new subsection:

13 “(i) DEFINITIONS AND SPECIAL RULES FOR SMALL
14 FOSSIL FREE ALCOHOL PRODUCER.—For purposes of
15 this section—

16 “(1) IN GENERAL.—The term ‘eligible small
17 fossil free alcohol producer’ means a person, who at
18 all times during the taxable year, has a productive
19 capacity for alcohol from all fossil free alcohol pro-
20 duction facilities of the taxpayer which is not in ex-
21 cess of 60,000,000 gallons.

22 “(2) FOSSIL FREE ALCOHOL PRODUCTION FA-
23 CILITY.—The term ‘fossil free alcohol production fa-
24 cility’ means any facility at which 90 percent of the

1 fuel used in the production of alcohol is from bio-
2 mass (as defined in section 45K(c)(3)).

3 “(3) AGGREGATION RULE.—For purposes of
4 the 60,000,000 gallon limitation under paragraph
5 (1), all members of the same controlled group of cor-
6 porations (within the meaning of section 267(f)) and
7 all persons under common control (within the mean-
8 ing of section 52(b) but determined by treating an
9 interest of more than 50 percent as a controlling in-
10 terest) shall be treated as 1 person.

11 “(4) PARTNERSHIP, S CORPORATIONS, AND
12 OTHER PASS-THRU ENTITIES.—In the case of a
13 partnership, trust, S corporation, or other pass-thru
14 entity, the limitation contained in paragraph (1)
15 shall be applied at the entity level and at the partner
16 or similar level.

17 “(5) ALLOCATION.—For purposes of this sub-
18 section, in the case of a facility in which more than
19 1 person has an interest, productive capacity shall
20 be allocated among such persons in such manner as
21 the Secretary may prescribe.

22 “(6) REGULATIONS.—The Secretary may pre-
23 scribe such regulations as may be necessary to pre-
24 vent the credit provided for in subsection (a)(5)
25 from directly or indirectly benefitting any person

1 with a direct or indirect productive capacity of more
2 than 60,000,000 gallons of alcohol from fossil free
3 alcohol production facilities during the taxable year.

4 “(7) ALLOCATION OF SMALL FOSSIL FREE AL-
5 COHOL PRODUCER CREDIT TO PATRONS OF COOPER-
6 ATIVE.—Rules similar to the rules under subsection
7 (g)(6) shall apply for purposes of this subsection.”.

8 (d) ALCOHOL NOT USED AS A FUEL, ETC.—

9 (1) IN GENERAL.—Paragraph (3) of section
10 40(d) is amended by redesignating subparagraph
11 (E) as subparagraph (F) and by inserting after sub-
12 paragraph (D) the following new subparagraph:

13 “(E) SMALL FOSSIL FREE ALCOHOL PRO-
14 DUCER CREDIT.—If—

15 “(i) any credit is allowed under sub-
16 section (a)(5), and

17 “(ii) any person does not use such
18 fuel for a purpose described in subsection
19 (b)(7)(B),

20 then there is hereby imposed on such person a
21 tax equal to 25 cents for each gallon of such al-
22 cohol.”.

23 (2) CONFORMING AMENDMENT.—Subparagraph
24 (F) of section 40(d)(3), as redesignated by para-

1 graph (1) , is amended by striking “or (D)” and in-
2 sserting “(D), or (E)”.

3 (e) TERMINATION.—Paragraph (1) of section 40(e)
4 is amended—

5 (1) in subparagraph (A), by inserting “(Decem-
6 ber 31, 2012, in the case of the credit allowed by
7 reason of subsection (a)(5))” after “December 31,
8 2010”, and

9 (2) in subparagraph (B), by inserting “(Janu-
10 ary 1, 2013, in the case of the credit allowed by rea-
11 son of subsection (a)(5))” after “January 1, 2011”.

12 (f) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to fuel produced after the date of
14 enactment of this Act.

15 **SEC. 333. EXTENSION AND MODIFICATION OF CREDIT FOR**
16 **BIODIESEL USED AS FUEL.**

17 (a) EXTENSION.—

18 (1) INCOME TAX CREDITS FOR BIODIESEL AND
19 RENEWABLE DIESEL AND SMALL AGRI-BIODIESEL
20 PRODUCER CREDIT.—Section 40A(g) (relating to
21 termination) is amended by striking “December 31,
22 2008” and inserting “December 31, 2012”.

23 (2) EXCISE TAX CREDIT.—Section 6426(c)(6)
24 (relating to termination) is amended by striking
25 “2008” and inserting “2012”.

1 (3) FUELS NOT USED FOR TAXABLE PUR-
2 POSES.—Section 6427(e)(5)(B) (relating to termi-
3 nation) is amended by striking “2008” and inserting
4 “2012”.

5 (b) MODIFICATION OF CREDIT FOR RENEWABLE
6 DIESEL.—

7 (1) ELIGIBILITY OF CERTAIN AVIATION
8 FUEL.—Paragraph (3) of section 40A(f) (defining
9 renewable diesel) is amended by adding at the end
10 the following: “The term ‘renewable diesel’ also
11 means fuel derived from biomass which meets the re-
12 quirements of a Department of Defense specification
13 for military jet fuel or an American Society of Test-
14 ing and Materials specification for aviation turbine
15 fuel.”.

16 (2) CO-PROCESSED RENEWABLE DIESEL.—Sec-
17 tion 40A(f) (relating to renewable diesel) is amended
18 by adding at the end the following new paragraph:

19 “(4) SPECIAL RULE FOR CO-PROCESSED RE-
20 NEWABLE DIESEL.—In the case of a taxpayer which
21 produces renewable diesel through the co-processing
22 of biomass and petroleum at any facility, this sub-
23 section shall not apply to so much of the renewable
24 diesel produced at such facility and sold or used dur-

1 ing the taxable year in a qualified biodiesel mixture
2 as exceeds 60,000,000 gallons.”.

3 (c) MODIFICATION RELATING TO DEFINITION OF
4 AGRI-BIODIESEL.—Paragraph (2) of section 40A(d) (re-
5 lating to agri-biodiesel) is amended by striking “and mus-
6 tard seeds” and inserting “mustard seeds, and camelina”.

7 (d) EFFECTIVE DATES.—The amendments made by
8 this section shall apply to fuel sold or used after the date
9 of the enactment of this Act.

10 **SEC. 334. EXTENSION AND MODIFICATION OF ALTER-**
11 **NATIVE FUEL CREDIT.**

12 (a) EXTENSION.—

13 (1) ALTERNATIVE FUEL CREDIT.—Paragraph
14 (4) of section 6426(d) (relating to alternative fuel
15 credit) is amended by striking “September 30,
16 2009” and inserting “December 31, 2012”.

17 (2) ALTERNATIVE FUEL MIXTURE CREDIT.—
18 Paragraph (3) of section 6426(e) (relating to alter-
19 native fuel mixture credit) is amended by striking
20 “September 30, 2009” and inserting “December 31,
21 2012”.

22 (3) PAYMENTS.—Subparagraph (C) of section
23 6427(e)(5) (relating to termination) is amended by
24 striking “September 30, 2009” and inserting “De-
25 cember 31, 2012”.

1 (b) MODIFICATIONS.—

2 (1) ALTERNATIVE FUEL TO INCLUDE COM-
3 PRESSED OR LIQUIFIED BIOMASS GAS.—Paragraph
4 (2) of section 6426(d) (relating to alternative fuel
5 credit) is amended by striking “and” at the end of
6 subparagraph (E), by redesignating subparagraph
7 (F) as subparagraph (G), and by inserting after sub-
8 paragraph (E) the following new subparagraph:

9 “(F) compressed or liquified biomass gas,
10 and”.

11 (2) CREDIT ALLOWED FOR AVIATION USE OF
12 FUEL.—Paragraph (1) of section 6426(d) is amend-
13 ed by inserting “sold by the taxpayer for use as a
14 fuel in aviation,” after “motorboat,”.

15 (c) CARBON CAPTURE REQUIREMENT FOR CERTAIN
16 FUELS.—

17 (1) IN GENERAL.—Subsection (d) of section
18 6426, as amended by subsection (a), is amended by
19 redesignating paragraph (4) as paragraph (5) and
20 by inserting after paragraph (3) the following new
21 paragraph:

22 “(4) CARBON CAPTURE REQUIREMENT.—The
23 requirements of this paragraph are met if the fuel
24 is certified, under such procedures as required by
25 the Secretary, as having been produced at a facility

1 which separates and sequesters not less than 75 per-
2 cent of such facility's total carbon dioxide emis-
3 sions.”.

4 (2) CONFORMING AMENDMENT.—Subparagraph
5 (E) of section 6426(d)(2) is amended by inserting
6 “which meets the requirements of paragraph (4) and
7 which is” after “any liquid fuel”.

8 (d) EFFECTIVE DATES.—

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

13 (2) CARBON CAPTURE REQUIREMENTS.—The
14 amendments made by subsection (c) shall apply to
15 fuel sold or used after December 31, 2008.

16 **SEC. 335. EXTENSION OF SUSPENSION OF TAXABLE IN-**
17 **COME LIMIT ON PERCENTAGE DEPLETION**
18 **FOR OIL AND NATURAL GAS PRODUCED**
19 **FROM MARGINAL PROPERTIES.**

20 Subparagraph (H) of section 613A(c)(6) (relating to
21 oil and gas produced from marginal properties) is amend-
22 ed by striking “January 1, 2008” and inserting “January
23 1, 2013”.

1 **SEC. 336. EXTENSION AND MODIFICATION OF ELECTION TO**
2 **EXPENSE CERTAIN REFINERIES.**

3 (a) EXTENSION.—Paragraph (1) of section 179C(c)
4 (relating to qualified refinery property) is amended—

5 (1) by striking “January 1, 2012” in subpara-
6 graph (B) and inserting “January 1, 2013”, and

7 (2) by striking “January 1, 2008” each place
8 it appears in subparagraph (F) and inserting “Janu-
9 ary 1, 2010”.

10 (b) INCLUSION OF FUEL DERIVED FROM SHALE AND
11 TAR SANDS.—

12 (1) IN GENERAL.—Subsection (d) of section
13 179C is amended by inserting “, or directly from
14 shale or tar sands” after “(as defined in section
15 45K(c))”.

16 (2) CONFORMING AMENDMENT.—Paragraph (2)
17 of section 179C(e) is amended by inserting “shale,
18 tar sands, or” before “qualified fuels”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to property placed in service after
21 the date of the enactment of this Act.

22 **SEC. 337. HYDROGEN INSTALLATION, INFRASTRUCTURE,**
23 **AND FUEL COSTS.**

24 (a) IN GENERAL.—Subpart B of part IV of sub-
25 chapter A of chapter 1 (relating to foreign tax credit, etc.),

1 as amended by this Act, is amended by adding at the end
2 the following new section:

3 **“SEC. 30F. HYDROGEN INSTALLATION, INFRASTRUCTURE,**
4 **AND FUEL COSTS.**

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

8 “(1) the hydrogen installation and infrastruc-
9 ture costs credit determined under subsection (b),
10 and

11 “(2) the hydrogen fuel costs credit determined
12 under subsection (c).

13 “(b) HYDROGEN INSTALLATION AND INFRASTRUC-
14 TURE COSTS CREDIT.—

15 “(1) IN GENERAL.—For purposes of subsection
16 (a), the hydrogen installation and infrastructure
17 costs credit determined under this subsection with
18 respect to each eligible hydrogen production and dis-
19 tribution facility of the taxpayer is an amount equal
20 to—

21 “(A) 30 percent of so much of the installa-
22 tion costs which when added to such costs
23 taken into account with respect to such facility
24 for all preceding taxable years under this sub-
25 paragraph does not exceed \$200,000, plus

1 “(B) 30 percent of so much of the infra-
2 structure costs for the taxable year as does not
3 exceed \$200,000 with respect to such facility,
4 and which when added to such costs taken into
5 account with respect to such facility for all pre-
6 ceding taxable years under this subparagraph
7 does not exceed \$600,000.

8 Nothing in this section shall permit the same cost to
9 be taken into account more than once.

10 “(2) ELIGIBLE HYDROGEN PRODUCTION AND
11 DISTRIBUTION FACILITY.—For purposes of this sub-
12 section, the term ‘eligible hydrogen production and
13 distribution facility’ means a hydrogen production
14 and distribution facility which is placed in service
15 after December 31, 2008.

16 “(c) HYDROGEN FUEL COSTS CREDIT.—

17 “(1) IN GENERAL.—For purposes of subsection
18 (a), the hydrogen fuel costs credit determined under
19 this subsection with respect to each eligible hydrogen
20 device of the taxpayer is an amount equal to the
21 qualified hydrogen expenditure amounts with respect
22 to such device.

23 “(2) QUALIFIED HYDROGEN EXPENDITURE
24 AMOUNT.—For purposes of this subsection—

1 “(A) IN GENERAL.—The term ‘qualified
2 hydrogen expenditure amount’ means, with re-
3 spect to each eligible hydrogen energy conver-
4 sion device of the taxpayer with a production
5 capacity of not more than 25 kilowatts of elec-
6 tricity per year, the lesser of—

7 “(i) 30 percent of the amount paid or
8 incurred by the taxpayer during the tax-
9 able year for hydrogen which is consumed
10 by such device, and

11 “(ii) \$2,000.

12 In the case of any device which is not owned by
13 the taxpayer at all times during the taxable
14 year, the \$2,000 amount in subparagraph (B)
15 shall be reduced by an amount which bears the
16 same ratio to \$2,000 as the portion of the year
17 which such device is not owned by the taxpayer
18 bears to the entire year.

19 “(B) HIGHER LIMITATION FOR DEVICES
20 WITH MORE PRODUCTION CAPACITY.—In the
21 case of any eligible hydrogen energy conversion
22 device with a production capacity of—

23 “(i) more than 25 but less than 100
24 kilowatts of electricity per year, subpara-
25 graph (A) shall be applied by substituting

1 ‘\$4,000’ for ‘\$2,000’ each place it appears,
2 and

3 “(ii) not less than 100 kilowatts of
4 electricity per year, subparagraph (A) shall
5 be applied by substituting ‘\$6,000’ for
6 ‘\$2,000’ each place it appears.

7 “(3) ELIGIBLE HYDROGEN ENERGY CONVER-
8 SION DEVICES.—For purposes of this subsection—

9 “(A) IN GENERAL.—The term ‘eligible hy-
10 drogen energy conversion device’ means, with
11 respect to any taxpayer, any hydrogen energy
12 conversion device which—

13 【“(i) is placed in service after Decem-
14 ber 31, 2004, and】

15 “(ii) is wholly owned by the taxpayer
16 during the taxable year.

17 If an owner of a device (determined without re-
18 gard to this subparagraph) provides to the pri-
19 mary user of such device a written statement
20 that such user shall be treated as the owner of
21 such device for purposes of this section, then
22 such user (and not such owner) shall be so
23 treated.

1 “(B) HYDROGEN ENERGY CONVERSION
2 DEVICE.—The term ‘hydrogen energy conver-
3 sion device’ means—

4 “(i) any electrochemical device which
5 converts hydrogen into electricity, and

6 “(ii) any combustion engine which
7 burns hydrogen as a fuel.

8 “(d) REDUCTION IN BASIS.—For purposes of this
9 subtitle, if a credit is allowed under this section for any
10 expenditure with respect to any property, the increase in
11 the basis of such property which would (but for this para-
12 graph) result from such expenditure shall be reduced by
13 the amount of the credit so allowed.

14 “(e) APPLICATION WITH OTHER CREDITS.—

15 “(1) BUSINESS CREDIT TREATED AS PART OF
16 GENERAL BUSINESS CREDIT.—So much of the credit
17 which would be allowed under subsection (a) for any
18 taxable year (determined without regard to this sub-
19 section) that is attributable to amounts which (but
20 for subsection (g) would be allowed as a deduction
21 under section 162 shall be treated as a credit listed
22 in section 38(b) for such taxable year (and not al-
23 lowed under subsection (a)).

24 “(2) PERSONAL CREDIT.—The credit allowed
25 under subsection (a) (after the application of para-

1 graph (1)) for any taxable year shall not exceed the
2 excess (if any) of—

3 “(A) the regular tax liability (as defined in
4 section 26(b)) reduced by the sum of the credits
5 allowable under subpart A and sections 27, 30,
6 30B, and 30C, over

7 “(B) the tentative minimum tax for the
8 taxable year.

9 “(f) DENIAL OF DOUBLE BENEFIT.—The amount of
10 any deduction or other credit allowable under this chapter
11 for any cost taken into account in determining the amount
12 of the credit under subsection (a) shall be reduced by the
13 amount of such credit attributable to such cost.

14 “(g) RECAPTURE.—The Secretary shall, by regula-
15 tions, provided for recapturing the benefit of any credit
16 allowable under subsection (a) with respect to any prop-
17 erty which ceases to be property eligible for such credit.

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

22 “(i) REGULATIONS.—The Secretary shall prescribe
23 such regulations as necessary to carry out the provisions
24 of this section.

1 “(j) TERMINATION.—This section shall not apply to
2 any costs after December 31, 2012.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 38(b), as amended by this Act, is
5 amended by striking “plus” at the end of paragraph
6 (37), by striking the period at the end of paragraph
7 (38) and inserting “plus”, and by adding at the end
8 the following new paragraph:

9 “(39) the portion of the hydrogen installation,
10 infrastructure, and fuel credit to which section
11 30F(e)(1) applies.”.

12 (2) Section 55(c)(3) is amended by inserting
13 “30F(e)(2),” after “30C(d)(2),”.

14 (3) Section 1016(a), as amended by this Act, is
15 amended by striking “and” at the end of paragraph
16 (38), by striking the period at the end of paragraph
17 (39) and inserting “, and”, and by adding at the
18 end the following new paragraph:

19 “(40) to the extent provided in section
20 30F(d).”.

21 (4) Section 6501(m), as amended by this Act,
22 is amended by inserting “30F(h),” after
23 “30E(c)(3),”.

24 (5) The table of sections for subpart B of part
25 IV of subchapter A of chapter 1 is amended by in-

1 serting after the item relating to section 30E the fol-
2 lowing new item:

“Sec. 30F. Hydrogen installation, infrastructure, and fuel costs.”.

3 (c) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to amounts paid or incurred after
5 the date of the enactment of this Act, in taxable years
6 ending after such date.

7 **SEC. 338. ALTERNATIVE FUEL VEHICLE REFUELING PROP-**
8 **ERTY CREDIT.**

9 (a) **INCREASE IN CREDIT AMOUNT.**—Section 30C is
10 amended—

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

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

15 (b) **EXTENSION OF CREDIT.**—Paragraph (2) of sec-
16 tion 30C(g) is amended by striking “December 31, 2009”
17 and inserting “December 31, 2012”.

18 (c) **INCLUSION OF ELECTRICITY AS A CLEAN-BURN-**
19 **ING FUEL.**—Section 30C(e)(2) is amended by adding at
20 the end the following new subparagraph:

21 “(C) Electricity.”.

22 (d) **EFFECTIVE DATE.**—The amendments made by
23 this section shall apply to property placed in service after
24 the date of the enactment of this Act, in taxable years
25 ending after such date.

1 **SEC. 339. CERTAIN INCOME AND GAINS RELATING TO AL-**
2 **COHOL FUELS AND MIXTURES, BIODIESEL**
3 **FUELS AND MIXTURES, AND ALTERNATIVE**
4 **FUELS AND MIXTURES TREATED AS QUALI-**
5 **FYING INCOME FOR PUBLICLY TRADED**
6 **PARTNERSHIPS.**

7 (a) **IN GENERAL.**—Subparagraph (E) of section
8 7704(d)(1) is amended by inserting “, or the transpor-
9 tation, storage, or marketing of any fuel described in sub-
10 section (b), (c), (d), or (e) of section 6426, or any alcohol
11 fuel defined in section 6426(b)(4)(A) or any biodiesel fuel
12 as defined in section 40A(d)(1)” after “timber”).

13 (b) **EFFECTIVE DATE.**—The amendment made by
14 this section shall take effect on the date of the enactment
15 of this Act, in taxable years ending after such date.

16 **Subtitle C—Other Provisions**

17 **PART I—GENERAL PROVISIONS**

18 **SEC. 341. ENERGY EFFICIENCY AND CONSERVATION BLOCK**
19 **GRANTS.**

20 Section 544 of the Energy Independence and Security
21 Act of 2007 (42 U.S.C. 17154) is amended—

22 (1) in paragraph (13), by striking “and” at the
23 end;

24 (2) by redesignating paragraph (14) as para-
25 graph (15); and

1 (3) by inserting after paragraph (13) the fol-
2 lowing:

3 “(14) development, implementation, and instal-
4 lation of smart grid technologies and smart grid
5 functions (as defined in section 1306(d)); and”.

6 **SEC. 342. CLEAN ENERGY CORRIDORS.**

7 Section 216 of the Federal Power Act (16 U.S.C.
8 824p) is amended—

9 (1) in subsection (a)—

10 (A) by striking “(1) Not later than” and
11 inserting the following:

12 “(1) IN GENERAL.—Not later than”;

13 (B) by striking paragraph (2) and insert-
14 ing the following:

15 “(2) REPORT AND DESIGNATIONS.—

16 “(A) IN GENERAL.—After considering al-
17 ternatives and recommendations from interested
18 parties (including an opportunity for comment
19 from affected States), the Secretary shall issue
20 a report, based on the study conducted under
21 paragraph (1), in which the Secretary may des-
22 ignate as a national interest electric trans-
23 mission corridor any geographical area experi-
24 encing electric energy transmission capacity
25 constraints or congestion that adversely affects

1 consumers, including constraints or congestion
2 that—

3 “(i) increases costs to consumers;

4 “(ii) limits resource options to serve
5 load growth; or

6 “(iii) limits access to sources of clean
7 energy, such as wind, solar energy, geo-
8 thermal energy, and biomass.

9 “(B) ADDITIONAL DESIGNATIONS.—In ad-
10 dition to the corridor designations made under
11 subparagraph (A), the Secretary may designate
12 additional corridors in accordance with that
13 subparagraph on the application by an inter-
14 ested person, on the condition that the Sec-
15 retary provides for an opportunity for notice
16 and comment by interested persons and af-
17 fected States on the application.”;

18 (C) in paragraph (3), the striking “(3) The
19 Secretary” and inserting the following:

20 “(3) CONSULTATION.—The Secretary”; and

21 (D) in paragraph (4)—

22 (i) by striking “(4) In determining”
23 and inserting the following:

24 “(4) BASIS FOR DETERMINATION.—In deter-
25 mining”; and

1 (ii) by striking subparagraphs (A)
2 through (E) and inserting the following:

3 “(A) the economic vitality and development
4 of the corridor, or the end markets served by
5 the corridor, may be constrained by lack of ade-
6 quate or reasonably priced electricity;

7 “(B)(i) economic growth in the corridor, or
8 the end markets served by the corridor, may be
9 jeopardized by reliance on limited sources of en-
10 ergy; and

11 “(ii) a diversification of supply is war-
12 ranted;

13 “(C) the energy independence of the
14 United States would be served by the designa-
15 tion;

16 “(D) the designation would be in the inter-
17 est of national energy policy; and

18 “(E) the designation would enhance na-
19 tional defense and homeland security.”; and

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

21 “(1) RATES AND RECOVERY OF COSTS.—

22 “(1) IN GENERAL.—Not later than 1 year after
23 the date of enactment of this subsection, the Com-
24 mission shall promulgate regulations providing for
25 the allocation and recovery of costs prudently in-

1 curred by public utilities in building and operating
2 facilities authorized under this section for trans-
3 mission of electric energy generated from clean
4 sources (such as wind, solar energy, geothermal en-
5 ergy, and biomass) and recovered in rates for the
6 transmission of the electric energy subject to the ju-
7 risdiction of the Commission.

8 “(2) APPLICABLE PROVISIONS.—All rates ap-
9 proved under the regulations promulgated under
10 paragraph (1), including any revisions to the regula-
11 tions, shall be subject to the requirements under sec-
12 tions 205 and 206 that all rates, charges, terms, and
13 conditions be just and reasonable and not unduly
14 discriminatory or preferential.

15 “(3) RATES IN ORGANIZED MARKETS.—In es-
16 tablishing rates under section 205 or 206 for facili-
17 ties built under this section by a public utility or
18 transmitting utility and located within or inter-
19 connecting with a regional transmission organiza-
20 tion, the costs of the facilities shall be allocated to
21 all users of the transmission system within the re-
22 gional transmission organization.”.

1 **SEC. 343. WEATHERIZATION ASSISTANCE PROGRAM FOR**
2 **LOW-INCOME PERSONS.**

3 (a) IN GENERAL.—Section 422 of the Energy Con-
4 servation and Production Act (42 U.S.C. 6872) is amend-
5 ed—

6 (1) by striking the section heading and all that
7 follows through “For the purpose” and inserting the
8 following:

9 **“SEC. 422. FUNDING.**

10 **“(a) DISCRETIONARY FUNDING.—**For the purpose”;

11 (2) by striking “fiscal year 2008” and inserting
12 “each of fiscal years 2008 through 2012”; and

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

14 **“(b) MANDATORY FUNDING.—**

15 **“(1) IN GENERAL.—**In addition to any amounts
16 made available under subsection (a), on October 1,
17 2008, and on each October 1 thereafter through Oc-
18 tober 1, 2011, out of any funds in the Treasury not
19 otherwise appropriated, the Secretary of the Treas-
20 ury shall transfer to the Secretary to carry out this
21 part \$500,000,000, to remain available until ex-
22 pended.

23 **“(2) RECEIPT AND ACCEPTANCE.—**The Sec-
24 retary shall be entitled to receive, shall accept, and
25 shall use to carry out this part the funds transferred

1 under paragraph (1), without further appropria-
2 tion.”.

3 (b) CONFORMING AMENDMENTS.—Section 415 of the
4 Energy Conservation and Production Act (42 U.S.C.
5 6865) is amended by striking “section 422(b)” each place
6 it appears in subsections (d) and (e)(1)(A) and inserting
7 “section 422”.

8 **PART II—TAX PROVISIONS**

9 **SEC. 350. REFERENCE.**

10 Except as otherwise expressly provided, whenever in
11 this part an amendment or repeal is expressed in terms
12 of an amendment to, or repeal of, a section or other provi-
13 sion, the reference shall be considered to be made to a
14 section or other provision of the Internal Revenue Code
15 of 1986.

16 **Subpart A—Renewable Energy Incentives**

17 **SEC. 351. RENEWABLE ENERGY CREDIT.**

18 (a) EXTENSION OF CREDIT.—

19 (1) 1-YEAR EXTENSION FOR WIND FACILI-
20 TIES.—Each of the following provisions of section
21 45(d) is amended by striking “January 1, 2009”
22 and inserting “January 1, 2013”:

23 (A) Paragraph (1).

24 (B) Clauses (i) and (ii) of paragraph

25 (2)(A).

1 (C) Clauses (i)(I) and (ii) of paragraph
2 (3)(A).

3 (D) Paragraph (4).

4 (E) Paragraph (5).

5 (F) Paragraph (6).

6 (G) Paragraph (7).

7 (H) Subparagraphs (A) and (B) of para-
8 graph (9).

9 (b) MODIFICATION OF CREDIT PHASEOUT.—

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

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

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

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

19 “(1) LIMITATION BASED ON INVESTMENT IN
20 FACILITY.—

21 “(A) IN GENERAL.—In the case of any
22 qualified facility originally placed in service
23 after December 31, 2009, the amount of the
24 credit determined under subsection (a) for any
25 taxable year with respect to electricity produced

1 at such facility shall not exceed the product
2 of—

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

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

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

8 “(i) UNUSED LIMITATION.—If the
9 limitation imposed under subparagraph (A)
10 with respect to any facility for any taxable
11 year exceeds the prelimitation credit for
12 such facility for such taxable year, the lim-
13 itation imposed under subparagraph (A)
14 with respect to such facility for the suc-
15 ceeding taxable year shall be increased by
16 the amount of such excess.

17 “(ii) EXCESS CREDIT.—If the
18 prelimitation credit with respect to any fa-
19 cility for any taxable year exceeds the limi-
20 tation imposed under subparagraph (A)
21 with respect to such facility for such tax-
22 able year, the credit determined under sub-
23 section (a) with respect to such facility for
24 the succeeding taxable year (determined
25 before the application of subparagraph (A)

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

8 “(iii) PRELIMINATION CREDIT.—The
9 term ‘prelimination credit’ with respect to
10 any facility for a taxable year means the
11 credit determined under subsection (a)
12 with respect to such facility for such tax-
13 able year, determined without regard to
14 subparagraph (A) and after taking into ac-
15 count any increase for such taxable year
16 under clause (ii).

17 “(C) APPLICABLE PERCENTAGE.—For
18 purposes of this paragraph—

19 “(i) IN GENERAL.—The term ‘applica-
20 ble percentage’ means, with respect to any
21 facility, the appropriate percentage pre-
22 scribed by the Secretary for the month in
23 which such facility is originally placed in
24 service.

1 “(ii) METHOD OF PRESCRIBING AP-
2 PLICABLE PERCENTAGES.—The applicable
3 percentages prescribed by the Secretary for
4 any month under clause (i) shall be per-
5 centages which yield over a 10-year period
6 amounts of limitation under subparagraph
7 (A) which have a present value equal to 35
8 percent of the eligible basis of the facility.

9 “(iii) METHOD OF DISCOUNTING.—
10 The present value under clause (ii) shall be
11 determined—

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

15 “(II) by using a discount rate
16 equal to the greater of 110 percent of
17 the Federal long-term rate as in effect
18 under section 1274(d) for the month
19 preceding the month for which the ap-
20 plicable percentage is being pre-
21 scribed, or 4.5 percent, and

22 “(III) by taking into account the
23 limitation under subparagraph (A) for
24 any year on the last day of such year.

1 “(D) ELIGIBLE BASIS.—For purposes of
2 this paragraph—

3 “(i) IN GENERAL.—The term ‘eligible
4 basis’ means, with respect to any facility,
5 the sum of—

6 “(I) the basis of such facility de-
7 termined as of the time that such fa-
8 cility is originally placed in service,
9 and

10 “(II) the portion of the basis of
11 any shared qualified property which is
12 properly allocable to such facility
13 under clause (ii).

14 “(ii) RULES FOR ALLOCATION.—For
15 purposes of subclause (II) of clause (i), the
16 basis of shared qualified property shall be
17 allocated among all qualified facilities
18 which are projected to be placed in service
19 and which require utilization of such prop-
20 erty in proportion to projected generation
21 from such facilities.

22 “(iii) SHARED QUALIFIED PROP-
23 erty.—For purposes of this paragraph,
24 the term ‘shared qualified property’ means,

1 with respect to any facility, any property
2 described in section 168(e)(3)(B)(vi)—

3 “(I) which a qualified facility will
4 require for utilization of such facility,
5 and

6 “(II) which is not a qualified fa-
7 cility.

8 “(iv) SPECIAL RULE RELATING TO
9 GEOTHERMAL FACILITIES.—In the case of
10 any qualified facility using geothermal en-
11 ergy to produce electricity, the basis of
12 such facility for purposes of this paragraph
13 shall be determined as though intangible
14 drilling and development costs described in
15 section 263(c) were capitalized rather than
16 expensed.

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

1 without regard to this subparagraph) as such
2 portion of the taxable year which is not within
3 such period bears to the entire taxable year.

4 “(F) ELECTION TO TREAT ALL FACILITIES
5 PLACED IN SERVICE IN A YEAR AS 1 FACIL-
6 ITY.—At the election of the taxpayer, all quali-
7 fied facilities which are part of the same project
8 and which are placed in service during the same
9 calendar year shall be treated for purposes of
10 this section as 1 facility which is placed in serv-
11 ice at the mid-point of such year or the first
12 day of the following calendar year.”.

13 (c) TRASH FACILITY CLARIFICATION.—Paragraph
14 (7) of section 45(d) is amended—

15 (1) by striking “facility which burns” and in-
16 serting “facility (other than a facility described in
17 paragraph (6)) which uses”, and

18 (2) by striking “COMBUSTION”.

19 (d) EXPANSION OF BIOMASS FACILITIES.—

20 (1) OPEN-LOOP BIOMASS FACILITIES.—Para-
21 graph (3) of section 45(d) is amended by redesign-
22 ating subparagraph (B) as subparagraph (C) and
23 by inserting after subparagraph (A) the following
24 new subparagraph:

1 “(B) EXPANSION OF FACILITY.—Such
2 term shall include a new unit placed in service
3 after the date of the enactment of this subpara-
4 graph in connection with a facility described in
5 subparagraph (A), but only to the extent of the
6 increased amount of electricity produced at the
7 facility by reason of such new unit.”.

8 (2) CLOSED-LOOP BIOMASS FACILITIES.—Para-
9 graph (2) of section 45(d) is amended by redesignig-
10 nating subparagraph (B) as subparagraph (C) and
11 inserting after subparagraph (A) the following new
12 subparagraph:

13 “(B) EXPANSION OF FACILITY.—Such
14 term shall include a new unit placed in service
15 after the date of the enactment of this subpara-
16 graph in connection with a facility described in
17 subparagraph (A)(i), but only to the extent of
18 the increased amount of electricity produced at
19 the facility by reason of such new unit.”.

20 (e) SALES OF NET ELECTRICITY TO REGULATED
21 PUBLIC UTILITIES TREATED AS SALES TO UNRELATED
22 PERSONS.—Paragraph (4) of section 45(e) is amended by
23 adding at the end the following new sentence: “The net
24 amount of electricity sold by any taxpayer to a regulated

1 public utility (as defined in section 7701(a)(33)) shall be
2 treated as sold to an unrelated person.”.

3 (f) MODIFICATION OF RULES FOR HYDROPOWER
4 PRODUCTION.—Subparagraph (C) of section 45(c)(8) is
5 amended to read as follows:

6 “(C) NONHYDROELECTRIC DAM.—For pur-
7 poses of subparagraph (A), a facility is de-
8 scribed in this subparagraph if—

9 “(i) the hydroelectric project installed
10 on the nonhydroelectric dam is licensed by
11 the Federal Energy Regulatory Commis-
12 sion and meets all other applicable environ-
13 mental, licensing, and regulatory require-
14 ments,

15 “(ii) the nonhydroelectric dam was
16 placed in service before the date of the en-
17 actment of this paragraph and operated
18 for flood control, navigation, or water sup-
19 ply purposes and did not produce hydro-
20 electric power on the date of the enactment
21 of this paragraph, and

22 “(iii) the hydroelectric project is oper-
23 ated so that the water surface elevation at
24 any given location and time that would
25 have occurred in the absence of the hydro-

1 electric project is maintained, subject to
2 any license requirements imposed under
3 applicable law that change the water sur-
4 face elevation for the purpose of improving
5 environmental quality of the affected wa-
6 terway.

7 The Secretary, in consultation with the Federal
8 Energy Regulatory Commission, shall certify if
9 a hydroelectric project licensed at a nonhydro-
10 electric dam meets the criteria in clause (iii).
11 Nothing in this section shall affect the stand-
12 ards under which the Federal Energy Regu-
13 latory Commission issues licenses for and regu-
14 lates hydropower projects under part I of the
15 Federal Power Act.”.

16 (g) EFFECTIVE DATE.—

17 (1) IN GENERAL.—Except as otherwise pro-
18 vided in this subsection, the amendments made by
19 this section shall apply to property originally placed
20 in service after December 31, 2008.

21 (2) REPEAL OF CREDIT PHASEOUT.—The
22 amendments made by subsection (b)(1) shall apply
23 to taxable years ending after December 31, 2008.

24 (3) LIMITATION BASED ON INVESTMENT IN FA-
25 CILITY.—The amendment made by subsection (b)(2)

1 shall apply to property originally placed in service
2 after December 31, 2009.

3 (4) TRASH FACILITY CLARIFICATION; SALES TO
4 RELATED REGULATED PUBLIC UTILITIES.—The
5 amendments made by subsections (c) and (e) shall
6 apply to electricity produced and sold after the date
7 of the enactment of this Act.

8 (5) EXPANSION OF BIOMASS FACILITIES.—The
9 amendments made by subsection (d) shall apply to
10 property placed in service after the date of the en-
11 actment of this Act.

12 **SEC. 352. PRODUCTION CREDIT FOR ELECTRICITY PRO-**
13 **DUCTION FROM MARINE RENEWABLES.**

14 (a) IN GENERAL.—Paragraph (1) of section 45(c) is
15 amended by striking “and” at the end of subparagraph
16 (G), by striking the period at the end of subparagraph
17 (H) and inserting “, and”, and by adding at the end the
18 following new subparagraph:

19 “(I) marine and hydrokinetic renewable en-
20 ergy.”.

21 (b) MARINE RENEWABLES.—Subsection (c) of sec-
22 tion 45 is amended by adding at the end the following
23 new paragraph:

24 “(10) MARINE AND HYDROKINETIC RENEW-
25 ABLE ENERGY.—

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

4 “(i) waves, tides, and currents in
5 oceans, estuaries, and tidal areas,

6 “(ii) free flowing water in rivers,
7 lakes, and streams,

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

14 “(iv) differentials in ocean tempera-
15 ture (ocean thermal energy conversion).

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

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

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

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

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

11 (d) CREDIT RATE.—Subparagraph (A) of section
12 45(b)(4) is amended by striking “or (9)” and inserting
13 “(9), or (11)”.

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

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

22 **SEC. 353. ENERGY CREDIT.**

23 (a) EXTENSION OF CREDIT.—

24 (1) SOLAR ENERGY PROPERTY.—Paragraphs

25 (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) are each

1 amended by striking “January 1, 2009” and insert-
2 ing “January 1, 2013”.

3 (2) FUEL CELL PROPERTY.—Subparagraph (E)
4 of section 48(c)(1) is amended by striking “Decem-
5 ber 31, 2008” and inserting “December 31, 2012”.

6 (3) MICROTURBINE PROPERTY.—Subparagraph
7 (E) of section 48(c)(2) is amended by striking “De-
8 cember 31, 2008” and inserting “December 31,
9 2012”.

10 (b) ALLOWANCE OF ENERGY CREDIT AGAINST AL-
11 TERNATIVE MINIMUM TAX.—Subparagraph (B) of section
12 38(c)(4), as amended by the Housing Assistance Tax Act
13 of 2008, is amended by redesignating clauses (v) and (vi)
14 as clauses (vi) and (vii), respectively, and by inserting
15 after clause (iv) the following new clause:

16 “(v) the credit determined under sec-
17 tion 46 to the extent that such credit is at-
18 tributable to the energy credit determined
19 under section 48, and”.

20 (c) ENERGY CREDIT FOR COMBINED HEAT AND
21 POWER SYSTEM PROPERTY.—

22 (1) IN GENERAL.—Section 48(a)(3)(A) is
23 amended by striking “or” at the end of clause (iii),
24 by inserting “or” at the end of clause (iv), and by
25 adding at the end the following new clause:

1 “(v) combined heat and power system
2 property,”.

3 (2) COMBINED HEAT AND POWER SYSTEM
4 PROPERTY.—Section 48 is amended by adding at
5 the end the following new subsection:

6 “(d) COMBINED HEAT AND POWER SYSTEM PROP-
7 ERTY.—For purposes of subsection (a)(3)(A)(v)—

8 “(1) COMBINED HEAT AND POWER SYSTEM
9 PROPERTY.—The term ‘combined heat and power
10 system property’ means property comprising a sys-
11 tem—

12 “(A) which uses the same energy source
13 for the simultaneous or sequential generation of
14 electrical power, mechanical shaft power, or
15 both, in combination with the generation of
16 steam or other forms of useful thermal energy
17 (including heating and cooling applications),

18 “(B) which produces—

19 “(i) at least 20 percent of its total
20 useful energy in the form of thermal en-
21 ergy which is not used to produce electrical
22 or mechanical power (or combination
23 thereof), and

24 “(ii) at least 20 percent of its total
25 useful energy in the form of electrical or

1 mechanical power (or combination thereof),
2 and

3 “(C) the energy efficiency percentage of
4 which exceeds 60 percent.

5 “(2) LIMITATION.—

6 “(A) IN GENERAL.—In the case of com-
7 bined heat and power system property with an
8 electrical capacity in excess of the applicable ca-
9 pacity placed in service during the taxable year,
10 the credit under subsection (a)(1) (determined
11 without regard to this paragraph) for such year
12 shall be equal to the amount which bears the
13 same ratio to such credit as the applicable ca-
14 pacity bears to the capacity of such property.

15 “(B) APPLICABLE CAPACITY.—For pur-
16 poses of subparagraph (A), the term ‘applicable
17 capacity’ means 15 megawatts or a mechanical
18 energy capacity of more than 20,000 horse-
19 power or an equivalent combination of electrical
20 and mechanical energy capacities.

21 “(C) MAXIMUM CAPACITY.—The term
22 ‘combined heat and power system property’
23 shall not include any property comprising a sys-
24 tem if such system has a capacity in excess of
25 50 megawatts or a mechanical energy capacity

1 in excess of 67,000 horsepower or an equivalent
2 combination of electrical and mechanical energy
3 capacities.

4 “(3) SPECIAL RULES.—

5 “(A) ENERGY EFFICIENCY PERCENT-
6 AGE.—For purposes of this subsection, the en-
7 ergy efficiency percentage of a system is the
8 fraction—

9 “(i) the numerator of which is the
10 total useful electrical, thermal, and me-
11 chanical power produced by the system at
12 normal operating rates, and expected to be
13 consumed in its normal application, and

14 “(ii) the denominator of which is the
15 lower heating value of the fuel sources for
16 the system.

17 “(B) DETERMINATIONS MADE ON BTU
18 BASIS.—The energy efficiency percentage and
19 the percentages under paragraph (1)(B) shall
20 be determined on a Btu basis.

21 “(C) INPUT AND OUTPUT PROPERTY NOT
22 INCLUDED.—The term ‘combined heat and
23 power system property’ does not include prop-
24 erty used to transport the energy source to the

1 facility or to distribute energy produced by the
2 facility.

3 “(4) SYSTEMS USING BIOMASS.—If a system is
4 designed to use biomass (within the meaning of
5 paragraphs (2) and (3) of section 45(e) without re-
6 gard to the last sentence of paragraph (3)(A)) for at
7 least 90 percent of the energy source—

8 “(A) paragraph (1)(C) shall not apply, but

9 “(B) the amount of credit determined
10 under subsection (a) with respect to such sys-
11 tem shall not exceed the amount which bears
12 the same ratio to such amount of credit (deter-
13 mined without regard to this paragraph) as the
14 energy efficiency percentage of such system
15 bears to 60 percent.

16 “(5) TERMINATION.—The term ‘combined heat
17 and power system property’ shall not include any
18 property for any period after December 31, 2012.”.

19 (d) INCREASE OF CREDIT LIMITATION FOR FUEL
20 CELL PROPERTY.—Subparagraph (B) of section 48(e)(1)
21 is amended by striking “\$500” and inserting “\$1,500”.

22 (e) PUBLIC UTILITY PROPERTY TAKEN INTO AC-
23 COUNT.—

1 (1) IN GENERAL.—Paragraph (3) of section
2 48(a) is amended by striking the second sentence
3 thereof.

4 (2) CONFORMING AMENDMENTS.—

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

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

13 (f) EFFECTIVE DATE.—

14 (1) IN GENERAL.—Except as otherwise pro-
15 vided in this subsection, the amendments made by
16 this section shall take effect on the date of the en-
17 actment of this Act.

18 (2) ALLOWANCE AGAINST ALTERNATIVE MIN-
19 IMUM TAX.—The amendments made by subsection
20 (b) shall apply to credits determined under section
21 46 of the Internal Revenue Code of 1986 in taxable
22 years beginning after the date of the enactment of
23 this Act and to carrybacks of such credits.

24 (3) COMBINED HEAT AND POWER AND FUEL
25 CELL PROPERTY.—The amendments made by sub-

1 sections (c) and (d) shall apply to periods after the
2 date of the enactment of this Act, in taxable years
3 ending after such date, under rules similar to the
4 rules of section 48(m) of the Internal Revenue Code
5 of 1986 (as in effect on the day before the date of
6 the enactment of the Revenue Reconciliation Act of
7 1990).

8 (4) PUBLIC UTILITY PROPERTY.—The amend-
9 ments made by subsection (e) shall apply to periods
10 after February 13, 2008, in taxable years ending
11 after such date, under rules similar to the rules of
12 section 48(m) of the Internal Revenue Code of 1986
13 (as in effect on the day before the date of the enact-
14 ment of the Revenue Reconciliation Act of 1990).

15 **SEC. 354. CREDIT FOR RESIDENTIAL ENERGY EFFICIENT**
16 **PROPERTY.**

17 (a) EXTENSION.—Section 25D(g) is amended by
18 striking “December 31, 2008” and inserting “December
19 31, 2012”.

20 (b) MAXIMUM CREDIT FOR SOLAR ELECTRIC PROP-
21 erty.—

22 (1) IN GENERAL.—Section 25D(b)(1)(A) is
23 amended by striking “\$2,000” and inserting
24 “\$4,000”.

1 (2) CONFORMING AMENDMENT.—Section
2 25D(e)(4)(A)(i) is amended by striking “\$6,667”
3 and inserting “\$13,333”.

4 (c) CREDIT FOR RESIDENTIAL WIND PROPERTY.—

5 (1) IN GENERAL.—Section 25D(a) is amended
6 by striking “and” at the end of paragraph (2), by
7 striking the period at the end of paragraph (3) and
8 inserting “, and”, and by adding at the end the fol-
9 lowing new paragraph:

10 “(4) 30 percent of the qualified small wind en-
11 ergy property expenditures made by the taxpayer
12 during such year.”.

13 (2) LIMITATION.—Section 25D(b)(1) is amend-
14 ed by striking “and” at the end of subparagraph
15 (B), by striking the period at the end of subpara-
16 graph (C) and inserting “, and”, and by adding at
17 the end the following new subparagraph:

18 “(D) \$500 with respect to each half kilo-
19 watt of capacity (not to exceed \$4,000) of wind
20 turbines for which qualified small wind energy
21 property expenditures are made.”.

22 (3) QUALIFIED SMALL WIND ENERGY PROP-
23 ERTY EXPENDITURES.—

1 (A) IN GENERAL.—Section 25D(d) is
2 amended by adding at the end the following
3 new paragraph:

4 “(4) QUALIFIED SMALL WIND ENERGY PROP-
5 erty expenditure.—The term ‘qualified small
6 wind energy property expenditure’ means an expend-
7 iture for property which uses a wind turbine to gen-
8 erate electricity for use in connection with a dwelling
9 unit located in the United States and used as a resi-
10 dence by the taxpayer.”.

11 (B) NO DOUBLE BENEFIT.—Section
12 45(d)(1) is amended by adding at the end the
13 following new sentence: “Such term shall not
14 include any facility with respect to which any
15 qualified small wind energy property expendi-
16 ture (as defined in subsection (d)(4) of section
17 25D) is taken into account in determining the
18 credit under such section.”.

19 (4) MAXIMUM EXPENDITURES IN CASE OF
20 JOINT OCCUPANCY.—Section 25D(e)(4)(A) is
21 amended by striking “and” at the end of clause (ii),
22 by striking the period at the end of clause (iii) and
23 inserting “, and”, and by adding at the end the fol-
24 lowing new clause:

1 “(iv) \$1,667 in the case of each half
2 kilowatt of capacity (not to exceed
3 \$13,333) of wind turbines for which quali-
4 fied small wind energy property expendi-
5 tures are made.”.

6 (d) CREDIT FOR GEOTHERMAL HEAT PUMP SYS-
7 TEMS.—

8 (1) IN GENERAL.—Section 25D(a), as amended
9 by subsection (c), is amended by striking “and” at
10 the end of paragraph (3), by striking the period at
11 the end of paragraph (4) and inserting “, and”, and
12 by adding at the end the following new paragraph:

13 “(5) 30 percent of the qualified geothermal
14 heat pump property expenditures made by the tax-
15 payer during such year.”.

16 (2) LIMITATION.—Section 25D(b)(1), as
17 amended by subsection (c), is amended by striking
18 “and” at the end of subparagraph (C), by striking
19 the period at the end of subparagraph (D) and in-
20 serting “, and”, and by adding at the end the fol-
21 lowing new subparagraph:

22 “(E) \$2,000 with respect to any qualified
23 geothermal heat pump property expenditures.”.

24 (3) QUALIFIED GEOTHERMAL HEAT PUMP
25 PROPERTY EXPENDITURE.—Section 25D(d), as

1 amended by subsection (c), is amended by adding at
2 the end the following new paragraph:

3 “(5) QUALIFIED GEOTHERMAL HEAT PUMP
4 PROPERTY EXPENDITURE.—

5 “(A) IN GENERAL.—The term ‘qualified
6 geothermal heat pump property expenditure’
7 means an expenditure for qualified geothermal
8 heat pump property installed on or in connec-
9 tion with a dwelling unit located in the United
10 States and used as a residence by the taxpayer.

11 “(B) QUALIFIED GEOTHERMAL HEAT
12 PUMP PROPERTY.—The term ‘qualified geo-
13 thermal heat pump property’ means any equip-
14 ment which—

15 “(i) uses the ground or ground water
16 as a thermal energy source to heat the
17 dwelling unit referred to in subparagraph
18 (A) or as a thermal energy sink to cool
19 such dwelling unit, and

20 “(ii) meets the requirements of the
21 Energy Star program which are in effect
22 at the time that the expenditure for such
23 equipment is made.”.

24 (4) MAXIMUM EXPENDITURES IN CASE OF
25 JOINT OCCUPANCY.—Section 25D(e)(4)(A), as

1 amended by subsection (c), is amended by striking
2 “and” at the end of clause (iii), by striking the pe-
3 riod at the end of clause (iv) and inserting “, and”,
4 and by adding at the end the following new clause:

5 “(v) \$6,667 in the case of any quali-
6 fied geothermal heat pump property ex-
7 penditures.”.

8 (e) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
9 IMUM TAX.—

10 (1) IN GENERAL.—Subsection (c) of section
11 25D is amended to read as follows:

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

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

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

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

25 “(2) CARRYFORWARD OF UNUSED CREDIT.—

1 “(A) RULE FOR YEARS IN WHICH ALL
2 PERSONAL CREDITS ALLOWED AGAINST REG-
3 ULAR AND ALTERNATIVE MINIMUM TAX.—In
4 the case of a taxable year to which section
5 26(a)(2) applies, if the credit allowable under
6 subsection (a) exceeds the limitation imposed by
7 section 26(a)(2) for such taxable year reduced
8 by the sum of the credits allowable under this
9 subpart (other than this section), such excess
10 shall be carried to the succeeding taxable year
11 and added to the credit allowable under sub-
12 section (a) for such succeeding taxable year.

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

22 (2) CONFORMING AMENDMENTS.—

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

1 (B) Section 24(b)(3)(B) is amended by
2 striking “and 25B” and inserting “, 25B, and
3 25D”.

4 (C) Section 25B(g)(2) is amended by strik-
5 ing “section 23” and inserting “sections 23 and
6 25D”.

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

9 (f) EFFECTIVE DATE.—

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

13 (2) APPLICATION OF EGTRRA SUNSET.—The
14 amendments made by subparagraphs (A) and (B) of
15 subsection (e)(2) shall be subject to title IX of the
16 Economic Growth and Tax Relief Reconciliation Act
17 of 2001 in the same manner as the provisions of
18 such Act to which such amendments relate.

19 **SEC. 355. SPECIAL RULE TO IMPLEMENT FERC AND STATE**
20 **ELECTRIC RESTRUCTURING POLICY.**

21 (a) EXTENSION FOR QUALIFIED ELECTRIC UTILI-
22 TIES.—

23 (1) IN GENERAL.—Paragraph (3) of section
24 451(i) is amended by inserting “(before January 1,

1 2013, in the case of a qualified electric utility)”
2 after “January 1, 2008”.

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

8 “(6) QUALIFIED ELECTRIC UTILITY.—For pur-
9 poses of this subsection, the term ‘qualified electric
10 utility’ means a person that, as of the date of the
11 qualifying electric transmission transaction, is
12 vertically integrated, in that it is both—

13 “(A) a transmitting utility (as defined in
14 section 3(23) of the Federal Power Act (16
15 U.S.C. 796(23))) with respect to the trans-
16 mission facilities to which the election under
17 this subsection applies, and

18 “(B) an electric utility (as defined in sec-
19 tion 3(22) of the Federal Power Act (16 U.S.C.
20 796(22))).”.

21 (b) EXTENSION OF PERIOD FOR TRANSFER OF
22 OPERATIONAL CONTROL AUTHORIZED BY FERC.—
23 Clause (ii) of section 451(i)(4)(B) is amended by striking
24 “December 31, 2007” and inserting “the date which is

1 4 years after the close of the taxable year in which the
2 transaction occurs”.

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

7 “(C) EXCEPTION FOR PROPERTY LOCATED
8 OUTSIDE THE UNITED STATES.—The term ‘ex-
9 empt utility property’ shall not include any
10 property which is located outside the United
11 States.”.

12 (d) EFFECTIVE DATES.—

13 (1) EXTENSION.—The amendments made by
14 subsection (a) shall apply to transactions after De-
15 cember 31, 2007.

16 (2) TRANSFERS OF OPERATIONAL CONTROL.—
17 The amendment made by subsection (b) shall take
18 effect as if included in section 909 of the American
19 Jobs Creation Act of 2004.

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

1 **SEC. 356. NEW CLEAN RENEWABLE ENERGY BONDS.**

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

5 **“SEC. 54C. NEW CLEAN RENEWABLE ENERGY BONDS.**

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

10 “(1) 100 percent of the available project pro-
11 ceeds of such issue are to be used for capital expend-
12 itures incurred by governmental bodies, public power
13 providers, or cooperative electric companies for one
14 or more qualified renewable energy facilities,

15 “(2) the bond is issued by a qualified issuer,
16 and

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

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

23 “(c) LIMITATION ON AMOUNT OF BONDS DES-
24 IGNATED.—

25 “(1) IN GENERAL.—The maximum aggregate
26 face amount of bonds which may be designated

1 under subsection (a) by any issuer shall not exceed
2 the limitation amount allocated under this sub-
3 section to such issuer.

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

9 “(A) not more than $33\frac{1}{3}$ percent thereof
10 may be allocated to qualified projects of public
11 power providers,

12 “(B) not more than $33\frac{1}{3}$ percent thereof
13 may be allocated to qualified projects of govern-
14 mental bodies, and

15 “(C) not more than $33\frac{1}{3}$ percent thereof
16 may be allocated to qualified projects of cooper-
17 ative electric companies.

18 “(3) METHOD OF ALLOCATION.—

19 “(A) ALLOCATION AMONG PUBLIC POWER
20 PROVIDERS.—After the Secretary determines
21 the qualified projects of public power providers
22 which are appropriate for receiving an alloca-
23 tion of the national new clean renewable energy
24 bond limitation, the Secretary shall, to the max-
25 imum extent practicable, make allocations

1 among such projects in such manner that the
2 amount allocated to each such project bears the
3 same ratio to the cost of such project as the
4 limitation under paragraph (2)(A) bears to the
5 cost of all such projects.

6 “(B) ALLOCATION AMONG GOVERNMENTAL
7 BODIES AND COOPERATIVE ELECTRIC COMPA-
8 NIES.—The Secretary shall make allocations of
9 the amount of the national new clean renewable
10 energy bond limitation described in paragraphs
11 (2)(B) and (2)(C) among qualified projects of
12 governmental bodies and cooperative electric
13 companies, respectively, in such manner as the
14 Secretary determines appropriate.

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

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

23 “(2) PUBLIC POWER PROVIDER.—The term
24 ‘public power provider’ means a State utility with a
25 service obligation, as such terms are defined in sec-

1 tion 217 of the Federal Power Act (as in effect on
2 the date of the enactment of this paragraph).

3 “(3) GOVERNMENTAL BODY.—The term ‘gov-
4 ernmental body’ means any State or Indian tribal
5 government, or any political subdivision thereof.

6 “(4) COOPERATIVE ELECTRIC COMPANY.—The
7 term ‘cooperative electric company’ means a mutual
8 or cooperative electric company described in section
9 501(c)(12) or section 1381(a)(2)(C).

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

17 “(6) QUALIFIED ISSUER.—The term ‘qualified
18 issuer’ means a public power provider, a cooperative
19 electric company, a governmental body, a clean re-
20 newable energy bond lender, or a not-for-profit elec-
21 tric utility which has received a loan or loan guar-
22 antee under the Rural Electrification Act.”.

23 (b) CONFORMING AMENDMENTS.—

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

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

3 “(A) a qualified forestry conservation
4 bond, or

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

8 (2) Subparagraph (C) of section 54A(d)(2) is
9 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 qualified forestry
14 conservation bond, a purpose specified in
15 section 54B(e), and

16 “(ii) in the case of a new clean renew-
17 able energy 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 clean renewable energy 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 **Subpart B—Carbon Mitigation Provisions**

2 **SEC. 361. EXPANSION AND MODIFICATION OF ADVANCED**
3 **COAL PROJECT INVESTMENT CREDIT.**

4 (a) **MODIFICATION OF CREDIT AMOUNT.**—Section
5 48A(a) is amended by striking “and” at the end of para-
6 graph (1), by striking the period at the end of paragraph
7 (2) and inserting “, and”, and by adding at the end the
8 following new paragraph:

9 “(3) 30 percent of the qualified investment for
10 such taxable year in the case of projects described
11 in clause (iii) of subsection (d)(3)(B).”.

12 (b) **EXPANSION OF AGGREGATE CREDITS.**—Section
13 48A(d)(3)(A) is amended by striking “\$1,300,000,000”
14 and inserting “\$2,550,000,000”.

15 (c) **AUTHORIZATION OF ADDITIONAL PROJECTS.**—

16 (1) **IN GENERAL.**—Subparagraph (B) of section
17 48A(d)(3) is amended to read as follows:

18 “(B) **PARTICULAR PROJECTS.**—Of the dol-
19 lar amount in subparagraph (A), the Secretary
20 is authorized to certify—

21 “(i) \$800,000,000 for integrated gas-
22 ification combined cycle projects the appli-
23 cation for which is submitted during the
24 period described in paragraph (2)(A)(i),

25 “(ii) \$500,000,000 for projects which
26 use other advanced coal-based generation

1 technologies the application for which is
2 submitted during the period described in
3 paragraph (2)(A)(i), and

4 “(iii) \$1,250,000,000 for advanced
5 coal-based generation technology projects
6 the application for which is submitted dur-
7 ing the period described in paragraph
8 (2)(A)(ii).”.

9 (2) APPLICATION PERIOD FOR ADDITIONAL
10 PROJECTS.—Subparagraph (A) of section 48A(d)(2)
11 is amended to read as follows:

12 “(A) APPLICATION PERIOD.—Each appli-
13 cant for certification under this paragraph shall
14 submit an application meeting the requirements
15 of subparagraph (B). An applicant may only
16 submit an application—

17 “(i) for an allocation from the dollar
18 amount specified in clause (i) or (ii) of
19 paragraph (3)(B) during the 3-year period
20 beginning on the date the Secretary estab-
21 lishes the program under paragraph (1),
22 and

23 “(ii) for an allocation from the dollar
24 amount specified in paragraph (3)(B)(iii)
25 during the 3-year period beginning at the

1 earlier of the termination of the period de-
2 scribed in clause (i) or the date prescribed
3 by the Secretary.”.

4 (3) CAPTURE AND SEQUESTRATION OF CARBON
5 DIOXIDE EMISSIONS REQUIREMENT.—

6 (A) IN GENERAL.—Section 48A(e)(1) is
7 amended by striking “and” at the end of sub-
8 paragraph (E), by striking the period at the
9 end of subparagraph (F) and inserting “; and”,
10 and by adding at the end the following new sub-
11 paragraph:

12 “(G) in the case of any project the applica-
13 tion for which is submitted during the period
14 described in subsection (d)(2)(A)(ii), the project
15 includes equipment which separates and seques-
16 ters at least 65 percent (70 percent in the case
17 of an application for reallocated credits under
18 subsection (d)(4)) of such project’s total carbon
19 dioxide emissions.”.

20 (B) HIGHEST PRIORITY FOR PROJECTS
21 WHICH SEQUESTER CARBON DIOXIDE EMIS-
22 SIONS.—Section 48A(e)(3) is amended by strik-
23 ing “and” at the end of subparagraph (A)(iii),
24 by striking the period at the end of subpara-
25 graph (B)(iii) and inserting “, and”, and by

1 adding at the end the following new subpara-
2 graph:

3 “(C) give highest priority to projects with
4 the greatest separation and sequestration per-
5 centage of total carbon dioxide emissions.”.

6 (C) RECAPTURE OF CREDIT FOR FAILURE
7 TO SEQUESTER.—Section 48A is amended by
8 adding at the end the following new subsection:

9 “(i) RECAPTURE OF CREDIT FOR FAILURE TO SE-
10 QUESTER.—The Secretary shall provide for recapturing
11 the benefit of any credit allowable under subsection (a)
12 with respect to any project which fails to attain or main-
13 tain the separation and sequestration requirements of sub-
14 section (e)(1)(G).”.

15 (4) ADDITIONAL PRIORITY FOR RESEARCH
16 PARTNERSHIPS.—Section 48A(e)(3)(B), as amended
17 by paragraph (3)(B), is amended—

18 (A) by striking “and” at the end of clause
19 (ii),

20 (B) by redesignating clause (iii) as clause
21 (iv), and

22 (C) by inserting after clause (ii) the fol-
23 lowing new clause:

24 “(iii) applicant participants who have
25 a research partnership with an eligible edu-

1 cational institution (as defined in section
2 529(e)(5)), and”.

3 (5) CLERICAL AMENDMENT.—Section 48A(e)(3)
4 is amended by striking “INTEGRATED GASIFICATION
5 COMBINED CYCLE” in the heading and inserting
6 “CERTAIN”.

7 (d) DISCLOSURE OF ALLOCATIONS.—Section 48A(d)
8 is amended by adding at the end the following new para-
9 graph:

10 “(5) DISCLOSURE OF ALLOCATIONS.—The Sec-
11 retary shall, upon making a certification under this
12 subsection or section 48B(d), publicly disclose the
13 identity of the applicant and the amount of the cred-
14 it certified with respect to such applicant.”.

15 (e) EFFECTIVE DATES.—

16 (1) IN GENERAL.—Except as otherwise pro-
17 vided in this subsection, the amendments made by
18 this section shall apply to credits the application for
19 which is submitted during the period described in
20 section 48A(d)(2)(A)(ii) of the Internal Revenue
21 Code of 1986 and which are allocated or reallocated
22 after the date of the enactment of this Act.

23 (2) DISCLOSURE OF ALLOCATIONS.—The
24 amendment made by subsection (d) shall apply to

1 certifications made after the date of the enactment
2 of this Act.

3 (3) CLERICAL AMENDMENT.—The amendment
4 made by subsection (c)(5) shall take effect as if in-
5 cluded in the amendment made by section 1307(b)
6 of the Energy Tax Incentives Act of 2005.

7 **SEC. 362. EXPANSION AND MODIFICATION OF COAL GASIFI-**
8 **CATION INVESTMENT CREDIT.**

9 (a) MODIFICATION OF CREDIT AMOUNT.—Section
10 48B(a) is amended by inserting “(30 percent in the case
11 of credits allocated under subsection (d)(1)(B))” after “20
12 percent”.

13 (b) EXPANSION OF AGGREGATE CREDITS.—Section
14 48B(d)(1) is amended by striking “shall not exceed
15 \$350,000,000” and all that follows and inserting “shall
16 not exceed—

17 “(A) \$350,000,000, plus

18 “(B) \$250,000,000 for qualifying gasifi-
19 cation projects that include equipment which
20 separates and sequesters at least 75 percent of
21 such project’s total carbon dioxide emissions.”.

22 (c) RECAPTURE OF CREDIT FOR FAILURE TO SE-
23 QUESTER.—Section 48B is amended by adding at the end
24 the following new subsection:

1 “(f) **RECAPTURE OF CREDIT FOR FAILURE TO SE-**
2 **QUESTER.**—The Secretary shall provide for recapturing
3 the benefit of any credit allowable under subsection (a)
4 with respect to any project which fails to attain or main-
5 tain the separation and sequestration requirements for
6 such project under subsection (d)(1).”.

7 (d) **SELECTION PRIORITIES.**—Section 48B(d) is
8 amended by adding at the end the following new para-
9 graph:

10 “(4) **SELECTION PRIORITIES.**—In determining
11 which qualifying gasification projects to certify
12 under this section, the Secretary shall—

13 “(A) give highest priority to projects with
14 the greatest separation and sequestration per-
15 centage of total carbon dioxide emissions, and

16 “(B) give high priority to applicant partici-
17 pants who have a research partnership with an
18 eligible educational institution (as defined in
19 section 529(e)(5)).”.

20 (e) **EFFECTIVE DATE.**—The amendments made by
21 this section shall apply to credits described in section
22 48B(d)(1)(B) of the Internal Revenue Code of 1986 which
23 are allocated or reallocated after the date of the enactment
24 of this Act.

1 **SEC. 363. TEMPORARY INCREASE IN COAL EXCISE TAX.**

2 Paragraph (2) of section 4121(e) is amended—

3 (1) by striking “January 1, 2014” in subpara-
4 graph (A) and inserting “December 31, 2018”, and

5 (2) by striking “January 1 after 1981” in sub-
6 paragraph (B) and inserting “December 31 after
7 2007”.

8 **SEC. 364. SPECIAL RULES FOR REFUND OF THE COAL EX-**
9 **CISE TAX TO CERTAIN COAL PRODUCERS**
10 **AND EXPORTERS.**

11 (a) REFUND.—

12 (1) COAL PRODUCERS.—

13 (A) IN GENERAL.—Notwithstanding sub-
14 sections (a)(1) and (c) of section 6416 and sec-
15 tion 6511 of the Internal Revenue Code of
16 1986, if—

17 (i) a coal producer establishes that
18 such coal producer, or a party related to
19 such coal producer, exported coal produced
20 by such coal producer to a foreign country
21 or shipped coal produced by such coal pro-
22 ducer to a possession of the United States,
23 or caused such coal to be exported or
24 shipped, the export or shipment of which
25 was other than through an exporter who
26 meets the requirements of paragraph (2),

1 (ii) such coal producer filed an excise
2 tax return on or after October 1, 1990,
3 and on or before the date of the enactment
4 of this Act, and

5 (iii) such coal producer files a claim
6 for refund with the Secretary not later
7 than the close of the 30-day period begin-
8 ning on the date of the enactment of this
9 Act,

10 then the Secretary shall pay to such coal pro-
11 ducer an amount equal to the tax paid under
12 section 4121 of such Code on such coal ex-
13 ported or shipped by the coal producer or a
14 party related to such coal producer, or caused
15 by the coal producer or a party related to such
16 coal producer to be exported or shipped.

17 (B) SPECIAL RULES FOR CERTAIN TAX-
18 PAYERS.—For purposes of this section—

19 (i) IN GENERAL.—If a coal producer
20 or a party related to a coal producer has
21 received a judgment described in clause
22 (iii), such coal producer shall be deemed to
23 have established the export of coal to a for-
24 eign country or shipment of coal to a pos-

1 session of the United States under sub-
2 paragraph (A)(i).

3 (ii) AMOUNT OF PAYMENT.—If a tax-
4 payer described in clause (i) is entitled to
5 a payment under subparagraph (A), the
6 amount of such payment shall be reduced
7 by any amount paid pursuant to the judg-
8 ment described in clause (iii).

9 (iii) JUDGMENT DESCRIBED.—A judg-
10 ment is described in this subparagraph if
11 such judgment—

12 (I) is made by a court of com-
13 petent jurisdiction within the United
14 States,

15 (II) relates to the constitu-
16 tionality of any tax paid on exported
17 coal under section 4121 of the Inter-
18 nal Revenue Code of 1986, and

19 (III) is in favor of the coal pro-
20 ducer or the party related to the coal
21 producer.

22 (2) EXPORTERS.—Notwithstanding subsections
23 (a)(1) and (c) of section 6416 and section 6511 of
24 the Internal Revenue Code of 1986, and a judgment

1 described in paragraph (1)(B)(iii) of this subsection,
2 if—

3 (A) an exporter establishes that such ex-
4 porter exported coal to a foreign country or
5 shipped coal to a possession of the United
6 States, or caused such coal to be so exported or
7 shipped,

8 (B) such exporter filed a tax return on or
9 after October 1, 1990, and on or before the
10 date of the enactment of this Act, and

11 (C) such exporter files a claim for refund
12 with the Secretary not later than the close of
13 the 30-day period beginning on the date of the
14 enactment of this Act,

15 then the Secretary shall pay to such exporter an
16 amount equal to \$0.825 per ton of such coal ex-
17 ported by the exporter or caused to be exported or
18 shipped, or caused to be exported or shipped, by the
19 exporter.

20 (b) LIMITATIONS.—Subsection (a) shall not apply
21 with respect to exported coal if a settlement with the Fed-
22 eral Government has been made with and accepted by, the
23 coal producer, a party related to such coal producer, or
24 the exporter, of such coal, as of the date that the claim
25 is filed under this section with respect to such exported

1 coal. For purposes of this subsection, the term “settlement
2 with the Federal Government” shall not include any settle-
3 ment or stipulation entered into as of the date of the en-
4 actment of this Act, the terms of which contemplate a
5 judgment concerning which any party has reserved the
6 right to file an appeal, or has filed an appeal.

7 (c) SUBSEQUENT REFUND PROHIBITED.—No refund
8 shall be made under this section to the extent that a credit
9 or refund of such tax on such exported or shipped coal
10 has been paid to any person.

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

12 (1) COAL PRODUCER.—The term “coal pro-
13 ducer” means the person in whom is vested owner-
14 ship of the coal immediately after the coal is severed
15 from the ground, without regard to the existence of
16 any contractual arrangement for the sale or other
17 disposition of the coal or the payment of any royal-
18 ties between the producer and third parties. The
19 term includes any person who extracts coal from
20 coal waste refuse piles or from the silt waste product
21 which results from the wet washing (or similar proc-
22 essing) of coal.

23 (2) EXPORTER.—The term “exporter” means a
24 person, other than a coal producer, who does not
25 have a contract, fee arrangement, or any other

1 agreement with a producer or seller of such coal to
2 export or ship such coal to a third party on behalf
3 of the producer or seller of such coal and—

4 (A) is indicated in the shipper’s export
5 declaration or other documentation as the ex-
6 porter of record, or

7 (B) actually exported such coal to a for-
8 eign country or shipped such coal to a posses-
9 sion of the United States, or caused such coal
10 to be so exported or shipped.

11 (3) RELATED PARTY.—The term “a party re-
12 lated to such coal producer” means a person who—

13 (A) is related to such coal producer
14 through any degree of common management,
15 stock ownership, or voting control,

16 (B) is related (within the meaning of sec-
17 tion 144(a)(3) of the Internal Revenue Code of
18 1986) to such coal producer, or

19 (C) has a contract, fee arrangement, or
20 any other agreement with such coal producer to
21 sell such coal to a third party on behalf of such
22 coal producer.

23 (4) SECRETARY.—The term “Secretary” means
24 the Secretary of Treasury or the Secretary’s des-
25 ignee.

1 (e) TIMING OF REFUND.—With respect to any claim
2 for refund filed pursuant to this section, the Secretary
3 shall determine whether the requirements of this section
4 are met not later than 180 days after such claim is filed.
5 If the Secretary determines that the requirements of this
6 section are met, the claim for refund shall be paid not
7 later than 180 days after the Secretary makes such deter-
8 mination.

9 (f) INTEREST.—Any refund paid pursuant to this
10 section shall be paid by the Secretary with interest from
11 the date of overpayment determined by using the overpay-
12 ment rate and method under section 6621 of the Internal
13 Revenue Code of 1986.

14 (g) DENIAL OF DOUBLE BENEFIT.—The payment
15 under subsection (a) with respect to any coal shall not ex-
16 ceed—

17 (1) in the case of a payment to a coal producer,
18 the amount of tax paid under section 4121 of the
19 Internal Revenue Code of 1986 with respect to such
20 coal by such coal producer or a party related to such
21 coal producer, and

22 (2) in the case of a payment to an exporter, an
23 amount equal to \$0.825 per ton with respect to such
24 coal exported by the exporter or caused to be ex-
25 ported by the exporter.

1 (h) APPLICATION OF SECTION.—This section applies
2 only to claims on coal exported or shipped on or after Oc-
3 tober 1, 1990, through the date of the enactment of this
4 Act.

5 (i) STANDING NOT CONFERRED.—

6 (1) EXPORTERS.—With respect to exporters,
7 this section shall not confer standing upon an ex-
8 porter to commence, or intervene in, any judicial or
9 administrative proceeding concerning a claim for re-
10 fund by a coal producer of any Federal or State tax,
11 fee, or royalty paid by the coal producer.

12 (2) COAL PRODUCERS.—With respect to coal
13 producers, this section shall not confer standing
14 upon a coal producer to commence, or intervene in,
15 any judicial or administrative proceeding concerning
16 a claim for refund by an exporter of any Federal or
17 State tax, fee, or royalty paid by the producer and
18 alleged to have been passed on to an exporter.

19 **SEC. 365. CARBON AUDIT OF THE TAX CODE.**

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

1 bon and other greenhouse gas emissions and to estimate
2 the magnitude of those effects.

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

7 (c) AUTHORIZATION OF APPROPRIATIONS.—There is
8 authorized to be appropriated to carry out this section
9 \$1,500,000 for the period of fiscal years 2008 and 2009.

10 **Subpart C—Energy Conservation and Efficiency**

11 **SEC. 371. QUALIFIED ENERGY CONSERVATION BONDS.**

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

15 **“SEC. 54D. QUALIFIED ENERGY CONSERVATION BONDS.**

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

20 “(1) 100 percent of the available project pro-
21 ceeds of such issue are to be used for one or more
22 qualified conservation purposes,

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

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

3 “(b) REDUCED CREDIT AMOUNT.—The annual credit
4 determined under section 54A(b) with respect to any
5 qualified energy conservation bond shall be 70 percent of
6 the amount so determined without regard to this sub-
7 section.

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

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

16 “(e) ALLOCATIONS.—

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

21 “(2) ALLOCATIONS TO LARGEST LOCAL GOV-
22 ERNMENTS.—

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

1 cated a portion of such State's allocation which
2 bears the same ratio to the State's allocation
3 (determined without regard to this subpara-
4 graph) as the population of such large local
5 government bears to the population of such
6 State.

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

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

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

1 “(f) QUALIFIED CONSERVATION PURPOSE.—For
2 purposes of this section—

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

5 “(A) Capital expenditures incurred for
6 purposes of—

7 “(i) reducing energy consumption in
8 publicly-owned buildings by at least 20
9 percent,

10 “(ii) implementing green community
11 programs,

12 “(iii) rural development involving the
13 production of electricity from renewable
14 energy resources, or

15 “(iv) any qualified facility (as deter-
16 mined under section 45(d) without regard
17 to paragraphs (8) and (10) thereof and
18 without regard to any placed in service
19 date).

20 “(B) Expenditures with respect to research
21 facilities, and research grants, to support re-
22 search in—

23 “(i) development of cellulosic ethanol
24 or other nonfossil fuels,

1 “(ii) technologies for the capture and
2 sequestration of carbon dioxide produced
3 through the use of fossil fuels,

4 “(iii) increasing the efficiency of exist-
5 ing technologies for producing nonfossil
6 fuels,

7 “(iv) automobile battery technologies
8 and other technologies to reduce fossil fuel
9 consumption in transportation, or

10 “(v) technologies to reduce energy use
11 in buildings.

12 “(C) Mass commuting facilities and related
13 facilities that reduce the consumption of energy,
14 including expenditures to reduce pollution from
15 vehicles used for mass commuting.

16 “(D) Demonstration projects designed to
17 promote the commercialization of—

18 “(i) green building technology,

19 “(ii) conversion of agricultural waste
20 for use in the production of fuel or other-
21 wise,

22 “(iii) advanced battery manufacturing
23 technologies,

24 “(iv) technologies to reduce peak use
25 of electricity, or

1 “(v) technologies for the capture and
2 sequestration of carbon dioxide emitted
3 from combusting fossil fuels in order to
4 produce electricity.

5 “(E) Public education campaigns to pro-
6 mote energy efficiency.

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

12 “(g) POPULATION.—

13 “(1) IN GENERAL.—The population of any
14 State or local government shall be determined for
15 purposes of this section as provided in section 146(j)
16 for the calendar year which includes the date of the
17 enactment of this section.

18 “(2) SPECIAL RULE FOR COUNTIES.—In deter-
19 mining the population of any county for purposes of
20 this section, any population of such county which is
21 taken into account in determining the population of
22 any municipality which is a large local government
23 shall not be taken into account in determining the
24 population of such county.

1 “(h) APPLICATION TO INDIAN TRIBAL GOVERN-
2 MENTS.—An Indian tribal government shall be treated for
3 purposes of this section in the same manner as a large
4 local government, except that—

5 “(1) an Indian tribal government shall be treat-
6 ed for purposes of subsection (e) as located within
7 a State to the extent of so much of the population
8 of such government as resides within such State,
9 and

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

16 (b) CONFORMING AMENDMENTS.—

17 (1) Paragraph (1) of section 54A(d), as amend-
18 ed by this Act is amended to read as follows:

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

21 “(A) a qualified forestry conservation
22 bond,

23 “(B) a new clean renewable energy bond,
24 or

25 “(C) a qualified energy conservation bond,

1 which is part of an issue that meets requirements of
2 paragraphs (2), (3), (4), (5), and (6).”.

3 (2) Subparagraph (C) of section 54A(d)(2), as
4 amended by this Act, is amended to read as follows:

5 “(C) QUALIFIED PURPOSE.—For purposes
6 of this paragraph, the term ‘qualified purpose’
7 means—

8 “(i) in the case of a qualified forestry
9 conservation bond, a purpose specified in
10 section 54B(e),

11 “(ii) in the case of a new clean renew-
12 able energy bond, a purpose specified in
13 section 54C(a)(1), and

14 “(iii) in the case of a qualified energy
15 conservation bond, a purpose specified in
16 section 54D(a)(1).”.

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

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

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

1 **SEC. 372. CREDIT FOR NONBUSINESS ENERGY PROPERTY.**

2 (a) EXTENSION OF CREDIT.—Section 25C(g) is
3 amended by striking “December 31, 2007” and inserting
4 “December 31, 2012”.

5 (b) QUALIFIED BIOMASS FUEL PROPERTY.—

6 (1) IN GENERAL.—Section 25C(d)(3) is amend-
7 ed—

8 (A) by striking “and” at the end of sub-
9 paragraph (D),

10 (B) by striking the period at the end of
11 subparagraph (E) and inserting “, and”, and

12 (C) by adding at the end the following new
13 subparagraph:

14 “(F) a stove which uses the burning of bio-
15 mass fuel to heat a dwelling unit located in the
16 United States and used as a residence by the
17 taxpayer, or to heat water for use in such a
18 dwelling unit, and which has a thermal effi-
19 ciency rating of at least 75 percent.”.

20 (2) BIOMASS FUEL.—Section 25C(d) is amend-
21 ed by adding at the end the following new para-
22 graph:

23 “(6) BIOMASS FUEL.—The term ‘biomass fuel’
24 means any plant-derived fuel available on a renew-
25 able or recurring basis, including agricultural crops
26 and trees, wood and wood waste and residues (in-

1 cluding wood pellets), plants (including aquatic
2 plants), grasses, residues, and fibers.”.

3 (c) MODIFICATION OF WATER HEATER REQUIRE-
4 MENTS.—Section 25C(d)(3)(E) is amended by inserting
5 “or a thermal efficiency of at least 90 percent” after
6 “0.80”.

7 (d) COORDINATION WITH CREDIT FOR QUALIFIED
8 GEOTHERMAL HEAT PUMP PROPERTY EXPENDITURES.—

9 (1) IN GENERAL.—Paragraph (3) of section
10 25C(d), as amended by subsections (b) and (c), is
11 amended by striking subparagraph (C) and by redesi-
12 gnating subparagraphs (D), (E), and (F) as sub-
13 paragraphs (C), (D), and (E), respectively.

14 (2) CONFORMING AMENDMENT.—Subparagraph
15 (C) of section 25C(d)(2) is amended to read as fol-
16 lows:

17 “(C) REQUIREMENTS AND STANDARDS
18 FOR AIR CONDITIONERS AND HEAT PUMPS.—
19 The standards and requirements prescribed by
20 the Secretary under subparagraph (B) with re-
21 spect to the energy efficiency ratio (EER) for
22 central air conditioners and electric heat
23 pumps—

24 “(i) shall require measurements to be
25 based on published data which is tested by

1 manufacturers at 95 degrees Fahrenheit,
2 and

3 “(ii) may be based on the certified
4 data of the Air Conditioning and Refrig-
5 eration Institute that are prepared in part-
6 nership with the Consortium for Energy
7 Efficiency.”.

8 (e) MODIFICATION OF QUALIFIED ENERGY EFFI-
9 CIENCY IMPROVEMENTS.—

10 (1) IN GENERAL.—Paragraph (1) of section
11 25C(e) is amended by inserting “, or an asphalt roof
12 with appropriate cooling granules,” before “which
13 meet the Energy Star program requirements”.

14 (2) BUILDING ENVELOPE COMPONENT.—Sub-
15 paragraph (D) of section 25C(e)(2) is amended—

16 (A) by inserting “or asphalt roof” after
17 “metal roof”, and

18 (B) by inserting “or cooling granules”
19 after “pigmented coatings”.

20 (f) EFFECTIVE DATES.—

21 (1) IN GENERAL.—Except as provided in para-
22 graph (2), the amendments made this section shall
23 apply to expenditures made after December 31,
24 2007.

1 (2) MODIFICATION OF QUALIFIED ENERGY EF-
2 FICIENCY IMPROVEMENTS.—The amendments made
3 by subsection (e) shall apply to property placed in
4 service after the date of the enactment of this Act.

5 **SEC. 373. ENERGY EFFICIENT COMMERCIAL BUILDINGS DE-**
6 **DUCTION.**

7 Subsection (h) of section 179D is amended by strik-
8 ing “December 31, 2008” and inserting “December 31,
9 2012”.

10 **SEC. 374. MODIFICATIONS OF ENERGY EFFICIENT APPLI-**
11 **ANCE CREDIT FOR APPLIANCES PRODUCED**
12 **AFTER 2007.**

13 (a) IN GENERAL.—Subsection (b) of section 45M is
14 amended to read as follows:

15 “(b) APPLICABLE AMOUNT.—For purposes of sub-
16 section (a)—

17 “(1) DISHWASHERS.—The applicable amount
18 is—

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

23 “(B) \$75 in the case of a dishwasher
24 which is manufactured in calendar year 2008,
25 2009, 2010, 2011, or 2012 and which uses no

1 more than 307 kilowatt hours per year and 5.0
2 gallons per cycle (5.5 gallons per cycle for dish-
3 washers designed for greater than 12 place set-
4 tings).

5 “(2) CLOTHES WASHERS.—The applicable
6 amount is—

7 “(A) \$75 in the case of a residential top-
8 loading clothes washer manufactured in cal-
9 endar year 2008 which meets or exceeds a 1.72
10 modified energy factor and does not exceed a
11 8.0 water consumption factor,

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

17 “(C) \$150 in the case of a residential or
18 commercial clothes washer manufactured in cal-
19 endar year 2008, 2009, 2010, 2011, or 2012
20 which meets or exceeds 2.0 modified energy fac-
21 tor and does not exceed a 6.0 water consump-
22 tion factor, and

23 “(D) \$250 in the case of a residential or
24 commercial clothes washer manufactured in cal-
25 endar year 2008, 2009, 2010, 2011, or 2012

1 which meets or exceeds 2.2 modified energy fac-
2 tor and does not exceed a 4.5 water consump-
3 tion factor.

4 “(3) REFRIGERATORS.—The applicable amount
5 is—

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

11 “(B) \$75 in the case of a refrigerator
12 which is manufactured in calendar year 2008 or
13 2009, and consumes at least 23 percent but no
14 more than 24.9 percent less kilowatt hours per
15 year than the 2001 energy conservation stand-
16 ards,

17 “(C) \$100 in the case of a refrigerator
18 which is manufactured in calendar year 2008,
19 2009, 2010, 2011, or 2012 and consumes at
20 least 25 percent but not more than 29.9 per-
21 cent less kilowatt hours per year than the 2001
22 energy conservation standards, and

23 “(D) \$200 in the case of a refrigerator
24 manufactured in calendar year 2008, 2009,
25 2010, 2011, or 2012 and which consumes at

1 least 30 percent less energy than the 2001 en-
2 ergy conservation standards.”.

3 (b) ELIGIBLE PRODUCTION.—

4 (1) SIMILAR TREATMENT FOR ALL APPLI-
5 ANCES.—Subsection (c) of section 45M is amend-
6 ed—

7 (A) by striking paragraph (2),

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

11 (C) by moving the text of such subsection
12 in line with the subsection heading, and

13 (D) by redesignating subparagraphs (A)
14 and (B) as paragraphs (1) and (2), respectively,
15 and by moving such paragraphs 2 ems to the
16 left.

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

21 (c) TYPES OF ENERGY EFFICIENT APPLIANCES.—

22 Subsection (d) of section 45M is amended to read as fol-
23 lows:

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

2 For purposes of this section, the types of energy efficient

3 appliances are—

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

5 “(2) clothes washers described in subsection

6 (b)(2), and

7 “(3) refrigerators described in subsection

8 (b)(3).”.

9 (d) AGGREGATE CREDIT AMOUNT ALLOWED.—

10 (1) INCREASE IN LIMIT.—Paragraph (1) of sec-

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

6 “(1) **QUALIFIED ENERGY EFFICIENT APPLI-**
7 **ANCE.**—The term ‘qualified energy efficient appli-

8 **ance’** means—
9 “(A) any dishwasher described in sub-

10 section (b)(1),

11 “(B) any clothes washer described in sub-

12 section (b)(2), and

13 “(C) any refrigerator described in sub-

14 section (b)(3).”.

15 (2) **CLOTHES WASHER.**—Section 45M(f)(3) is
16 amended by inserting “commercial” before “residen-

17 tial” the second place it appears.

18 (3) **TOP-LOADING CLOTHES WASHER.**—Sub-
19 section (f) of section 45M is amended by redesignig-
20 nating paragraphs (4), (5), (6), and (7) as para-
21 graphs (5), (6), (7), and (8), respectively, and by in-
22 serting after paragraph (3) the following new para-
23 graph:

24 “(4) **TOP-LOADING CLOTHES WASHER.**—The
25 term ‘top-loading clothes washer’ means a clothes

1 washer which has the clothes container compartment
2 access located on the top of the machine and which
3 operates on a vertical axis.”.

4 (4) REPLACEMENT OF ENERGY FACTOR.—Sec-
5 tion 45M(f)(6), as redesignated by paragraph (3), is
6 amended to read as follows:

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

12 (5) GALLONS PER CYCLE; WATER CONSUMP-
13 TION FACTOR.—Section 45M(f), as amended by
14 paragraph (3), is amended by adding at the end the
15 following:

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

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

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

4 **SEC. 375. ACCELERATED RECOVERY PERIOD FOR DEPRE-**
5 **CIATION OF SMART METERS AND SMART**
6 **GRID SYSTEMS.**

7 (a) IN GENERAL.—Section 168(e)(3)(C) is amended
8 by striking “and” at the end of clause (iv), by redesignig-
9 nating clause (v) as clause (vii), and by inserting after
10 clause (iv) the following new clauses:

11 “(v) any qualified smart electric
12 meter,

13 “(vi) any qualified smart electric grid
14 system, and”.

15 (b) DEFINITIONS.—Section 168(i) is amended by in-
16 serting at the end the following new paragraph:

17 “(18) QUALIFIED SMART ELECTRIC METERS.—

18 “(A) IN GENERAL.—The term ‘qualified
19 smart electric meter’ means any smart electric
20 meter which is placed in service by a taxpayer
21 who is a supplier of electric energy or a pro-
22 vider of electric energy services.

23 “(B) SMART ELECTRIC METER.—For pur-
24 poses of subparagraph (A), the term ‘smart
25 electric meter’ means any time-based meter and

1 related communication equipment which is ca-
2 pable of being used by the taxpayer as part of
3 a system that—

4 “(i) measures and records electricity
5 usage data on a time-differentiated basis
6 in at least 24 separate time segments per
7 day,

8 “(ii) provides for the exchange of in-
9 formation between supplier or provider and
10 the customer’s electric meter in support of
11 time-based rates or other forms of demand
12 response,

13 “(iii) provides data to such supplier or
14 provider so that the supplier or provider
15 can provide energy usage information to
16 customers electronically, and

17 “(iv) provides net metering.

18 “(19) QUALIFIED SMART ELECTRIC GRID SYS-
19 TEMS.—

20 “(A) IN GENERAL.—The term ‘qualified
21 smart electric grid system’ means any smart
22 grid property used as part of a system for elec-
23 tric distribution grid communications, moni-
24 toring, and management placed in service by a

1 taxpayer who is a supplier of electric energy or
2 a provider of electric energy services.

3 “(B) SMART GRID PROPERTY.—For the
4 purposes of subparagraph (A), the term ‘smart
5 grid property’ means electronics and related
6 equipment that is capable of—

7 “(i) sensing, collecting, and moni-
8 toring data of or from all portions of a
9 utility’s electric distribution grid,

10 “(ii) providing real-time, two-way
11 communications to monitor or manage
12 such grid, and

13 “(iii) providing real time analysis of
14 and event prediction based upon collected
15 data that can be used to improve electric
16 distribution system reliability, quality, and
17 performance.

18 “(C) EXCEPTION.—In the case of any
19 smart grid property that, but for subsection
20 (e)(3)(C)(vi), would have an applicable recovery
21 period under this section or section 167 of less
22 than 7 years, such property shall be treated as
23 placed in service separately from any other
24 smart grid property, and the recovery period of

1 such property shall be determined without re-
2 gard to subsection (e)(3)(C)(vi).”.

3 (c) CONTINUED APPLICATION OF 150 PERCENT DE-
4 CLINING BALANCE METHOD.—Paragraph (2) of section
5 168(b) is amended by striking “or” at the end of subpara-
6 graph (B), by redesignating subparagraph (C) as subpara-
7 graph (D), and by inserting after subparagraph (B) the
8 following new subparagraph:

9 “(C) any property (other than property de-
10 scribed in paragraph (3)) which is a qualified
11 smart electric meter or qualified smart electric
12 grid system, or”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to property placed in service after
15 the date of the enactment of this Act.

16 **SEC. 376. QUALIFIED GREEN BUILDING AND SUSTAINABLE**
17 **DESIGN PROJECTS.**

18 (a) IN GENERAL.—Paragraph (8) of section 142(l)
19 is amended by striking “September 30, 2009” and insert-
20 ing “December 31, 2012”.

21 (b) TREATMENT OF CURRENT REFUNDING
22 BONDS.—Paragraph (9) of section 142(l) is amended by
23 striking “October 1, 2009” and inserting “January 1,
24 2013”.

1 (c) ACCOUNTABILITY.—The second sentence of sec-
2 tion 701(d) of the American Jobs Creation Act of 2004
3 is amended by striking “issuance,” and inserting
4 “issuance of the last issue with respect to such project,”.

5 **SEC. 377. SPECIAL DEPRECIATION ALLOWANCE FOR CER-**
6 **TAIN REUSE AND RECYCLING PROPERTY.**

7 (a) IN GENERAL.—Section 168 is amended by adding
8 at the end the following new subsection:

9 “(m) SPECIAL ALLOWANCE FOR CERTAIN REUSE
10 AND RECYCLING PROPERTY.—

11 “(1) IN GENERAL.—In the case of any qualified
12 reuse and recycling property—

13 “(A) the depreciation deduction provided
14 by section 167(a) for the taxable year in which
15 such property is placed in service shall include
16 an allowance equal to 50 percent of the ad-
17 justed basis of the qualified reuse and recycling
18 property, and

19 “(B) the adjusted basis of the qualified
20 reuse and recycling property shall be reduced by
21 the amount of such deduction before computing
22 the amount otherwise allowable as a deprecia-
23 tion deduction under this chapter for such tax-
24 able year and any subsequent taxable year.

1 fied reuse and recycling property’ shall not
2 include any property to which section
3 168(k) applies.

4 “(ii) ALTERNATIVE DEPRECIATION
5 PROPERTY.—The term ‘qualified reuse and
6 recycling property’ shall not include any
7 property to which the alternative deprecia-
8 tion system under subsection (g) applies,
9 determined without regard to paragraph
10 (7) of subsection (g) (relating to election to
11 have system apply).

12 “(iii) ELECTION OUT.—If a taxpayer
13 makes an election under this clause with
14 respect to any class of property for any
15 taxable year, this subsection shall not
16 apply to all property in such class placed
17 in service during such taxable year.

18 “(C) SPECIAL RULE FOR SELF-CON-
19 STRUCTED PROPERTY.—In the case of a tax-
20 payer manufacturing, constructing, or pro-
21 ducing property for the taxpayer’s own use, the
22 requirements of clause (iv) of subparagraph (A)
23 shall be treated as met if the taxpayer begins
24 manufacturing, constructing, or producing the
25 property after December 31, 2007.

1 “(D) DEDUCTION ALLOWED IN COM-
2 PUTING MINIMUM TAX.—For purposes of deter-
3 mining alternative minimum taxable income
4 under section 55, the deduction under sub-
5 section (a) for qualified reuse and recycling
6 property shall be determined under this section
7 without regard to any adjustment under section
8 56.

9 “(3) DEFINITIONS.—For purposes of this sub-
10 section—

11 “(A) REUSE AND RECYCLING PROPERTY.—

12 “(i) IN GENERAL.—The term ‘reuse
13 and recycling property’ means any machin-
14 ery and equipment (not including buildings
15 or real estate), along with all appur-
16 tenances thereto, including software nec-
17 essary to operate such equipment, which is
18 used exclusively to collect, distribute, or re-
19 cycle qualified reuse and recyclable mate-
20 rials.

21 “(ii) EXCLUSION.—Such term does
22 not include rolling stock or other equip-
23 ment used to transport reuse and recycla-
24 ble materials.

1 “(B) QUALIFIED REUSE AND RECYCLABLE
2 MATERIALS.—

3 “(i) IN GENERAL.—The term ‘quali-
4 fied reuse and recyclable materials’ means
5 scrap plastic, scrap glass, scrap textiles,
6 scrap rubber, scrap packaging, recovered
7 fiber, scrap ferrous and nonferrous metals,
8 or electronic scrap generated by an indi-
9 vidual or business.

10 “(ii) ELECTRONIC SCRAP.—For pur-
11 poses of clause (i), the term ‘electronic
12 scrap’ means—

13 “(I) any cathode ray tube, flat
14 panel screen, or similar video display
15 device with a screen size greater than
16 4 inches measured diagonally, or

17 “(II) any central processing unit.

18 “(C) RECYCLING OR RECYCLE.—The term
19 ‘recycling’ or ‘recycle’ means that process (in-
20 cluding sorting) by which worn or superfluous
21 materials are manufactured or processed into
22 specification grade commodities that are suit-
23 able for use as a replacement or substitute for
24 virgin materials in manufacturing tangible con-

1 sumer and commercial products, including
2 packaging.”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to property placed in service after
5 December 31, 2007.

6 **Subpart D—Geothermal Incentives**

7 **SEC. 381. ENERGY CREDIT FOR GEOTHERMAL HEAT PUMP**
8 **SYSTEMS.**

9 (a) **IN GENERAL.**—Subparagraph (A) of section
10 48(a)(3), as amended by this Act, is amended by striking
11 “or” at the end of clause (iv), by inserting “or” at the
12 end of clause (v), and by adding at the end the following
13 new clause:

14 “(vi) equipment which uses the
15 ground or ground water as a thermal en-
16 ergy source to heat a structure or as a
17 thermal energy sink to cool a structure,
18 but only with respect to periods ending be-
19 fore January 1, 2013.”.

20 (b) **EFFECTIVE DATE.**—The amendments made by
21 this section shall apply to property placed in service after
22 the date of the enactment of this Act.

1 **SEC. 382. 3-YEAR ACCELERATED DEPRECIATION PERIOD**
2 **FOR GEOTHERMAL HEAT PUMP SYSTEMS.**

3 (a) **IN GENERAL.**—Subparagraph (A) of section
4 168(e)(3) is amended by striking “and” at the end of
5 clause (ii), by striking the period at the end of clause (iii)
6 and inserting “, and”, and by adding at the end the fol-
7 lowing new clause:

8 “(iv) any property which is described
9 in clause (vi) of section 48(a)(3)(A).”.

10 (b) **CONFORMING AMENDMENT.**—Subclause (I) of
11 section 168(e)(3)(B)(vi) is amended by inserting “clause
12 (i), (ii), (iii), or (iv) of” before “subparagraph (A)”.

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

16 **TITLE IV—INCREASED**
17 **DOMESTIC PRODUCTION**
18 **Subtitle A—Outer Continental**
19 **Shelf**

20 **SEC. 401. PRODUCTION OF OIL AND GAS ON OUTER CONTI-**
21 **NENTAL SHELF.**

22 (a) **IN GENERAL.**—Section 18 of the Outer Conti-
23 nental Shelf Lands Act (43 U.S.C. 1344) is amended by
24 adding at the end the following:

25 “(i) **PRODUCTION OF OIL AND GAS ON OUTER CON-**
26 **TINENTAL SHELF.**—

1 “(1) DEFINITIONS.—In this subsection:

2 “(A) COASTAL POLITICAL SUBDIVISION.—

3 The term ‘coastal political subdivision’ means a
4 political subdivision of a Gulf producing State
5 or a Southeastern State any part of which polit-
6 ical subdivision is—

7 “(i) within the coastal zone (as de-
8 fined in section 304 of the Coastal Zone
9 Management Act of 1972 (16 U.S.C.
10 1453)) of the Gulf producing State as of
11 the date of enactment of this Act; and

12 “(ii) not more than 200 nautical miles
13 from the geographic center of any leased
14 tract.

15 “(B) COMMISSION.—The term ‘Commis-
16 sion’ means the National Commission on Off-
17 shore Oil and Gas Leasing established under
18 paragraph (7).

19 “(C) GULF PRODUCING STATE.—The term
20 ‘Gulf producing State’ means each of the States
21 of Alabama, Florida, Louisiana, Mississippi,
22 and Texas.

23 “(D) MORATORIUM AREA.—The term
24 ‘moratorium area’ means any area of the outer
25 Continental Shelf with respect to which Con-

1 gress has prohibited the use of appropriated
2 funds or other means for preleasing, leasing, or
3 related activities.

4 “(E) QUALIFIED OUTER CONTINENTAL
5 SHELF REVENUES.—

6 “(i) IN GENERAL.—The term ‘quali-
7 fied outer Continental Shelf revenues’
8 means all rentals, royalties, bonus bids,
9 and other sums due and payable to the
10 United States from leases entered into
11 under this subsection.

12 “(ii) EXCLUSIONS.—The term ‘quali-
13 fied outer Continental Shelf revenues’ does
14 not include—

15 “(I) revenues from the forfeiture
16 of a bond or other surety securing ob-
17 ligations other than royalties, civil
18 penalties, or royalties taken by the
19 Secretary in-kind and not sold; or

20 “(II) revenues generated from
21 leases subject to section 8(g).

22 “(F) SOUTHEASTERN STATE.—The term
23 ‘Southeastern State’ means the each of the
24 States of Georgia, North Carolina, South Caro-
25 lina, and Virginia.

1 “(2) PHASE I.—

2 “(A) GULF OF MEXICO.—

3 “(i) IN GENERAL.—Notwithstanding
4 any other provision of law, the Secretary
5 may offer for leasing, preleasing, or any
6 related activity under this Act any morato-
7 rium area in the Gulf of Mexico that is
8 more than 50 miles off the coastline of the
9 Gulf of Mexico.

10 “(ii) CONSULTATION WITH SEC-
11 RETARY OF DEFENSE.—The Secretary
12 shall consult with the Secretary of Defense
13 to ensure that any activity conducted
14 under clause (i) is carried out in a manner
15 that is consistent with national security.

16 “(B) SOUTHEASTERN STATES.—

17 “(i) IN GENERAL.—The Governor,
18 with the concurrence of the Legislature, of
19 a Southeastern State may submit to the
20 Secretary a petition requesting that the
21 Secretary make available for leasing any
22 portion of a moratorium area in the ad-
23 ministrative boundaries of the South-
24 eastern State that is more than 50 miles
25 off the coastline of the Southeastern State.

1 “(ii) ACTION BY SECRETARY.—Not-
2 withstanding any other provision of law,
3 not later than 90 days after the date of re-
4 ceipt of a petition under clause (i), the
5 Secretary shall approve the petition unless
6 the Secretary determines that leasing in
7 the affected area presents a significant
8 likelihood of incidents associated with the
9 development of resources that would cause
10 serious harm or damage to the marine re-
11 sources of the covered area or of an adja-
12 cent State.

13 “(iii) FAILURE TO ACT.—If the Sec-
14 retary fails to approve or deny a petition
15 in accordance with clause (iii), the petition
16 shall be considered to be approved as of
17 the date that is 90 days after the date of
18 receipt of the petition.

19 “(iv) TREATMENT.—Notwithstanding
20 any other provision of this section, not
21 later than 180 days after the date on
22 which a petition is approved, or considered
23 to be approved, under clause (iii) or (iv),
24 the Secretary shall—

1 “(I) treat the petition of the Gov-
2 ernor or the Legislature of a South-
3 eastern State under clause (i) as a
4 proposed revision to a leasing pro-
5 gram under this section; and

6 “(II) except as provided in clause
7 (v), initiate a new 5-year outer Conti-
8 nental Shelf oil and gas leasing pro-
9 gram to replace the outer Continental
10 Shelf oil and gas leasing program in
11 effect as of that date, which shall in-
12 clude any lease sale for any area cov-
13 ered by the petition.

14 “(v) INCLUSION IN SUBSEQUENT
15 PLANS.—

16 “(I) IN GENERAL.—If there are
17 less than 18 months remaining in the
18 5-year outer Continental Shelf oil and
19 gas leasing program described in
20 clause (iv)(I), the Secretary, without
21 consultation with any State, shall in-
22 clude the areas covered by the petition
23 in lease sales under the proposed 5-
24 year outer Continental Shelf oil and
25 gas leasing program.

1 “(II) ENVIRONMENTAL ASSESS-
2 MENT.—Before modifying a 5-year
3 outer Continental Shelf oil and gas
4 leasing program for the next 5-year
5 period, the Secretary shall complete
6 an environmental assessment that de-
7 scribes any anticipated environmental
8 effect of leasing in the area covered by
9 the petition.

10 “(3) PHASE II.—

11 “(A) REVIEW AND RECOMMENDATIONS BY
12 COMMISSION.—The Commission shall review the
13 results of the comprehensive inventory of outer
14 Continental Shelf oil and natural gas resources
15 and other information and make recommenda-
16 tions in accordance with paragraph (7)(B).

17 “(B) SENSE OF CONGRESS ON ADDITIONAL
18 OIL AND GAS LEASING.—It is the sense of Con-
19 gress that, after taking into account the rec-
20 ommendations of the Commission under para-
21 graph (7)(B)(ii), Congress should determine
22 whether any additional areas on the outer Con-
23 tinental Shelf should become available for oil
24 and gas leasing beginning in calendar year
25 2015.

1 “(4) DISPOSITION OF QUALIFIED OUTER CONTI-
2 NENTAL SHELF REVENUES.—

3 “(A) GULF OF MEXICO.—Notwithstanding
4 section 9, qualified outer Continental Shelf rev-
5 enues derived from leasing moratorium areas in
6 the Gulf of Mexico under paragraph (2)(A)
7 shall be disbursed to Gulf producing States (in-
8 cluding the State of Florida) and coastal polit-
9 ical subdivisions of those Gulf producing States
10 in accordance with section 105 of the Gulf of
11 Mexico Energy Security Act of 2006 (43 U.S.C.
12 1331 note; Public Law 109–432).

13 “(B) SOUTHEASTERN STATES.—

14 “(i) IN GENERAL.—Except as pro-
15 vided in clause (ii), if the Governor or the
16 Legislature of a Southeastern State sub-
17 mits to the Secretary a petition requesting
18 that the Secretary make available for leas-
19 ing any portion of a moratorium area in
20 the administrative boundaries of the
21 Southeastern State that is more than 50
22 miles off the coastline of the Southeastern
23 State and the Secretary approves the peti-
24 tion, the Secretary shall—

1 “(I) disburse to the Southeastern
2 State 37.5 percent of any qualified
3 outer Continental Shelf revenues that
4 are derived from leasing any portion
5 of a moratorium area in the adminis-
6 trative boundaries of the Southeastern
7 State that is more than 50 miles, but
8 less than 100 miles, off the coastline
9 of the Southeastern State; and

10 “(II) pay 20 percent of the allo-
11 cable share of the Southeastern State
12 to the coastal political subdivisions of
13 the Southeastern State in accordance
14 with subparagraphs (B), (C), and (E)
15 of section 31(b)(4).

16 “(ii) CONTIGUOUS STATES.—If 2 or
17 more contiguous Southeastern States sub-
18 mit petitions described in clause (i) and
19 the Secretary approves the petitions, the
20 Secretary shall—

21 “(I) disburse to the contiguous
22 Southeastern States 50 percent of any
23 qualified outer Continental Shelf reve-
24 nues that are derived from leasing any
25 portion of a moratorium area in the

1 administrative boundaries of the
2 Southeastern States that is more than
3 50 miles, but less than 100 miles, off
4 the coastline of the Southeastern
5 States;

6 “(II) allocate the amount made
7 available under subclause (I) to the
8 contiguous Southeastern States in
9 amounts that are inversely propor-
10 tional to the respective distances be-
11 tween the point on the coastline of
12 each Southeastern State that is clos-
13 est to the geographical center of each
14 historical lease site and the geo-
15 graphical center of the historical lease
16 site, as determined by the Secretary;
17 and

18 “(III) pay 20 percent of the allo-
19 cable share of each contiguous South-
20 eastern State to the coastal political
21 subdivisions of the Southeastern State
22 in accordance with subparagraphs
23 (B), (C), and (E) of section 31(b)(4).

24 “(5) PROHIBITION ON EXPORT.—All oil and
25 natural gas produced on the outer Continental Shelf

1 of the United States under this subsection shall be
2 made available for refining and sale solely within the
3 United States.

4 “(6) ALTERNATIVE FUEL TRUST FUND.—

5 “(A) ESTABLISHMENT.—There is estab-
6 lished in the Treasury of the United States a
7 revolving fund, to be known as the ‘Alternative
8 Fuel Trust Fund’, consisting of all qualified
9 outer Continental Shelf revenues payable to the
10 Federal Government under this subsection (as
11 determined by the Secretary).

12 “(B) EXPENDITURES FROM FUND.—Sub-
13 ject to appropriations and on request by the
14 Secretary of Energy, the Secretary of the
15 Treasury shall transfer from the Fund to the
16 Secretary of Energy such amounts as the Sec-
17 retary of Energy determines are necessary to
18 carry out—

19 “(i) research, development, and com-
20 mercialization programs for alternative
21 fuels and alternative fuel technologies; and

22 “(ii) similar programs established
23 under titles III and IV of the New Energy
24 Reform Act of 2008 and amendments
25 made by those titles.

1 “(C) TRANSFERS OF AMOUNTS.—

2 “(i) IN GENERAL.—The amounts re-
3 quired to be transferred to the Fund under
4 this paragraph shall be transferred at least
5 monthly from the general fund of the
6 Treasury to the Fund on the basis of esti-
7 mates made by the Secretary of the Treas-
8 ury.

9 “(ii) ADJUSTMENTS.—Proper adjust-
10 ment shall be made in amounts subse-
11 quently transferred to the extent prior esti-
12 mates were in excess of or less than the
13 amounts required to be transferred.

14 “(7) NATIONAL COMMISSION ON OFFSHORE OIL
15 AND GAS LEASING.—

16 “(A) ESTABLISHMENT.—

17 “(i) IN GENERAL.—There is estab-
18 lished a commission, to be known as the
19 ‘National Commission on Offshore Oil and
20 Gas Leasing’.

21 “(ii) MEMBERSHIP.—The Commission
22 shall be composed of 15 members, of
23 whom—

24 “(I) 3 shall be appointed by the
25 President;

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1 “(II) 3 shall be appointed by the
2 majority leader of the Senate;

3 “(III) 3 shall be appointed by the
4 minority leader of the Senate;

5 “(IV) 3 shall be appointed by the
6 Speaker of the House of Representa-
7 tives; and

8 “(V) 3 shall be appointed by the
9 minority leader of the House of Rep-
10 resentatives.

11 “(iii) CO-CHAIRPERSONS.—

12 “(I) IN GENERAL.—The Presi-
13 dent shall designate 2 co-chairpersons
14 from among the members of the Com-
15 mission appointed.

16 “(II) POLITICAL AFFILIATION.—
17 The co-chairpersons designated under
18 subclause (I) shall not both be affili-
19 ated with the same political party.

20 “(iv) DEADLINE FOR APPOINT-
21 MENT.—Members of the Commission shall
22 be appointed not later than 90 days after
23 the date of enactment of the New Energy
24 Reform Act of 2008.

25 “(v) TERM; VACANCIES.—

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1 “(I) TERM.—A member of the
2 Commission shall be appointed for the
3 life of the Commission.

4 “(II) VACANCIES.—Any vacancy
5 in the Commission—

6 “(aa) shall not affect the
7 powers of the Commission; and

8 “(bb) shall be filled in the
9 same manner as the original ap-
10 pointment.

11 “(B) FUNCTIONS.—The Commission
12 shall—

13 “(i) review—

14 “(I) the results of the com-
15 prehensive inventory of outer Conti-
16 nental Shelf oil and natural gas re-
17 sources conducted under section 357
18 of the Energy Policy Act of 2005 (42
19 U.S.C. 15912); and

20 “(II) other information relating
21 to the environmental impact, commu-
22 nity acceptance, existing and planned
23 infrastructure, and other factors that
24 are relevant to the recommendation
25 required under clause (ii); and

1 and intermittent services under section
2 3109(b) of title 5, United States Code.

3 “(iv) FEDERAL AGENCIES.—

4 “(I) DETAIL OF GOVERNMENT
5 EMPLOYEES.—

6 “(aa) IN GENERAL.—On the
7 request of the Commission, the
8 head of any Federal agency may
9 detail, without reimbursement,
10 any of the personnel of the Fed-
11 eral agency to the Commission to
12 assist in carrying out the duties
13 of the Commission.

14 “(bb) NATURE OF DE-
15 TAIL.—Any detail of a Federal
16 employee under item (aa) shall
17 not interrupt or otherwise affect
18 the civil service status or privi-
19 leges of the Federal employee.

20 “(II) TECHNICAL ASSISTANCE.—

21 On the request of the Commission,
22 the head of a Federal agency shall
23 provide such technical assistance to
24 the Commission as the Commission

1 determines to be necessary to carry
2 out the duties of the Commission.

3 “(D) RESOURCES.—

4 “(i) IN GENERAL.—The Commission
5 shall have reasonable access to materials,
6 resources, statistical data, and such other
7 information from Executive agencies as the
8 Commission determines to be necessary to
9 carry out the duties of the Commission.

10 “(ii) FORM OF REQUESTS.—The co-
11 chairpersons of the Commission shall make
12 requests for access described in clause (i)
13 in writing, as necessary.”.

14 (b) COMPREHENSIVE INVENTORY OF OCS OIL AND
15 NATURAL GAS RESOURCES.—Section 357 of the Energy
16 Policy Act of 2005 (42 U.S.C. 15912) is amended—

17 (1) in the first sentence of subsection (b), by
18 striking “within 6 months of the date of enactment
19 of this section” and inserting “within **【**_____**】**
20 days of the date of enactment of the New Energy
21 Reform Act of 2008”; and

22 (2) by adding at the end the following:

23 “(c) FUNDING.—

24 “(1) IN GENERAL.—On October 1, 2008, out of
25 any funds in the Treasury not otherwise appro-

1 priated, the Secretary of the Treasury shall transfer
2 to the Secretary to carry out this section
3 【\$_____】, to remain available until expended.

4 “(2) RECEIPT AND ACCEPTANCE.—The Sec-
5 retary shall be entitled to receive, shall accept, and
6 shall use to carry out this section the funds trans-
7 ferred under paragraph (1), without further appro-
8 priation.”.

9 (c) CONFORMING AMENDMENTS.—

10 (1) Section 104 of the Department of the Inte-
11 rior, Environment, and Related Agencies Appropria-
12 tions Act, 2008 (Public Law 110–161; 121 Stat.
13 2118) is amended—

14 (A) by inserting “and” after “North Atlan-
15 tic;”; and

16 (B) by striking “; and the eastern” and all
17 that follows through “longitude”.

18 (2) Section 105 of the Department of the Inte-
19 rior, Environment, and Related Agencies Appropria-
20 tions Act, 2008 (Public Law 110–161; 121 Stat.
21 2118) is repealed.

22 (3) Section 104 of the Gulf of Mexico Energy
23 Security Act of 2006 (43 U.S.C. 1331 note; Public
24 Law 109–432) is amended—

25 (A) by striking subsection (a);

1 (B) in subsection (b), by striking “Not-
2 withstanding subsection (a), the” and inserting
3 “The”;

4 (C) in subsection (c)(1), by inserting “(as
5 it existed before the amendment made by sec-
6 tion 401(c)(1) of the New Energy Reform Act
7 of 2008)” after “subsection (a)”; and

8 (D) by redesignating subsections (b) and
9 (c) as subsections (a) and (b), respectively.

10 **SEC. 402. LEASE RENTAL AND ROYALTY PAYMENTS.**

11 (a) LEASE RENTAL PAYMENTS.—【Effective begin-
12 ning on the date that is 1 year after the date a new lease
13 is entered into by the Secretary of the Interior for the
14 production of oil or natural gas on Federal land,】 the Sec-
15 retary shall increase the amount of rental payments other-
16 wise due under the lease by \$3 per acre per year.

17 (b) ROYALTY PAYMENTS STUDY.—

18 (1) IN GENERAL.—The Secretary of the Inte-
19 rior, acting through Minerals Management Service,
20 shall conduct a pilot program under which royalty
21 rates for oil or natural gas leases for areas on the
22 outer Continental Shelf are based on a sliding scale
23 that is price and volume sensitive (in a manner simi-
24 lar to the scale used in Canada or Great Britain).

1 (2) REPORT.—Not later than 1 year after the
2 date of enactment of this Act, the Secretary shall
3 submit to the appropriate committees of Congress a
4 report that describes the results of the pilot program
5 conducted under paragraph (1).

6 **SEC. 403. OCS JOINT PERMITTING OFFICES.**

7 (a) ESTABLISHMENT.—The Secretary of the Interior
8 (referred to in this section as the “Secretary”) shall estab-
9 lish Federal OCS Joint Regional Permitting Offices (re-
10 ferred to in this section as the “Regional Permitting Of-
11 fices”) in accordance with this section.

12 (b) MEMORANDUM OF UNDERSTANDING.—Not later
13 than 90 days after the date of enactment of this Act, the
14 Secretary shall enter into a memorandum of under-
15 standing for purposes of this section with—

16 (1) the Secretary of Commerce;

17 (2) the Administrator of the Environmental
18 Protection Agency; and

19 (3) the Chief of Engineers.

20 (c) DESIGNATION OF QUALIFIED STAFF.—

21 (1) IN GENERAL.—Not later than 30 days after
22 the date of the signing of the memorandum of un-
23 derstanding under subsection (b), all Federal signa-
24 tory parties shall assign to each of the Regional Per-
25 mitting Offices identified in subsection (d) a suffi-

1 cient number of employees with expertise to address
2 the full spectrum of agency regulatory issues relat-
3 ing to the Regional Permitting Office in which the
4 employee is employed, including, as applicable, par-
5 ticular expertise in—

6 (A) the consultations and the preparation
7 of biological opinions under section 7 of the En-
8 dangered Species Act of 1973 (16 U.S.C.
9 1536);

10 (B) permits under section 404 of Federal
11 Water Pollution Control Act (33 U.S.C. 1344);

12 (C) regulatory matters under the Clean Air
13 Act (42 U.S.C. 7401 et seq.);

14 (D) the consultations and preparation of
15 documents under the Marine Mammal Protec-
16 tion Act of 1972 (16 U.S.C. 1361 et seq.); and

17 (E) the preparation of analyses under the
18 National Environmental Policy Act of 1969 (42
19 U.S.C. 4321 et seq.).

20 (2) DUTIES.—Each employee assigned under
21 paragraph (1) shall—

22 (A) not later than 90 days after the date
23 of assignment, report to the Minerals Manage-
24 ment Service Regional Director in the Regional

1 Permitting Office to which the employee is as-
2 signed;

3 (B) be responsible for all issues relating to
4 the jurisdiction of the home office or agency of
5 the employee; and

6 (C) participate as part of the team of per-
7 sonnel working on proposed energy projects,
8 planning, and environmental analyses.

9 (d) REGIONAL PERMITTING OFFICES.—The fol-
10 lowing Minerals Management Service Regional Head-
11 quarters shall serve as the Regional Permitting Offices:

12 (1) Anchorage, Alaska.

13 (2) New Orleans, Louisiana.

14 (3) MMS Pacific Regional Headquarters.

15 (4) MMS Atlantic Regional Headquarters.

16 (e) REPORTS.—Not later than 3 years after the date
17 of enactment of this Act, the Secretary shall submit to
18 Congress a report that describes the results of the Re-
19 gional Permitting Offices.

20 (f) TRANSFER OF FUND.—For the purposes of co-
21 ordination and processing of oil and gas use authorizations
22 on the Federal outer Continental Shelf under the adminis-
23 tration of the Regional Permitting Offices identified in
24 subsection (d), the Secretary may authorize the expendi-
25 ture or transfer of such funds as are necessary to—

- 1 (1) the United States Fish and Wildlife Service;
2 (2) the Bureau of Indian Affairs;
3 (3) the Environmental Protection Agency;
4 (4) the National Oceanic and Atmospheric Ad-
5 ministration; and
6 (5) the Corps of Engineers.

7 **Subtitle B—Coal-to-Liquid Fuel**

8 **SEC. 411. COAL-TO-LIQUID FUEL.**

9 (a) IN GENERAL.—Title XXXI of the Energy Policy
10 Act of 1992 (42 U.S.C. 13571 et seq.) is amended by add-
11 ing at the end the following:

12 **“SEC. 3105. COAL-TO-LIQUID FUEL.**

13 “(a) DEFINITIONS.—In this section:

14 “(1) CARBON CAPTURE.—The term ‘carbon
15 capture’ means the capture, separation, and com-
16 pression of carbon dioxide that would otherwise be
17 released to the atmosphere at a facility in the pro-
18 duction of end products of a project prior to trans-
19 portation of the carbon dioxide to a long-term stor-
20 age site.

21 “(2) COAL-TO-LIQUID PRODUCT.—The term
22 ‘coal-to-liquid product’ means a liquid fuel resulting
23 from the conversion of a feedstock.

1 “(3) COMBUSTIBLE END PRODUCT.—The term
2 ‘combustible end product’ means any product of a
3 facility intended to be used as a combustible fuel.

4 “(4) CONVENTIONAL BASELINE EMISSIONS.—
5 The term ‘conventional baseline emissions’ means—

6 “(A) the lifecycle greenhouse gas emissions
7 of a facility that produces combustible end
8 products, using petroleum as a feedstock, that
9 are equivalent to combustible end products pro-
10 duced by a facility of comparable size through
11 an eligible project;

12 “(B) in the case of noncombustible prod-
13 ucts produced through an eligible project, the
14 average lifecycle greenhouse gas emissions emit-
15 ted by projects that—

16 “(i) are of comparable size; and

17 “(ii) produce equivalent products
18 using conventional feedstocks; and

19 “(C) in the case of synthesized gas in-
20 tended for use as a combustible fuel in lieu of
21 natural gas produced by an eligible project, the
22 lifecycle greenhouse gas emissions that would
23 result from equivalent use of natural gas.

1 “(5) CTL.—The term ‘CTL’ means the coal-to-
2 liquid process, by which any grade of coal is trans-
3 formed into a liquid transportation fuel.

4 “(6) CTL REFINERY.—The term ‘CTL refin-
5 ery’ means a facility at which coal is transformed
6 into liquid transportation fuel through CTL.

7 “(7) ELIGIBLE PROJECT.—The term ‘eligible
8 project’ means a project—

9 “(A) that employs gasification technology
10 or another conversion process for feedstocks de-
11 scribed in this section; and

12 “(B) for which—

13 “(i) the annual lifecycle greenhouse
14 gas emissions are the same or lower than
15 conventional baseline emissions;

16 “(ii) the individual or entity carrying
17 out the eligible project has entered into an
18 enforceable agreement with the Secretary
19 to implement carbon capture at the per-
20 centage that, by the end of the 5-year pe-
21 riod after commencement of commercial
22 operation of the eligible project represents
23 the best available technology; and

24 “(iii) in the opinion of the Secretary,
25 sufficient commitments have been secured

1 to achieve long-term storage of captured
2 carbon dioxide beginning as of the date of
3 commencement of commercial operation of
4 the project.

5 “(8) FACILITY.—The term ‘facility’ means a fa-
6 cility at which the conversion of feedstocks to end
7 products takes place.

8 “(9) GASIFICATION TECHNOLOGY.—The term
9 ‘gasification technology’ means any process that con-
10 verts coal, petroleum residue, renewable biomass, or
11 other material that is recovered for energy or feed-
12 stock value into a synthesis gas composed primarily
13 of carbon monoxide and hydrogen for direct use or
14 subsequent chemical or physical conversion.

15 “(10) GREENHOUSE GAS.—The term ‘green-
16 house gas’ means any of—

17 “(A) carbon dioxide;

18 “(B) methane;

19 “(C) nitrous oxide;

20 “(D) hydrofluorocarbons;

21 “(E) perfluorocarbons; and

22 “(F) sulfur hexafluoride.

23 “(11) LIFECYCLE GREENHOUSE GAS EMIS-
24 SIONS.—The term ‘lifecycle greenhouse gas emis-
25 sions’ means the aggregate quantity of greenhouse

1 gases attributable to the production and transpor-
2 tation of end products at a facility, including the
3 production, extraction, cultivation, distribution, mar-
4 keting, and transportation of feedstocks, and the
5 subsequent distribution and use of any combustible
6 end products, as modified by deducting, as deter-
7 mined by the Administrator of the Environmental
8 Protection Agency—

9 “(A) any greenhouse gases captured at the
10 facility and sequestered;

11 “(B) the carbon content, expressed in units
12 of carbon dioxide equivalent, of any feedstock
13 that is renewable biomass; and

14 “(C) the carbon content, expressed in units
15 of carbon dioxide equivalent, of any end prod-
16 ucts that do not result in the release of carbon
17 dioxide to the atmosphere.

18 “(12) LONG-TERM STORAGE.—The term ‘long-
19 term storage’ means sequestration with an expected
20 maximum rate of carbon dioxide leakage over a spec-
21 ified period of time that is consistent with the objec-
22 tive of reducing atmospheric concentrations of car-
23 bon dioxide, subject to a permit issued pursuant to
24 law in effect as of the date of the sequestration.

1 “(13) RENEWABLE BIOMASS.—The term ‘re-
2 newable biomass’ has the meaning given the term in
3 section 9001 of the Farm Security and Rural Invest-
4 ment Act of 2002 (7 U.S.C. 8101).

5 “(14) SEQUESTRATION.—The term ‘sequestra-
6 tion’ means the placement of carbon dioxide in a ge-
7 ological formation, including—

8 “(A) an operating oil and gas field;

9 “(B) coal bed methane recovery;

10 “(C) a depleted oil and gas field;

11 “(D) an unmineable coal seam;

12 “(E) a deep saline formation; and

13 “(F) a deep geological systems containing
14 basalt formations.

15 “(b) DOMESTIC REFINERY DIVERSIFICATION.—

16 “(1) IN GENERAL.—The Secretary shall award
17 grants for qualifying projects to support the com-
18 mercial deployment of CTL refineries.

19 “(2) PROJECT CRITERIA.—A project shall be
20 considered to be a qualifying project under this sub-
21 section if the Secretary determines that—

22 “(A) the purpose of the project is the de-
23 ployment of a CTL refinery in the United
24 States;

1 “(B) the grant recipient is financially via-
2 ble without the receipt of additional Federal
3 funding;

4 “(C) the project site has been identified;

5 “(D) a preliminary feasibility study has
6 been completed;

7 “(E) a long-term source of coal has been
8 identified and secured; and

9 “(F) the refinery will be designed and con-
10 structed—

11 “(i) to have a production capacity of
12 at least 12,000 barrels per day; and

13 “(ii) to include carbon capture tech-
14 nology.

15 “(3) USE.—A grant under this subsection may
16 be used to offset costs associated with the deploy-
17 ment of a CTL refinery in the United States, includ-
18 ing the costs of preliminary engineering and engi-
19 neering design specifications.

20 “(4) MAXIMUM AMOUNT.—The amount of a
21 grant made for a qualifying project under this sub-
22 section shall not exceed \$50,000,000.

23 “(5) REPORT.—Not later than 1 year after the
24 date of enactment of this section and annually there-
25 after until amounts made available to carry out this

1 section are expended, the Secretary shall submit to
2 Congress a report describing—

3 “(A) the status of projects funded under
4 this section; and

5 “(B) the reasons for the denial of any
6 grant for a project funded under this section.

7 “(6) AUTHORIZATION OF APPROPRIATIONS.—

8 There is authorized to be appropriated to the Sec-
9 retary to carry out this subsection \$500,000,000, to
10 remain available until expended.

11 “(c) DIRECT LOAN PROGRAM.—

12 “(1) IN GENERAL.—Not later than 1 year after
13 the date of enactment of this section, and subject to
14 funds being made available in advance through ap-
15 propriations Acts, the Secretary shall carry out a
16 program to provide a total of not more than
17 \$10,000,000,000 in loans to eligible individuals and
18 entities (as determined by the Secretary) for use in
19 carrying out eligible projects.

20 “(2) SELECTION OF ELIGIBLE PROJECTS.—The
21 Secretary shall select eligible projects to receive
22 loans under this section—

23 “(A) through the conduct of a reverse auc-
24 tion, in which eligible projects proposed to be
25 carried out that have the greatest rate of car-

1 bon capture and long-term storage, and the
2 lowest lifecycle greenhouse gas emissions, are
3 given priority;

4 “(B) that, taken together, would—

5 “(i) represent a variety of geo-
6 graphical regions;

7 “(ii) use a variety of types of feed-
8 stocks and coal; and

9 “(iii) to the extent consistent with
10 achieving long-term storage, represent a
11 variety of geological formations; and

12 “(C) for which eligible projects, in the
13 opinion of the Secretary—

14 “(i) each award recipient is financially
15 viable without the receipt of additional
16 Federal funding associated with the pro-
17 posed project;

18 “(ii) each recipient will provide suffi-
19 cient information to the Secretary for the
20 Secretary to ensure that the qualified in-
21 vestment is expended efficiently and effec-
22 tively;

23 “(iii) a market exists for the products
24 of the proposed project, as evidenced by

1 contracts or written statements of intent
2 from potential customers;

3 “(iv) the project team of each recipi-
4 ent is competent in the construction and
5 operation of the gasification technology
6 proposed; and

7 “(v) each recipient has met such other
8 criteria as may be established and pub-
9 lished by the Secretary.

10 “(3) USE OF LOAN FUNDS.—

11 “(A) IN GENERAL.—Subject to subpara-
12 graph (B), funds from a loan provided under
13 this section may be used to pay up to 100 per-
14 cent of the costs of capital associated with re-
15 ducing lifecycle greenhouse gas emissions at the
16 facility (including carbon dioxide capture, com-
17 pression, and long-term storage, cogeneration,
18 and gasification of biomass) carried out as part
19 of an eligible project.

20 “(B) TOTAL PROJECT COST.—Funds from
21 a loan provided under this section may not be
22 used to pay more than 50 percent of the total
23 cost of an eligible project.

24 “(4) RATES, TERMS, AND REPAYMENT OF
25 LOANS.—A loan provided under this section—

1 “(A) shall have an interest rate that, as of
2 the date on which the loan is made, is equal to
3 the cost of funds to the Department of the
4 Treasury for obligations of comparable matu-
5 rity;

6 “(B) shall have a term equal to the lesser
7 of—

8 “(i) the projected life, in years, of the
9 eligible project to be carried out using
10 funds from the loan, as determined by the
11 Secretary; and

12 “(ii) 25 years;

13 “(C) may be subject to a deferral in repay-
14 ment for not more than 5 years after the date
15 on which the eligible project carried out using
16 funds from the loan first begins operations, as
17 determined by the Secretary;

18 “(D) shall be made on the condition that
19 the Secretary shall be subrogated to the rights
20 of the recipient of the payment as specified in
21 the loan or related agreements, including, as
22 appropriate, the authority (notwithstanding any
23 other provision of law)—

24 “(i) to complete, maintain, operate,
25 lease, or otherwise dispose of any property

1 acquired pursuant to the guarantee or a
2 related agreement; or

3 “(ii) to permit the borrower, pursuant
4 to an agreement with the Secretary, to
5 continue to pursue the purposes of the
6 project, if the Secretary determines the
7 pursuit to be in the public interest; and

8 “(E) shall be subject to section 136(d)(2)
9 of the Energy Independence and Security Act
10 of 2007 (42 U.S.C. 17013(d)(2)).

11 “(5) **METHODOLOGY.**—Not later than 18
12 months after the date of enactment of this section,
13 the Administrator of the Environmental Protection
14 Agency shall, by regulation, establish a methodology
15 for use in determining the lifecycle greenhouse gas
16 emissions of products produced using gasification
17 technology.

18 “(6) **AUTHORIZATION OF APPROPRIATIONS.**—
19 There are authorized to be appropriated to the Sec-
20 retary such sums as are necessary to carry out this
21 subsection, to remain available until expended.”.

22 (b) **CONFORMING AMENDMENT.**—The table of con-
23 tents of the Energy Policy Act of 1992 (42 U.S.C. prec.
24 13201) is amended by adding at the end of the items relat-
25 ing to title XXXI the following:

“Sec. 3105. Coal innovation direct loan program.”.

1 **Subtitle C—Nuclear Power**

2 **SEC. 421. NUCLEAR REGULATORY COMMISSION.**

3 There are authorized to be appropriated to the Nu-
4 clear Regulatory Commission such sums as are necessary
5 for the Commission to establish an additional 40 full-time
6 equivalent positions to—

7 (1) expedite the processing of applications for
8 new nuclear plants; and

9 (2) streamline the licensing process.

10 **SEC. 422. NUCLEAR ENERGY WORKFORCE.**

11 Section 1101 of the Energy Policy Act of 2005 (42
12 U.S.C. 16411) is amended—

13 (1) in subsection (b)(1)—

14 (A) in subparagraph (A), by striking
15 “and” at the end;

16 (B) in subparagraph (B), by striking the
17 period and inserting “; and”; and

18 (C) by adding at the end the following:

19 “(C) nuclear utility and nuclear energy
20 product and service industries.”;

21 (2) by redesignating subsection (d) as sub-
22 section (e); and

23 (3) by inserting after subsection (c) the fol-
24 lowing:

25 “(d) WORKFORCE TRAINING.—

1 “(1) IN GENERAL.—The Secretary of Labor, in
2 cooperation with the Secretary, shall promulgate
3 regulations to implement a program to provide
4 grants to enhance workforce training for any occu-
5 pation in the workforce of the nuclear utility and nu-
6 clear energy products and services industries for
7 which a shortage is identified or predicted in the re-
8 port under subsection (b)(2).

9 “(2) CONSULTATION.—In carrying out this sub-
10 section, the Secretary of Labor shall consult with
11 representatives of the nuclear utility and nuclear en-
12 ergy products and services industries, including or-
13 ganized labor organizations and multiemployer asso-
14 ciations that jointly sponsor apprenticeship pro-
15 grams that provide training for skills needed in
16 those industries.

17 “(3) AUTHORIZATION OF APPROPRIATIONS.—
18 There are authorized to be appropriated to the Sec-
19 retary of Labor, working in coordination with the
20 Secretary and the Secretary of Education,
21 \$20,000,000 for each of fiscal years 2009 through
22 2013 to carry out this subsection.”.

1 **SEC. 423. INTERAGENCY WORKING GROUP TO PROMOTE**
2 **DOMESTIC MANUFACTURING BASE FOR NU-**
3 **CLEAR COMPONENTS AND EQUIPMENT.**

4 (a) PURPOSES.—The purposes of this section are—

5 (1) to increase the competitiveness of the
6 United States nuclear energy products and services
7 industries;

8 (2) to identify the stimulus or incentives nec-
9 essary to cause United States manufacturers of nu-
10 clear energy products to expand manufacturing ca-
11 pacity;

12 (3) to facilitate the export of United States nu-
13 clear energy products and services;

14 (4) to reduce the trade deficit of the United
15 States through the export of United States nuclear
16 energy products and services;

17 (5) to retain and create nuclear energy manu-
18 facturing and related service jobs in the United
19 States;

20 (6) to integrate the objectives described in para-
21 graphs (1) through (5), in a manner consistent with
22 the interests of the United States, into the foreign
23 policy of the United States; and

24 (7) to authorize funds for increasing United
25 States capacity to manufacture nuclear energy prod-
26 ucts and supply nuclear energy services.

1 (b) ESTABLISHMENT.—

2 (1) IN GENERAL.—There is established an
3 interagency working group (referred to in this sec-
4 tion as the “Working Group”) that, in consultation
5 with representative industry organizations and man-
6 ufacturers of nuclear energy products, shall make
7 recommendations to coordinate the actions and pro-
8 grams of the Federal Government in order to pro-
9 mote increasing domestic manufacturing capacity
10 and export of domestic nuclear energy products and
11 services.

12 (2) COMPOSITION.—The Working Group shall
13 be composed of—

14 (A) the Secretary of Energy (or a des-
15 ignee), who shall serve as Chairperson of the
16 Working Group; and

17 (B) representatives of—

18 (i) the Department of Energy;

19 (ii) the Department of Commerce;

20 (iii) the Department of Defense;

21 (iv) the Department of Treasury;

22 (v) the Department of State;

23 (vi) the Environmental Protection
24 Agency;

- 1 (vii) the United States Agency for
2 International Development;
- 3 (viii) the Export-Import Bank of the
4 United States;
- 5 (ix) the Trade and Development
6 Agency;
- 7 (x) the Small Business Administra-
8 tion;
- 9 (xi) the Office of the United States
10 Trade Representative; and
- 11 (xii) other Federal agencies, as deter-
12 mined by the President.

13 (c) DUTIES OF WORKING GROUP.—The Working
14 Group shall—

15 (1) not later than 180 days after the date of
16 enactment of this Act, identify the actions necessary
17 to promote the safe development and application in
18 foreign countries of nuclear energy products and
19 services—

20 (A) to increase electricity generation from
21 nuclear energy sources through development of
22 new generation facilities;

23 (B) to improve the efficiency, safety, and
24 reliability of existing nuclear generating facili-
25 ties through modifications; and

1 (C) enhance the safe treatment, handling,
2 storage, and disposal of used nuclear fuel;

3 (2) not later than 180 days after the date of
4 enactment of this Act, identify—

5 (A) mechanisms (including tax stimuli for
6 investment, loans and loan guarantees, and
7 grants) necessary for United States companies
8 to increase—

9 (i) the capacity of the companies to
10 produce or provide nuclear energy products
11 and services; and

12 (ii) exports of nuclear energy products
13 and services; and

14 (B) administrative or legislative initiatives
15 that are necessary —

16 (i) to encourage United States compa-
17 nies to increase the manufacturing capac-
18 ity of the companies for nuclear energy
19 products;

20 (ii) to provide technical and financial
21 assistance and support to small and mid-
22 sized businesses to establish quality assur-
23 ance programs in accordance with domestic
24 and international nuclear quality assurance
25 code requirements;

1 (iii) to encourage, through financial
2 incentives, private sector capital invest-
3 ment to expand manufacturing capacity;
4 and

5 (iv) to provide technical assistance
6 and financial incentives to small and mid-
7 sized businesses to develop the workforce
8 necessary to increase manufacturing capac-
9 ity and meet domestic and international
10 nuclear quality assurance code require-
11 ments;

12 (3) not later than 270 days after the date of
13 enactment of this Act, submit to Congress a report
14 that describes the findings of the Working Group
15 under paragraphs (1) and (2), including rec-
16 ommendations for new legislative authority, as nec-
17 essary; and

18 (4) encourage the agencies represented by mem-
19 bership in the Working Group—

20 (A) to provide technical training and edu-
21 cation for international development personnel
22 and local users in other countries;

23 (B) to provide financial and technical as-
24 sistance to nonprofit institutions that support
25 the marketing and export efforts of domestic

1 companies that provide nuclear energy products
2 and services;

3 (C) to develop nuclear energy projects in
4 foreign countries;

5 (D) to provide technical assistance and
6 training materials to loan officers of the World
7 Bank, international lending institutions, com-
8 mercial and energy attaches at embassies of the
9 United States, and other appropriate personnel
10 in order to provide information about nuclear
11 energy products and services to foreign govern-
12 ments or other potential project sponsors;

13 (E) to support, through financial incen-
14 tives, private sector efforts to commercialize
15 and export nuclear energy products and services
16 in accordance with the subsidy codes of the
17 World Trade Organization; and

18 (F) to augment budgets for trade and de-
19 velopment programs in order to support
20 prefeasibility or feasibility studies for projects
21 that use nuclear energy products and services.

22 (d) PERSONNEL AND SERVICE MATTERS.—The Sec-
23 retary and the heads of agencies represented by member-
24 ship in the Working Group shall detail such personnel and
25 furnish such services to the Working Group, with or with-

1 out reimbursement, as are necessary to carry out the func-
2 tions of the Working Group.

3 (e) AUTHORIZATION OF APPROPRIATIONS.—There is
4 authorized to be appropriated to the Secretary to carry
5 out this section \$20,000,000 for each of fiscal years 2009
6 through 2013.

7 **SEC. 424. SPENT FUEL RECYCLING PROGRAM.**

8 (a) IN GENERAL.—The Secretary shall—

9 (1) begin construction of a spent fuel recycling
10 research and development facility not later than 1
11 year after the date of enactment of this Act; and

12 (2) conduct research and development activities
13 to develop spent fuel processes that reduces the
14 quantity of waste in a manner that ensures adequate
15 protection against proliferation and is in accordance
16 with the defense, security, national interests, and
17 treaty obligations of the United States.

18 (b) SPENT FUEL RECYCLING RESEARCH AND DE-
19 VELOPMENT FACILITY.—

20 (1) PURPOSE.—The facility described in sub-
21 section (a)(1) shall serve as the lead site for con-
22 tinuing research and development of advanced nu-
23 clear fuel cycles and separation technologies.

1 (2) SITE SELECTION.—In selecting a site for
2 the facility, the Secretary shall give preference to a
3 site that has—

4 (A) the most technically sound bid;

5 (B) a demonstrated technical expertise in
6 spent fuel recycling; and

7 (C) community support.

8 (c) AUTHORIZATION OF APPROPRIATIONS.—There
9 are authorized to be appropriated such sums as are nec-
10 essary to carry out this section.

11 **SEC. 425. STANDBY SUPPORT FOR CERTAIN NUCLEAR**
12 **PLANT DELAYS.**

13 (a) DEFINITIONS.—Section 638(a) of the Energy
14 Policy Act of 2005 (42 U.S.C. 16014(a)) is amended—

15 (1) by redesignating paragraph (4) as para-
16 graph (7); and

17 (2) by inserting after paragraph (3) the fol-
18 lowing:

19 “(4) FULL POWER OPERATION.—The term ‘full
20 power operation’, with respect to a facility, means
21 the earlier of—

22 “(A) the commercial operation date (or the
23 equivalent under the terms of the financing doc-
24 uments for the facility); and

1 “(B) the date on which the facility
2 achieves operation at an average nameplate ca-
3 pacity of 50 percent or more during any con-
4 secutive 30-day period after the completion of
5 startup testing for the facility.

6 “(5) INCREASED PROJECT COSTS.—The term
7 ‘increased project costs’ means the increased cost of
8 constructing, commissioning, testing, operating, or
9 maintaining a reactor prior to full-power operation
10 incurred as a result of a delay covered by the con-
11 tract, including costs of demobilization and re-
12 mobilization, increased costs of equipment, materials
13 and labor due to delay (including idle time), in-
14 creased general and administrative costs, and esca-
15 lation costs for completing construction.

16 “(6) LITIGATION.—The term ‘litigation’ means
17 any—

18 “(A) adjudication in Federal, State, local,
19 or tribal court; and

20 “(B) any administrative proceeding or
21 hearing before a Federal, State, local, or tribal
22 agency or administrative entity.”.

23 (b) CONTRACT AUTHORITY.—Section 638(b) of the
24 Energy Policy Act of 2005 (42 U.S.C. 16014(b)) is

1 amended by striking paragraph (1) and inserting the fol-
2 lowing:

3 “(1) CONTRACTS.—

4 “(A) IN GENERAL.—The Secretary may
5 enter into contracts under this section with
6 sponsors of an advanced nuclear facility that
7 cover at any 1 time a total of not more than
8 12 reactors, which shall consist of not less than
9 2 nor more than 4 different reactor designs, in
10 accordance with paragraph (2).

11 “(B) REPLACEMENT CONTRACTS.—If any
12 contract entered into under this section termi-
13 nates or expires without a claim being paid by
14 the Secretary under the contract, the Secretary
15 may enter into a new contract under this sec-
16 tion in replacement of the contract.”.

17 (c) COVERED COSTS.—Section 638(d) of the Energy
18 Policy Act of 2005 (42. U.S.C. 16014(d)) is amended by
19 striking paragraphs (2) and (3) and inserting the fol-
20 lowing:

21 “(2) COVERAGE.—In the case of reactors that
22 receive combined licenses and on which construction
23 is commenced, the Secretary shall pay—

1 “(A) 100 percent of the covered costs of
2 delay that occur after the initial 30-day period
3 of covered delay; but

4 “(B) not more than \$500,000,000 per con-
5 tract.

6 “(3) COVERED DEBT OBLIGATIONS.—Debt obli-
7 gations covered under subparagraph (A) of para-
8 graph (5) shall include debt obligations incurred to
9 pay increased project costs.”.

10 (d) DISPUTE RESOLUTION.—Section 638 of the En-
11 ergy Policy Act of 2005 (42 U.S.C. 16014) is amended—

12 (1) by redesignating subsections (f) through (h)
13 as subsections (g) through (i), respectively; and

14 (2) by inserting after subsection (e) the fol-
15 lowing:

16 “(f) DISPUTE RESOLUTION.—

17 “(1) IN GENERAL.—Any controversy or claim
18 arising out of or relating to any contract entered
19 into under this section shall be determined by arbi-
20 tration in Washington, DC, in accordance with the
21 applicable Commercial Arbitration Rules of the
22 American Arbitration Association.

23 “(2) TREATMENT OF DECISION.—A decision by
24 an arbitrator shall be final and binding, and the
25 United district court for Washington, DC, or the

1 district in which the project is located shall have ju-
2 risdiction to enter judgment on the decision.”.

3 **SEC. 426. INCENTIVES FOR INNOVATIVE TECHNOLOGIES.**

4 (a) DEFINITION OF PROJECT COST.—Section
5 1701(1) of the Energy Policy Act of 2005 (42 U.S.C.
6 16511(1)) is amended by adding at the end the following:

7 “(6) PROJECT COST.—The term ‘project cost’
8 means all costs associated with the development,
9 planning, design, engineering, permitting and licens-
10 ing, construction, commissioning, startup, shake-
11 down, and financing of a facility, including reason-
12 able escalation and contingencies, the cost of and
13 fees for the guarantee, reasonably required reserve
14 funds, initial working capital, and interest during
15 construction.”.

16 (b) TERMS AND CONDITIONS.—Section 1702 of the
17 Energy Policy Act of 2005 (42 U.S.C. 16512) is amended
18 by striking subsections (b) and (c) and inserting the fol-
19 lowing:

20 “(b) SPECIFIC APPROPRIATION OR CONTRIBU-
21 TION.—

22 “(1) IN GENERAL.—No guarantee shall be
23 made unless—

24 “(A) sufficient amounts have been appro-
25 priated to cover the cost of the guarantee;

1 “(B) the Secretary has—

2 “(i) received from the borrower pay-
3 ment in full for the cost of the obligation;
4 and

5 “(ii) deposited the payment into the
6 Treasury; or

7 “(C) any combination of subparagraphs
8 (A) and (B) that is sufficient to cover the cost
9 of the obligation.

10 “(2) RELATION TO OTHER LAWS.—Section
11 504(b) of the Federal Credit Reform Act of 1990 (2
12 U.S.C. 661c (b)) shall not apply to a loan guarantee
13 made in accordance with paragraph (1).

14 “(c) AMOUNT.—

15 “(1) IN GENERAL.—Subject to paragraph (2),
16 the Secretary shall guarantee—

17 “(A) 100 percent of the obligation for a fa-
18 cility that is the subject of a guarantee; or

19 “(B) a lesser amount, if requested by the
20 borrower.

21 “(2) LIMITATION.—The total amount of loans
22 guaranteed for a facility by the Secretary shall not
23 exceed 80 percent of the total cost of the facility, as
24 estimated at the time at which the guarantee is
25 issued.”.

1 (c) FEES.—Section 1702(h) of the Energy Policy Act
2 of 2005 (42 U.S.C. 16512(h)) is amended by striking
3 paragraph (2) and inserting the following:

4 “(2) AVAILABILITY.—Fees collected under this
5 subsection shall—

6 “(A) be deposited by the Secretary into a
7 special fund in the Treasury to be known as the
8 ‘Incentives For Innovative Technologies Fund’;
9 and

10 “(B) remain available to the Secretary for
11 expenditure, without further appropriation or
12 fiscal year limitation, for administrative ex-
13 penses incurred in carrying out this title.”.

14 **Subtitle D—Tax Provisions**

15 **SEC. 431. TAX CREDIT FOR CARBON DIOXIDE SEQUESTRA-** 16 **TION.**

17 (a) IN GENERAL.—Subpart D of part IV of sub-
18 chapter A of chapter 1 of the Internal Revenue Code of
19 1986 (relating to business credits), as amended by this
20 Act, is amended by adding at the end the following new
21 section:

22 **“SEC. 45R. CREDIT FOR CARBON DIOXIDE SEQUESTRATION.**

23 “(a) GENERAL RULE.—For purposes of section 38,
24 the carbon dioxide sequestration credit for any taxable

1 year is an amount equal to \$15 per metric ton of qualified
2 carbon dioxide which is—

3 “(1) captured by the taxpayer at a qualified fa-
4 cility, and

5 “(2) used by the taxpayer as a tertiary
6 injectant in a qualified enhanced oil or natural gas
7 recovery project.

8 “(b) QUALIFIED CARBON DIOXIDE.—For purposes of
9 this section—

10 “(1) IN GENERAL.—The term ‘qualified carbon
11 dioxide’ means carbon dioxide captured from an in-
12 dustrial source which—

13 “(A) would otherwise be released into the
14 atmosphere as industrial emission of green-
15 house gas, and

16 “(B) is measured at the source of capture
17 and verified at the point of disposal or injec-
18 tion.

19 “(2) RECYCLED CARBON DIOXIDE.—The term
20 ‘qualified carbon dioxide’ includes the initial deposit
21 of captured carbon dioxide used as a tertiary
22 injectant. Such term does not include carbon dioxide
23 that is re-captured, recycled, and re-injected as part
24 of the enhanced oil and natural gas recovery process.

1 “(c) QUALIFIED FACILITY.—For purposes of this
2 section, the term ‘qualified facility’ means any industrial
3 facility—

4 “(1) which is owned by the taxpayer,

5 “(2) at which carbon capture equipment is
6 placed in service, and

7 “(3) which captures not less than 500,000 met-
8 ric tons of carbon dioxide during the taxable year.

9 “(d) SPECIAL RULES AND OTHER DEFINITIONS.—
10 For purposes of this section—

11 “(1) ONLY CARBON DIOXIDE CAPTURED WITH-
12 IN THE UNITED STATES TAKEN INTO ACCOUNT.—

13 The credit under this section shall apply only with
14 respect to qualified carbon dioxide the capture of
15 which is within—

16 “(A) the United States (within the mean-
17 ing of section 638(1)), or

18 “(B) a possession of the United States
19 (within the meaning of section 638(2)).

20 “(2) TERTIARY INJECTANT.—The term ‘ter-
21 tiary injectant’ has the same meaning as when used
22 within section 193(b)(1).

23 “(3) QUALIFIED ENHANCED OIL OR NATURAL
24 GAS RECOVERY PROJECT.—The term ‘qualified en-
25 hanced oil or natural gas recovery project’ has the

1 meaning given the term ‘qualified enhanced oil re-
2 covery project’ by section 43(c)(2), by substituting
3 ‘crude oil or natural gas’ for ‘crude oil’ in subpara-
4 graph (A)(i) thereof.

5 “(4) CREDIT ATTRIBUTABLE TO TAXPAYER.—
6 Any credit under this section shall be attributable to
7 the person that captures and physically or contrac-
8 tually ensures the use as a tertiary injectant of the
9 qualified carbon dioxide, except to the extent pro-
10 vided in regulations prescribed by the Secretary.

11 “(5) RECAPTURE.—The Secretary shall, by reg-
12 ulations, provide for recapturing the benefit of any
13 credit allowable under subsection (a) with respect to
14 any qualified carbon dioxide which ceases to be cap-
15 tured or used as a tertiary injectant in a manner
16 consistent with the requirements of this section.

17 “(6) INFLATION ADJUSTMENT.—In the case of
18 any taxable year beginning in a calendar year after
19 2009, there shall be substituted for each dollar
20 amount contained in subsection (a) an amount equal
21 to the product of—

22 “(A) such dollar amount, multiplied by

23 “(B) the inflation adjustment factor for
24 such calendar year determined under section

1 43(b)(3)(B) for such calendar year, determined
2 by substituting ‘2008’ for ‘1990’.

3 “(e) APPLICATION OF SECTION.—The credit under
4 this section shall apply with respect to qualified carbon
5 dioxide before the end of the calendar year in which the
6 Secretary, in consultation with the Administrator of the
7 Environmental Protection Agency, certifies that
8 75,000,000 metric tons of qualified carbon dioxide have
9 been captured and disposed of or used as a tertiary
10 injectant.”.

11 (b) CONFORMING AMENDMENT.—Section 38(b) of
12 the Internal Revenue Code of 1986 (relating to general
13 business credit), as amended by this Act, is amended by
14 striking “plus” at the end of paragraph (35), by striking
15 the period at the end of paragraph (36) and inserting “,
16 plus”, and by adding at the end of following new para-
17 graph:

18 “(37) the carbon dioxide sequestration credit
19 determined under section 45Q(a).”.

20 (c) CLERICAL AMENDMENT.—The table of sections
21 for subpart B of part IV of subchapter A of chapter 1
22 of the Internal Revenue Code of 1986 (relating to other
23 credits), as amended by this Act, is amended by adding
24 at the end the following new section:

“Sec. 45R. Credit for carbon dioxide sequestration.”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply carbon dioxide captured after the
3 date of the enactment of this Act.

4 **SEC. 432. 5-YEAR ACCELERATED DEPRECIATION FOR NEW**
5 **NUCLEAR POWER FACILITIES.**

6 (a) IN GENERAL.—Subparagraph (B) of section
7 168(e)(3) of the Internal Revenue Code of 1986 (relating
8 to 5-year property) is amended—

9 (1) by striking “and” at the end of clause (v);

10 (2) by striking the period at the end of clause
11 (vi) and inserting “, and”; and

12 (3) by inserting after clause (vi) the following
13 new clause:

14 “(vii) any qualified nuclear power fa-
15 cility the original use of which commences
16 with the taxpayer.”.

17 (b) QUALIFIED NUCLEAR POWER FACILITY.—Sec-
18 tion 168(e) of the Internal Revenue Code of 1986 is
19 amended by adding at the end the following new para-
20 graph:

21 “(8) QUALIFIED NUCLEAR POWER FACILITY.—

22 The term ‘qualified nuclear power facility’ means an
23 advanced nuclear facility (as defined in section
24 45J(d)(2))—

1 “(A) which, when placed in service, will
2 use nuclear power to produce electricity,

3 “(B) the construction of which is approved
4 by the Nuclear Regulatory Commission on or
5 before December 31, 2013, and

6 “(C) which is placed in service before Jan-
7 uary 1, 2021.”.

8 (c) CONFORMING AMENDMENT.—Section
9 168(e)(3)(E)(vii) of the Internal Revenue Code of 1986
10 is amended by inserting “and not described in subpara-
11 graph (B)(vii) of this paragraph” after “section
12 1245(a)(3)”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to property placed in service in
15 taxable years beginning after the date of enactment of this
16 Act.

17 **TITLE V—OFFSETS**

18 **Subtitle A—Manufacturing Deduc-** 19 **tion for Oil and Natural Gas** 20 **Production**

21 **SEC. 501. LIMITATION OF DEDUCTION FOR INCOME AT-** 22 **TRIBUTABLE TO DOMESTIC PRODUCTION OF** 23 **OIL, GAS, OR PRIMARY PRODUCTS THEREOF.**

24 (a) DENIAL OF DEDUCTION FOR MAJOR INTE-
25 GRATED OIL COMPANIES AND STATE-OWNED OIL COMPA-

1 NIES FOR INCOME ATTRIBUTABLE TO DOMESTIC PRO-
2 Duction OF OIL, GAS, OR PRIMARY PRODUCTS THERE-
3 OF.—

4 (1) IN GENERAL.—Subparagraph (B) of section
5 199(c)(4) of the Internal Revenue Code of 1986 (re-
6 lating to exceptions) is amended by striking “or” at
7 the end of clause (ii), by striking the period at the
8 end of clause (iii) and inserting “, or”, and by in-
9 serting after clause (iii) the following new clause:

10 “(iv) in the case of any disqualified oil
11 company, the production, refining, proc-
12 essing, transportation, or distribution of
13 oil, gas, or any primary product thereof.”.

14 (2) DISQUALIFIED OIL COMPANY.—Section
15 199(c) of such Code is amended by adding at the
16 end the following new paragraph:

17 “(8) DISQUALIFIED OIL COMPANY.—

18 “(A) IN GENERAL.—The term ‘disqualified
19 oil company’ means—

20 “(i) any major integrated oil company
21 (as defined in section 167(h)(5)(B)) during
22 any taxable year described in section
23 167(h)(5)(B), or

24 “(ii) any controlled commercial entity
25 (as defined in section 892(a)(2)(B)) the

1 commercial activities of which during the
2 taxable year includes the production, refin-
3 ing, processing, transportation, or distribu-
4 tion of oil, gas, or any primary product
5 thereof.

6 “(B) PRIMARY PRODUCT.—The term ‘pri-
7 mary product’ has the same meaning as when
8 used in section 927(a)(2)(C), as in effect before
9 its repeal.”.

10 (b) LIMITATION ON OIL RELATED QUALIFIED PRO-
11 Duction ACTIVITIES INCOME FOR TAXPAYERS OTHER
12 THAN MAJOR INTEGRATED OIL COMPANIES AND STATE-
13 OWNED OIL COMPANIES.—

14 (1) IN GENERAL.—Section 199(d) of the Inter-
15 nal Revenue Code of 1986 is amended by redesign-
16 ating paragraph (9) as paragraph (10) and by in-
17 serting after paragraph (8) the following new para-
18 graph:

19 “(9) SPECIAL RULE FOR TAXPAYERS WITH OIL
20 RELATED QUALIFIED PRODUCTION ACTIVITIES IN-
21 COME.—

22 “(A) IN GENERAL.—If a taxpayer (other
23 than a disqualified oil company) has oil related
24 qualified production activities income for any
25 taxable year beginning after 2009, the amount

1 of the deduction under subsection (a) shall be
2 reduced by 3 percent of the least of—

3 “(i) the oil related qualified produc-
4 tion activities income of the taxpayer for
5 the taxable year,

6 “(ii) the qualified production activities
7 income of the taxpayer for the taxable
8 year, or

9 “(iii) taxable income (determined
10 without regard to this section).

11 “(B) OIL RELATED QUALIFIED PRODUC-
12 TION ACTIVITIES INCOME.—The term ‘oil re-
13 lated qualified production activities income’
14 means for any taxable year the qualified pro-
15 duction activities income which is attributable
16 to the production, refining, processing, trans-
17 portation, or distribution of oil, gas, or any pri-
18 mary product thereof during such taxable
19 year.”.

20 (2) CONFORMING AMENDMENT.—Section
21 199(d)(2) of such Code (relating to application to
22 individuals) is amended by striking “subsection
23 (a)(1)(B)” and inserting “subsections (a)(1)(B) and
24 (d)(9)(A)(iii)”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2008.

4 **Subtitle B—Tax on Crude Oil and**
5 **Natural Gas Produced From the**
6 **Outer Continental Shelf in the**
7 **Gulf of Mexico**

8 **SEC. 511. TAX ON CRUDE OIL AND NATURAL GAS PRO-**
9 **DUCTED FROM THE OUTER CONTINENTAL**
10 **SHELF IN THE GULF OF MEXICO.**

11 (a) IN GENERAL.—Subtitle E of the Internal Rev-
12 enue Code of 1986 (relating to alcohol, tobacco, and cer-
13 tain other excise taxes) is amended by adding at the end
14 the following new chapter:

15 **“CHAPTER 56—TAX ON SEVERANCE OF**
16 **CRUDE OIL AND NATURAL GAS FROM**
17 **THE OUTER CONTINENTAL SHELF IN**
18 **THE GULF OF MEXICO**

“Sec. 5896. Imposition of tax.

“Sec. 5897. Taxable crude oil or natural gas and removal price.

“Sec. 5898. Special rules and definitions.

19 **“SEC. 5896. IMPOSITION OF TAX.**

20 “(a) IN GENERAL.—In addition to any other tax im-
21 posed under this title, there is hereby imposed a tax equal
22 to 13 percent of the removal price of any taxable crude
23 oil or natural gas removed from the premises during any
24 taxable period.

1 “(b) CREDIT FOR FEDERAL ROYALTIES PAID.—

2 “(1) IN GENERAL.—There shall be allowed as a
3 credit against the tax imposed by subsection (a) with
4 respect to the production of any taxable crude oil or
5 natural gas an amount equal to the aggregate
6 amount of royalties paid under Federal law with re-
7 spect to such production.

8 “(2) LIMITATION.—The aggregate amount of
9 credits allowed under paragraph (1) to any taxpayer
10 for any taxable period shall not exceed the amount
11 of tax imposed by subsection (a) for such taxable pe-
12 riod.

13 “(c) TAX PAID BY PRODUCER.—The tax imposed by
14 this section shall be paid by the producer of the taxable
15 crude oil or natural gas.

16 **“SEC. 5897. TAXABLE CRUDE OIL OR NATURAL GAS AND RE-**
17 **MOVAL PRICE.**

18 “(a) TAXABLE CRUDE OIL OR NATURAL GAS.—For
19 purposes of this chapter, the term ‘taxable crude oil or
20 natural gas’ means crude oil or natural gas which is pro-
21 duced from Federal submerged lands on the outer Conti-
22 nental Shelf in the Gulf of Mexico pursuant to a lease
23 entered into with the United States which authorizes the
24 production.

1 “(b) REMOVAL PRICE.—For purposes of this chap-
2 ter—

3 “(1) IN GENERAL.—Except as otherwise pro-
4 vided in this subsection, the term ‘removal price’
5 means—

6 “(A) in the case of taxable crude oil, the
7 amount for which a barrel of such crude oil is
8 sold, and

9 “(B) in the case of taxable natural gas, the
10 amount per 1,000 cubic feet for which such
11 natural gas is sold.

12 “(2) SALES BETWEEN RELATED PERSONS.—In
13 the case of a sale between related persons, the re-
14 moval price shall not be less than the constructive
15 sales price for purposes of determining gross income
16 from the property under section 613.

17 “(3) OIL OR GAS REMOVED FROM PROPERTY
18 BEFORE SALE.—If crude oil or natural gas is re-
19 moved from the property before it is sold, the re-
20 moval price shall be the constructive sales price for
21 purposes of determining gross income from the prop-
22 erty under section 613.

23 “(4) REFINING BEGUN ON PROPERTY.—If the
24 manufacture or conversion of crude oil into refined

1 products begins before such oil is removed from the
2 property—

3 “(A) such oil shall be treated as removed
4 on the day such manufacture or conversion be-
5 gins, and

6 “(B) the removal price shall be the con-
7 structive sales price for purposes of determining
8 gross income from the property under section
9 613.

10 “(5) PROPERTY.—The term ‘property’ has the
11 meaning given such term by section 614.

12 **“SEC. 5898. SPECIAL RULES AND DEFINITIONS.**

13 “(a) ADMINISTRATIVE REQUIREMENTS.—

14 “(1) WITHHOLDING AND DEPOSIT OF TAX.—
15 The Secretary shall provide for the withholding and
16 deposit of the tax imposed under section 5896 on a
17 quarterly basis.

18 “(2) RECORDS AND INFORMATION.—Each tax-
19 payer liable for tax under section 5896 shall keep
20 such records, make such returns, and furnish such
21 information (to the Secretary and to other persons
22 having an interest in the taxable crude oil or natural
23 gas) with respect to such oil as the Secretary may
24 by regulations prescribe.

25 “(3) TAXABLE PERIODS; RETURN OF TAX.—

1 “(A) TAXABLE PERIOD.—Except as pro-
2 vided by the Secretary, each calendar year shall
3 constitute a taxable period.

4 “(B) RETURNS.—The Secretary shall pro-
5 vide for the filing, and the time for filing, of the
6 return of the tax imposed under section 5896.

7 “(b) DEFINITIONS.—For purposes of this chapter—

8 “(1) PRODUCER.—The term ‘producer’ means
9 the holder of the economic interest with respect to
10 the crude oil or natural gas.

11 “(2) CRUDE OIL.—The term ‘crude oil’ includes
12 crude oil condensates and natural gasoline.

13 “(3) PREMISES AND CRUDE OIL PRODUCT.—
14 The terms ‘premises’ and ‘crude oil product’ have
15 the same meanings as when used for purposes of de-
16 termining gross income from the property under sec-
17 tion 613.

18 “(c) ADJUSTMENT OF REMOVAL PRICE.—In deter-
19 mining the removal price of oil or natural gas from a prop-
20 erty in the case of any transaction, the Secretary may ad-
21 just the removal price to reflect clearly the fair market
22 value of oil or natural gas removed.

23 “(d) REGULATIONS.—The Secretary shall prescribe
24 such regulations as may be necessary or appropriate to
25 carry out the purposes of this chapter.”.

1 (b) DEDUCTIBILITY OF TAX.—The first sentence of
2 section 164(a) of the Internal Revenue Code of 1986 (re-
3 lating to deduction for taxes) is amended by inserting
4 after paragraph (5) the following new paragraph:

5 “(6) The tax imposed by section 5896(a) (after
6 application of section 5896(b)) on the severance of
7 crude oil or natural gas from the outer Continental
8 Shelf in the Gulf of Mexico.”.

9 (c) CLERICAL AMENDMENT.—The table of chapters
10 for subtitle E of the Internal Revenue Code of 1986 is
11 amended by adding at the end the following new item:

 “CHAPTER 56. Tax on severance of crude oil and natural gas
 from the outer Continental Shelf in the Gulf of
 Mexico.”.

12 (d) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to crude oil or natural gas removed
14 after December 31, 2008.