110TH CONGRESS
2D Session

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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 “New Energy Reform Act of 2008”.

5 (b) Table of Contents.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Definitions.
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. 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.
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 deple-
tion 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, bio-
diesel 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 pol-
icy.
Sec. 356. New clean renewable energy bonds.

SUBPART B—CARBON MITIGATION PROVISIONS

Sec. 361. Expansion and modification of advanced coal project investment cred-
it.
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 pro-
ducers 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 pro-
duced 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 prop-
erty.

SUBPART D—GEOTHERMAL INCENTIVES
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 “alternative fuel” has the meaning given the term in section 32901(a) of title 49, United States Code.

4 (2) SECRETARY.—The term “Secretary” means the Secretary of Energy.
TITLE I—NATIONAL COMMISSION ON ENERGY INDEPENDENCE

SEC. 101. ESTABLISHMENT OF COMMISSION.
There is established in the legislative branch the National Commission on Energy Independence (referred to in this title as the “Commission”).

SEC. 102. PURPOSE.
The purpose of the Commission is to study and make recommendations to Congress and the President to remove technical obstacles and policy barriers for the United States to achieve independence from foreign oil.

SEC. 103. COMPOSITION OF COMMISSION.
(a) Members.—The Commission shall be composed of 12 members, of whom—

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

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

(3)(A) 1 member shall be jointly appointed by the Chair and Ranking Member of the Committee on
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the Environment and Public Works of the Senate;
and
(B) 1 member shall be jointly appointed by the Chair and Ranking Member of the Committee on Natural Resources of the House of Representatives, in consultation with the Select Committee on Energy Independence and Global Warming of the House of Representatives;

(4)(A) 1 member shall be jointly appointed by the Chair and Ranking Member of the Committee on Energy and Natural Resources of the Senate; and
(B) 1 member shall be jointly appointed by the Chair and Ranking Member of the Committee on Energy and Commerce of the House of Representatives;

(5)(A) 1 member shall be jointly appointed by the Chair and Ranking Member of the Committee on Commerce, Science and Transportation of the Senate; and
(B) 1 member shall be jointly appointed by the Chair and Ranking Member of the Committee on Science and Technology of the House of Representatives and the Committee on Transportation and Infrastructure of the House of Representatives;
(6)(A) 1 member shall be jointly appointed by the Chair and Ranking Member of the Committee on Agriculture, Nutrition and Forestry of the Senate; and

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

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

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

(b) QUALIFICATIONS; INITIAL MEETING.—

(1) POLITICAL PARTY AFFILIATION.—Each appointment to the Commission shall be made without regard to political party affiliation and on a non-partisan basis.

(2) NONGOVERNMENTAL APPOINTEES.—An individual appointed to the Commission may not be an officer or employee of the Federal Government or any State or local government—

(A) on the date on which the individual is appointed to the Commission; or
(B) at any time during the term of service on the Commission of the individual.

(3) Other qualifications.—It is the sense of Congress that individuals appointed to the Commission should be prominent United States citizens, with national recognition and significant depth of experience in such professions as governmental service, science, energy, economics, environment, agriculture, manufacturing, public administration, or commerce (including aviation matters).

(4) Deadline for appointment.—Each member of the Commission shall be appointed not later than 90 days after the date of enactment of this Act.

(c) Meetings.—

(1) Initial meeting.—The Commission shall hold the initial meeting of the Commission as soon as practicable, and not later than 60 days, after the date on which all members of the Commission are appointed.

(2) Subsequent meetings.—After the initial meeting under paragraph (1), the Commission shall meet at the call of—

(A) the Chairperson; or
(B) a majority of the members of the Com-
mission.

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

(e) VACANCIES.—A vacancy on the Commission—
(1) shall not affect the powers of the Commis-
sion; and

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

SEC. 104. FUNCTIONS OF COMMISSION.

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

(A) increased domestic production of en-
ergy;

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

(C) the accelerated development of alter-
native fuels and technologies to transition the
United States motor vehicle fleet away from re-
liance on petroleum-based fuels;
(2) to investigate matters that relate to achieving independence from foreign oil, such as—

(A) carbon capture and storage;

(B) nuclear and renewable energy; and

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

(3) to submit to Congress and the President such reports as are required by section 106 containing such findings, conclusions, and recommendations as the Commission shall determine to be necessary to advise and assist Congress and the President in developing legislation, procedures, rules, and regulations relating to the removal of technical obstacles and policy barriers to achieve independence from foreign oil.

SEC. 105. POWERS OF COMMISSION.

(a) In General.—

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

(2) Hearings and Evidence.—The Commission or, on the authority of the Commission, any subcommittee or member of the Commission may,
for the purpose of carrying out this title, hold such
hearings and sit and act at such times and places,
take such testimony, receive such evidence, and ad-
minister such oaths as the Commission determines
to be appropriate.

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

(c) INFORMATION FROM FEDERAL AGENCIES.—

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

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

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

(d) ASSISTANCE FROM FEDERAL AGENCIES.—
(1) General Services Administration.—

The Administrator of General Services shall provide to the Commission, on a reimbursable basis, administrative support and other services to assist the Commission in carrying out the duties of the Commission under this title.

(2) Other Departments and Agencies.—In addition to the assistance described in paragraph (1), any other Federal department or agency may provide to the Commission such services, funds, facilities, staff, and other support as the head of the department or agency determines to be appropriate.

(e) Gifts.—The Commission may accept, use, and dispose of gifts or donations of services or property only in accordance with the ethical rules applicable to congressional officers and employees.

(f) Volunteer Services.—

(1) In general.—Notwithstanding section 1342 of title 31, United States Code, the Commission may accept and use the services of volunteers serving without compensation.

(2) Reimbursement.—The Commission may reimburse a volunteer for office supplies, local travel expenses, and other travel expenses, including per
diem in lieu of subsistence, in accordance with section 5703 of title 5, United States Code.

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

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

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

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

(g) POSTAL SERVICES.—The Commission may use the United States mails in the same manner and under the same conditions as other agencies of the Federal Government.

SEC. 106. REPORTS.

Not later than 1 year after the date on which all members of the Commission are appointed under section 103 and each year thereafter, the Commission shall submit to Congress and the President a report that contains the findings, conclusions, and recommendations of the Commission to remove the technical obstacles and policy barriers that need to be addressed in order for the United
States to achieve independence from foreign oil and address related matters in accordance with section 103.

SEC. 107. STAFF OF COMMISSION.

(a) In General.—The Chairperson of the Commission (in consultation with the Vice-Chairperson of the Commission) may, without regard to the civil service laws (including regulations), appoint and terminate a staff director and such other additional personnel as are necessary to enable the Commission to perform the duties of the Commission.

(b) Compensation.—

(1) In General.—Except as provided in clause (ii), the Chairperson of the Commission may fix the compensation of the staff director and other personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates.

(2) Maximum Rate of Pay.—The rate of pay for the staff director and other personnel shall not exceed the rate payable for level IV of the Executive Schedule under section 5316 of title 5, United States Code.

(c) Status.—The staff director and any employee (not including any member) of the Commission shall be
considered to be employees under section 2105 of title 5, United States Code, for purposes of chapters 63, 81, 83, 84, 85, 87, 89, and 90 of that title.

(d) Consultant Services.—The Commission may procure the services of experts and consultants in accordance with section 3109 of title 5, United States Code, at rates not to exceed the daily rate paid to an individual occupying a position at level IV of the Executive Schedule under section 5315 of title 5, United States Code.

SEC. 108. COMPENSATION AND TRAVEL EXPENSES.

(a) Compensation of Members.—A member of the Commission shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which the member is engaged in the performance of the duties of the Commission.

(b) Travel Expenses.—A member of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for an employee of an agency under subchapter I of chapter 57 of title 5, United States Code, while away from the home or regular place of business of the member in the performance of the duties of the Commission.
SEC. 109. MEETINGS.

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

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

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

(A) providing live and recorded public access to hearings on the Internet; and

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

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

(e) PUBLIC HEARINGS.—Public hearings of the Commission shall be conducted in a manner consistent with the protection of information provided to or developed for or by the Commission as required by any applicable law (including regulations) or Executive order.

SEC. 110. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to the Commission such sums as are necessary to carry out this title, to remain available until expended.
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.

It is the sense of the Senate that—

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

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

SEC. 202. CONSUMER TAX CREDITS FOR ADVANCED VEHICLES.

(a) Plug-in Electric Drive Motor Vehicle Credit.—

(1) In general.—Subpart B of part IV of subchapter A of chapter 1 (relating to other credits) is amended by adding at the end the following new section:
“SEC. 30D. PLUG-IN ELECTRIC DRIVE MOTOR VEHICLE CREDIT.

“(a) ALLOWANCE OF CREDIT.—

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

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

“(A) $2,500, plus

“(B) $400 for each kilowatt hour of traction battery capacity in excess of 4 kilowatt hours.

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

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

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

“(2) which uses an offboard source of energy to recharge such battery,
“(3) which, in the case of a passenger vehicle or light truck which has a gross vehicle weight rating of not more than 8,500 pounds, has received a certificate of conformity under the Clean Air Act and meets or exceeds the equivalent qualifying California low emission vehicle standard under section 243(e)(2) of the Clean Air Act for that make and model year, and

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

“(B) in the case of a vehicle having a gross vehicle weight rating of more than 6,000 pounds but not more than 8,500 pounds, the Bin 8 Tier II emission standard which is so established,

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

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

“(6) which is made by a manufacturer.
“(d) Application With Other Credits.—

“(1) Business credit treated as part of general business credit.—So much of the credit which would be allowed under subsection (a) for any taxable year (determined without regard to this subsection) that is attributable to property of a character subject to an allowance for depreciation shall be treated as a credit listed in section 38(b) for such taxable year (and not allowed under subsection (a)).

“(2) Personal credit.—The credit allowed under subsection (a) (after the application of paragraph (1)) for any taxable year shall not exceed the excess (if any) of—

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

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

“(e) Other Definitions and Special Rules.—

For purposes of this section—

“(1) Motor vehicle.—The term ‘motor vehicle’ has the meaning given such term by section 30(c)(2).
“(2) Other terms.—The terms ‘passenger automobile’, ‘light truck’, and ‘manufacturer’ have the meanings given such terms in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. 7521 et seq.).

“(3) Traction battery capacity.—Traction battery capacity shall be measured in kilowatt hours from a 100 percent state of charge to a zero percent state of charge.

“(4) Reduction in basis.—For purposes of this subtitle, the basis of any property for which a credit is allowable under subsection (a) shall be reduced by the amount of such credit so allowed.

“(5) No double benefit.—The amount of any deduction or other credit allowable under this chapter for a new qualified plug-in electric drive motor vehicle shall be reduced by the amount of credit allowed under subsection (a) for such vehicle for the taxable year.

“(6) Property used by tax-exempt entity.—In the case of a vehicle the use of which is described in paragraph (3) or (4) of section 50(b) and which is not subject to a lease, the person who sold
such vehicle to the person or entity using such vehicle shall be treated as the taxpayer that placed such vehicle in service, but only if such person clearly discloses to such person or entity in a document the amount of any credit allowable under subsection (a) with respect to such vehicle (determined without regard to subsection (b)(2)).

“(7) Property used outside United States, etc., not qualified.—No credit shall be allowable under subsection (a) with respect to any property referred to in section 50(b)(1) or with respect to the portion of the cost of any property taken into account under section 179.

“(8) Recapture.—The Secretary shall, by regulations, provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any property which ceases to be property eligible for such credit (including recapture in the case of a lease period of less than the economic life of a vehicle).

“(9) Election to not take credit.—No credit shall be allowed under subsection (a) for any vehicle if the taxpayer elects not to have this section apply to such vehicle.
“(10) Interaction with Air Quality and Motor Vehicle Safety Standards.—Unless otherwise provided in this section, a motor vehicle shall not be considered eligible for a credit under this section unless such vehicle is in compliance with—

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

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

“(f) Regulations.—

“(1) In General.—Except as provided in paragraph (2), the Secretary shall promulgate such regulations as necessary to carry out the provisions of this section.

“(2) Coordination in Prescription of Certain Regulations.—The Secretary of the Treasury, in coordination with the Secretary of Transportation and the Administrator of the Environmental Protection Agency, shall prescribe such regulations as necessary to determine whether a motor vehicle
meets the requirements to be eligible for a credit under this section.

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

(2) COORDINATION WITH OTHER MOTOR VEHICLE CREDITS.—

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

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

(B) NEW QUALIFIED HYBRID MOTOR VEHICLES.—Paragraph (3) of section 30B(d) is amended by adding at the end the following new flush sentence:

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

(3) CONFORMING AMENDMENTS.—

(A) Section 38(b) is amended by striking “plus” at the end of paragraph (32), by striking the period at the end of paragraph (33) and
inserting “plus”, and by adding at the end the following new paragraph:

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

(B) Section 55(c)(3) is amended by inserting “30D(d)(2),” after “30C(d)(2),”.

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

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

(D) Section 6501(m) is amended by inserting “30D(e)(9)” after “30C(e)(5)”.

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

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

(b) CONVERSION KITS.—

(1) IN GENERAL.—Section 30B (relating to alternative motor vehicle credit) is amended by redesignating subsections (i) and (j) as subsections (j)
and (k), respectively, and by inserting after subsection (h) the following new subsection:

“(i) PLUG-IN CONVERSION CREDIT.—

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

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

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

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

“(B) PLUG-IN TRACTION BATTERY MODULE.—The term ‘plug-in traction battery mod-
ule’ means an electro-chemical energy storage device which—

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

“(ii) is equipped with an electrical plug by means of which it can be energized and recharged when plugged into an external source of electric power,

“(iii) consists of a standardized configuration and is mass produced,

“(iv) has been tested and approved by the National Highway Transportation Safety Administration as compliant with applicable motor vehicle and motor vehicle equipment safety standards when installed by a mechanic with standardized training in protocols established by the battery manufacturer as part of a nationwide distribution program, and

“(v) is certified by a battery manufacturer as meeting the requirements of clauses (i) through (iv).

“(C) CREDIT ALLOWED TO LESSOR OF BATTERY MODULE.—In the case of a plug-in traction battery module which is leased to the
taxpayer, the credit allowed under this sub-
section shall be allowed to the lessor of the plug-in traction battery module.

“(D) Credit allowed in addition to other credits.—The credit allowed under this subsection shall be allowed with respect to a motor vehicle notwithstanding whether a cred-
it has been allowed with respect to such motor vehicle under this section (other than this sub-
section) in any preceding taxable year.

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

(2) Credit treated as part of alternative motor vehicle credit.—Section 30B(a) is amended by striking “and” at the end of para-
graph (3), by striking the period at the end of para-
graph (4) and inserting “, and”, and by adding at the end the following new paragraph:

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

(3) No recapture for vehicles converted to qualified plug-in electric drive motor ve-
hicles.—Paragraph (8) of section 30B(h) is amended by adding at the end the following: “, ex-
cept that no benefit shall be recaptured if such prop-
erty ceases to be eligible for such credit by reason
of conversion to a qualified plug-in electric drive
motor vehicle.”

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

SEC. 203. TRANSITION ASSISTANCE FOR AMERICAN AUTO-
MOBILE MANUFACTURERS.

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

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

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

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

“(B) for engineering integration of such
vehicles and components;
“(C) for research and development related to advanced technology motor vehicles and eligible components; and

“(D) for employee retraining with respect to the manufacturing of such vehicles and components.

“(2) APPLICATION.—Any manufacturer desiring a loan under this subsection shall submit an application to the Secretary of Energy at such time, in such manner, and containing such information as the Secretary may require.

“(3) LOAN TERMS.—The Secretary of Energy shall establish the terms for loans made under this subsection.

“(4) DEFINITIONS.—In this subsection:

“(A) ADVANCED TECHNOLOGY MOTOR VEHICLE.—The term ‘advanced technology motor vehicle’ means—

“(i) any qualified electric vehicle (as defined in section 30(c)(1) of the Internal Revenue Code of 1986);

“(ii) any new qualified fuel cell motor vehicle (as defined in section 30B(b)(3) of the Internal Revenue Code of 1986);
“(iii) any new advanced lean burn technology motor vehicle (as defined in section 30B(c)(3) of the Internal Revenue Code of 1986);

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

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

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

“(B) ELIGIBLE COMPONENTS.—The term ‘eligible component’ means any component inherent to any advanced technology motor vehicle, including—

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

“(I) electric motor or generator;
``(II) power split device;

``(III) power control unit;

``(IV) power controls;

``(V) integrated starter generator; or

``(VI) battery;

``(ii) with respect to any hydraulic new qualified hybrid motor vehicle—

``(I) hydraulic accumulator vessel;

``(II) hydraulic pump; or

``(III) hydraulic pump-motor assembly;

``(iii) with respect to any new advanced lean burn technology motor vehicle—

``(I) diesel engine;

``(II) turbocharger;

``(III) fuel injection system; or

``(IV) after-treatment system, such as a particle filter or NOx absorber; and

``(iv) with respect to any advanced technology motor vehicle, any other compo-
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“(5) ENGINEERING INTEGRATION COSTS.—For purposes of paragraph (1)(B), costs for engineering integration are costs incurred prior to the market introduction of advanced technology vehicles for engineering tasks related to—

“(A) establishing functional, structural, and performance requirements for component and subsystems to meet overall vehicle objectives for a specific application;

“(B) designing interfaces for components and subsystems with mating systems within a specific vehicle application;

“(C) designing cost effective, efficient, and reliable manufacturing processes to produce components and subsystems for a specific vehicle application; and

“(D) validating functionality and performance of components and subsystems for a specific vehicle application.

“(6) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for loans provided under this subsection—

“(A) $150,000,000 for fiscal year 2009;
“(B) $450,000,000 for fiscal year 2010;
“(C) $650,000,000 for fiscal year 2011;
“(D) $750,000,000 for fiscal year 2012;
“(E) $800,000,000 for fiscal year 2013;
“(F) $900,000,000 for fiscal year 2014;
“(G) $1,000,000,000 for fiscal year 2015;
“(H) $1,000,000,000 for fiscal year 2016;
“(I) $900,000,000 for fiscal year 2017;
and
“(J) $900,000,000 for fiscal year 2018.”.

(b) FUNDING.—

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

(A) shall be used for the cost of loans authorized under such subsection; and

(B) shall remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary of Energy shall be entitled to receive, shall
accept, and shall use the funds transferred under paragraph (1) without further appropriation.

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

SEC. 204. RESEARCH AND DEVELOPMENT PROGRAM FOR ALTERNATIVE FUEL VEHICLE TECHNOLOGIES.

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

(1) to enable and promote, in partnership with industry, comprehensive development, demonstration, and commercialization of a wide range of alternative fuel components, systems, and vehicles using diverse transportation technologies;

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

(3) to expand the availability of the existing alternative fuel infrastructure for fueling light-duty transportation vehicles and other on-road and nonroad vehicles that are using petroleum and are mobile sources of emissions, with the goals of—
(A) enhancing the energy security of the United States;

(B) reducing dependence on imported oil;

and

(C) reducing emissions through the expansion of alternative fuel supported mobility;

(4) to accelerate the widespread commercialization of alternative fuel vehicle technology into all sizes and applications of vehicles, including commercialization of alternative fuel vehicles; and

(5) to improve the energy efficiency of and reduce the petroleum use in surface transportation.

(b) PROGRAM.—The Secretary shall conduct a program of research, development, demonstration, and commercial application for alternative fuel transportation technology, including—

(1) high capacity, high-efficiency storage devices;

(2) high-efficiency on-board and off-board alternative fuel components;

(3) high-powered alternative fuel systems for passenger and commercial vehicles and for nonroad equipment;
(4) control system development and power train development and integration for alternative fuel vehicles, including—

(A) development of efficient cooling systems;

(B) analysis and development of control systems that minimize the emissions profile when clean diesel engines are part of an alternative fuel system; and

(C) development of different control systems that optimize for different goals, including—

(i) storage life;

(ii) reduction of petroleum consumption; and

(iii) green house gas reduction;

(5) nanomaterial technology applied to both alternative fuel systems;

(6) large-scale demonstrations, testing, and evaluation of alternative fuel vehicles in different applications with different storage and control systems, including—

(A) military applications;

(B) mass market passenger and light-duty truck applications;
(C) private fleet applications; and

(D) medium- and heavy-duty applications;

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

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

(B) nightly off-board charging; and

(8) advancement of alternative fuel transportation technologies in mobile source applications by—

(A) improvement in alternative fuel technologies; and

(B) working with industry and the Administrator of the Environmental Protection Agency to—

(i) understand and inventory markets;

and

(ii) identify and implement methods of removing barriers for existing and emerging applications.

(c) FUNDING.—
(1) **IN GENERAL.**—Out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section, to remain available until expended—

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

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

(2) **RECEIPT AND ACCEPTANCE.**—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.

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

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

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

(2) by inserting after paragraph (1) the following:
‘‘(2) ADVANCED ALTERNATIVE FUELED VEHICLE.—

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

‘‘(B) EXCLUSION.—The term ‘advanced alternative fueled vehicle’ does not include a flex fuel vehicle.’’.

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

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

(2) by inserting after paragraph (1) the following:

‘‘(2) ADVANCED ALTERNATIVE FUEL VEHICLES.—Of all vehicles purchased by the Federal Government for a model year, at least the following percentage of the vehicles shall be advanced alternative fueled vehicles:

‘‘(A) 10 percent for each of fiscal years 2013 and 2014.

‘‘(B) 20 percent for each of fiscal years 2015 and 2016.'
“(C) 30 percent for each of fiscal years 2017 and 2018.

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

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

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

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

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

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

(3) in paragraph (3) (as redesignated by paragraph (1)), by inserting “or (2)” after “paragraph (1)”.
TITLE III—ENHANCED CONSERVATION AND EFFICIENCY
Subtitle A—Enhancing Efficiency of Conventional Vehicles

PART I—GENERAL PROVISIONS

SEC. 301. LIGHTWEIGHT MATERIALS RESEARCH AND DEVELOPMENT.

(a) IN GENERAL.—As soon as practicable after the date of enactment of this Act, the Secretary shall establish a research and development program on lightweight materials and composites and other innovations to increase the fuel efficiency of motor vehicles, including materials, composites, and innovation that will permit—

(1) the weight of vehicles to be reduced to improve fuel efficiency without compromising passenger safety; and

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

(b) FUNDING.—

(1) IN GENERAL.—On October 1, 2008, and on each October 1 thereafter through October 1, 2017, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall
transfer to the Secretary to carry out this subsection $500,000,000, to remain available until expended.

(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this subsection the funds transferred under paragraph (1), without further appropriation.

SEC. 302. FEDERAL GOVERNMENT GASOLINE CONSUMPTION.

(a) IN GENERAL.—Section 303(b) of the Energy Policy Act of 1992 (42 U.S.C. 13212(b)) (as amended by section 205) is amended by adding at the end the following:

“(5) GASOLINE CONSUMPTION.—The Secretary shall promulgate regulations for Federal fleets subject to this title requiring that, not later than fiscal year 2010, each Federal agency achieve at least a 5-percent reduction in petroleum consumption, as calculated from the baseline established by the Secretary for fiscal year 2008.”.

(b) ADDITIONAL GASOLINE REDUCTION MEASURES.—

(1) STUDY.—The Comptroller General of the United States shall conduct a study to determine whether additional gasoline reduction measures by
Federal departments, agencies, and Congress are technically feasible.

(2) REPORT.—Not later than 180 days after the date of enactment of this Act, the Comptroller General shall submit to Congress a report that describes the results of the study, including any recommendations.

PART II—TAX PROVISIONS

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

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

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

“(a) ALLOWANCE OF CREDIT.—

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

“(2) CREDIT AMOUNT.—The amount determined under this paragraph shall be—
“(A) $500, if the new fuel-efficient motor vehicle achieves a city fuel economy which is 42 miles per gallon or less,

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

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

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

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

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

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

“(2) which achieves a city fuel economy of at least 38.5 miles per gallon,
“(3) the original use of which commences with
the taxpayer,
“(4) which is acquired by the taxpayer for use
or lease, but not for resale, and
“(5) which is made by a manufacturer.
“(e) Other Definitions and Special Rules.—
For purposes of this section—
“(1) City fuel economy; manufacturer.—
The terms ‘city fuel economy’ and ‘manufacturer’
have the meanings given such terms under section
30B(h).
“(2) Basis reduction.—The basis of any
property for which a credit is allowable under sub-
section (a) shall be reduced by the amount of such
credit.
“(3) Recapture; property used outside
the United States; election not to take
credit.—For purposes of this section, rules similar
to the rules of paragraphs (2), (3), and (4) of sec-
tion 30(d) shall apply.
“(4) Denial of double benefit.—No credit
shall be allowed under this section with respect to
any new fuel-efficient motor vehicle if a credit is al-
lowed with respect to such vehicle under section 30,
30B, or 30D.
“(d) Application With Other Credits.—

“(1) Business credit treated as part of general business credit.—So much of the credit which would be allowed under subsection (a) for any taxable year (determined without regard to this subsection) that is attributable to property of a character subject to an allowance for depreciation shall be treated as a credit listed in section 38(b) for such taxable year (and not allowed under subsection (a)).

“(2) Personal credit.—The credit allowed under subsection (a) (after the application of paragraph (1)) for any taxable year shall not exceed the excess (if any) of—

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

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

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

(b) Conforming Amendments.—

(1) Section 38(b) of the Internal Revenue Code of 1986, as amended by this Act, is amended by striking “plus” at the end of paragraph (33), by
striking the period at the end of paragraph (34) and
inserting “, plus”, and by adding at the end the fol-
lowing new paragraph:

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

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

“(38) to the extent provided in section
30E(c)(2).”.

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

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

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

(d) EFFECTIVE DATE.—The amendments made by
this section shall apply to property placed in service after
the date of the enactment of this Act.
SEC. 312. EXCLUSION FROM HEAVY TRUCK TAX FOR IDLING REDUCTION UNITS AND ADVANCED INSULATION.

(a) IN GENERAL.—Section 4053 of the Internal Revenue Code of 1986 (relating to exemptions) is amended by adding at the end the following new paragraphs:

“(9) I DLING REDUCTION DEVICE.—Any device or system of devices which—

“(A) is designed to provide to a vehicle those services (such as heat, air conditioning, or electricity) that would otherwise require the operation of the main drive engine while the vehicle is temporarily parked or remains stationary using one or more devices affixed to a tractor, and

“(B) is determined by the Administrator of the Environmental Protection Agency, in consultation with the Secretary of Energy and the Secretary of Transportation, to reduce idling of such vehicle at a motor vehicle rest stop or other location where such vehicles are temporarily parked or remain stationary.

“(10) A DVANCED INSULATION.—Any insulation that has an R value of not less than R35 per inch.”.
(b) **Effective Date.**—The amendment made by this section shall apply to sales or installations after the date of the enactment of this Act.

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

(a) **In General.**—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business-related credits) is amended by adding at the end the following new section:

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"SEC. 45Q. IDLING REDUCTION CREDIT.
(a) **General Rule.**—For purposes of section 38, the idling reduction tax credit determined under this section for the taxable year is an amount equal to 25 percent of the amount paid or incurred for each qualifying idling reduction device placed in service by the taxpayer during the taxable year.

(b) **Limitation.**—The maximum amount allowed as a credit under subsection (a) shall not exceed $1,000 per device.

(c) **Definitions.**—For purposes of subsection (a)—

(1) **Qualifying Idling Reduction Device.**—The term ‘qualifying idling reduction device’ means any device or system of devices that—

(A) is installed on a heavy-duty diesel-powered on-highway vehicle,
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“(B) is designed to provide to such vehicle those services (such as heat, air conditioning, or electricity) that would otherwise require the operation of the main drive engine while the vehicle is temporarily parked or remains stationary,

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

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

“(E) is certified by the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Transportation, to reduce long-duration idling of such vehicle at a motor vehicle rest stop or other location where such vehicles are temporarily parked or remain stationary.

“(2) Heavy-duty diesel-powered on-highway vehicle.—The term ‘heavy-duty diesel-powered on-highway vehicle’ means any vehicle, machine, tractor, trailer, or semi-trailer propelled or drawn by mechanical power and used upon the highways in the transportation of passengers or property, or any combination thereof determined by the Federal Highway Administration.
“(3) LONG-DURATION IDLING.—The term ‘long-duration idling’ means the operation of a main drive engine, for a period greater than 15 consecutive minutes, where the main drive engine is not engaged in gear. Such term does not apply to routine stoppages associated with traffic movement or congestion.

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

“(1) REDUCTION IN BASIS.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (a), the basis of such property shall be reduced by the amount of the credit so determined.

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

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

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 of such Code (relating to general business credit), as amended by this Act,
is amended by striking “plus” at the end of paragraph (33), by striking the period at the end of paragraph (34) and inserting “, plus”, and by adding at the end the following new paragraph:

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

(e) CONFORMING AMENDMENTS.—

(1) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 45P the following new item:

“Sec. 45Q. Idling reduction credit.”.

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

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

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

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.
SEC. 314. DETERMINATION OF CERTIFICATION STANDARDS

    BY SECRETARY OF ENERGY FOR CERTIFYING IDLING REDUCTION DEVICES.

Not later than 6 months after the date of the enactment of this Act and in order to reduce air pollution and fuel consumption, the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Transportation, shall publish the standards under which the Secretary, in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Transportation, will, for purposes of section 45Q of the Internal Revenue Code of 1986 (as added by this Act), certify the idling reduction devices which will reduce long-duration idling of vehicles at motor vehicle rest stops or other locations where such vehicles are temporarily parked or remain stationary in order to reduce air pollution and fuel consumption.

SEC. 315. EXTENSION AND MODIFICATION OF ALTERNATIVE MOTOR VEHICLE CREDIT.

(a) Elimination of Manufacturer Limitation.—

(1) In general.—Section 30B of the Internal Revenue Code of 1986, as amended by this Act, is amended—

(A) by striking subsection (f), and
(B) by redesignating subsections (g) through (k) as subsections (f) through (j), respectively.

(2) CONFORMING AMENDMENTS.—

(A) Paragraphs (4) and (6) of section 30B(g) of the Internal Revenue Code of 1986 (as redesignated by paragraph (1)) are each amended by striking “(determined without regard to subsection (g))” and inserting “determined without regard to subsection (f))”.

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

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

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

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

(b) EXTENSION.—Subsection (j) of section 30B of the Internal Revenue Code of 1986 (as redesignated by subsection (a)) is amended—
(1) by striking “December 31, 2010” in paragraphs (2) and (4) and inserting “December 31, 2014”, and

(2) by striking “December 31, 2009” in paragraph (3) and inserting “December 31, 2012”.

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

Subtitle B—Alternative Fuels and Biofuels

PART I—GENERAL PROVISIONS

SEC. 321. BIOENERGY RESEARCH AND DEVELOPMENT.

(a) In General.—Section 931 of the Energy Policy Act of 2005 (42 U.S.C. 16231) is amended—

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

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

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

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

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

“(4) $2,919,000,000 for fiscal year 2010, of which $150,000,000 shall be for section 932(d).”.
(b) Pipeline Infrastructure.—Section 212 of the Clean Air Act (42 U.S.C. 7546) is amended by adding at the end the following:

“(f) Pipeline Infrastructure.—

“(1) In General.—The Administrator shall provide grants for research into, and development and implementation of, the manner in which pipeline infrastructure can be retrofitted to accommodate biofuels.

“(2) Authorization of Appropriations.—There are authorized to be appropriated such sums as are necessary to carry out this subsection for each of fiscal years 2009 through 2014.”.

SEC. 322. ALTERNATIVE FUELED AUTOMOBILE PRODUCTION REQUIREMENT.

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

“(h) Alternative Fueled Automobiles.—Each manufacturer that manufactures automobiles for sale or use in the United States shall ensure that—

“(1) not less than 75 percent of such automobiles manufactured for each of model years 2015 through 2019 are alternative fueled automobiles; and
“(2) 100 percent of such automobiles manufactured for model year 2020 and each subsequent model year are alternative fueled automobiles.”.

SEC. 323. DEFINITION OF RENEWABLE BIOMASS.

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

“(I) RENEWABLE BIOMASS.—The term ‘renewable biomass’ means—

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

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

“(aa) to reduce hazardous fuels;

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

“(cc) to restore ecosystem health;

“(II) would not otherwise be used for higher-value products; and
“(III) are harvested in accordance with—

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

“(bb) the requirements for—

“(AA) old-growth maintenance, restoration, and management direction of paragraphs (2), (3), and (4) of subsection (e) of section 102 of the Healthy Forests Restoration Act of 2003 (16 U.S.C. 6512); and

“(BB) large-tree retention of subsection (f) of that section; or

“(ii) any organic matter that is available on a renewable or recurring basis from non-Federal land or land belonging to an Indian or Indian tribe that is held in trust by the United States or subject to a restriction against alienation imposed by the United States, including—
“(I) renewable plant material, including—

“(aa) feed grains;

“(bb) other agricultural commodities;

“(cc) other plants and trees; and

“(dd) algae; and

“(II) waste material, including—

“(aa) crop residue;

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

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

“(dd) food waste and yard waste.”.

SEC. 324. LOAN GUARANTEES FOR RENEWABLE ENERGY PIPELINES.

Subtitle C of title II of the Energy Independence and Security Act of 2007 (42 U.S.C. 17051 et seq.) is amended by adding at the end the following:
“SEC. 249. LOAN GUARANTEES FOR RENEWABLE ENERGY PIPELINES.

“(a) DEFINITIONS.—In this section:

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

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

“(3) GUARANTEE.—

“(A) IN GENERAL.—The term ‘guarantee’ has the meaning given the term ‘loan guarantee’ in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a).

“(B) INCLUSION.—The term ‘guarantee’ includes a loan guarantee commitment (as defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)).

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

“(b) LOAN GUARANTEES.—

“(1) IN GENERAL.—The Secretary shall make guarantees under this section for projects that provide for—
“(A) the construction of new renewable energy pipelines; or

“(B) the modification of pipelines to transport renewable energy.

“(2) Eligibility.—In determining the eligibility of a project for a guarantee under this section, the Secretary shall consider—

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

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

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

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

“(E) the investment of the entity carrying out the proposed project in terminal infrastructure;

“(F) the experience of the entity carrying out the proposed project in working with renewable energy;

“(G) the ability of the entity carrying out the proposed project to maintain the quality of the renewable energy through—
“(i) the terminal system of the entity;

and

“(ii) the dedicated pipeline system;

“(I) the ability of the entity carrying out the proposed project to complete the project in a timely manner; and

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

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

“(4) TERMS AND CONDITIONS.—Guarantees under this section shall be provided in accordance with section 1702 of the Energy Policy Act of 2005 (42 U.S.C. 16512), except that subsections (b) and (e) of that section shall not apply to guarantees under this section.
“(5) EXISTING FUNDING AUTHORITY.—The Secretary shall make a guarantee under this section under an existing funding authority.

“(6) FINAL RULE.—Not later than 90 days after the date of enactment of this section, the Secretary shall publish in the Federal Register a final rule directing the Director of the Department of Energy Loan Guarantee Program Office to initiate the loan guarantee program under this section in accordance with this section.

“(c) FUNDING.—

“(1) IN GENERAL.—There are authorized to be appropriated such sums as are necessary to provide in guarantees under this section.

“(2) USE OF OTHER APPROPRIATED FUNDS.—To the extent that the amounts made available under title XVII of the Energy Policy Act of 2005 (42 U.S.C. 16511 et seq.) have not been disbursed to programs under that title, the Secretary may use the amounts to carry out this section.”.

PART II—TAX PROVISIONS

SEC. 330. REFERENCE.

Except as otherwise expressly provided, whenever in this part an amendment or repeal is expressed in terms
of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 331. EXPANSION OF SPECIAL ALLOWANCE TO CELLULOSIC BIOMASS ALCOHOL FUEL PLANT PROPERTY.

(a) In General.—Paragraph (3) of section 168(l) (relating to special allowance for cellulosic biomass ethanol plant property) is amended to read as follows:

“(3) Cellulosic biomass alcohol.—For purposes of this subsection, the term ‘cellulosic biomass alcohol’ means any alcohol produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis.”.

(b) Conforming Amendments.—

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

(2) The heading of section 168(l) is amended by striking “Cellulosic Biomass Ethanol” and inserting “Cellulosic Biomass Alcohol”.

(3) The heading of paragraph (2) of section 168(l) is amended by striking “cellulosic bio-
MASS ETHANOL” and inserting “CELLULOSIC BIOMASS ALCOHOL”.

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

SEC. 332. CREDIT FOR PRODUCERS OF FOSSIL FREE ALCOHOL.

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

“(5) the small fossil free alcohol producer credit.”.

(b) SMALL FOSSIL FREE ALCOHOL PRODUCER CREDIT.—

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

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

“(A) IN GENERAL.—In addition to any other credit allowed under this section, there shall be allowed as a credit against the tax im-
posed by this chapter for the taxable year an
amount equal to 25 cents for each gallon of
qualified fossil free alcohol production.

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

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

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

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

“(III) who sells such alcohol at
retail to another person and places
such alcohol in the fuel tank of such
other person, or
“(ii) is used or sold by the taxpayer
for any purpose described in clause (i).

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

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

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

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

“(2) FOSSIL FREE ALCOHOL PRODUCTION FA-
CILITY.—The term ‘fossil free alcohol production fa-
cility’ means any facility at which 90 percent of the
fuel used in the production of alcohol is from bio-
mass (as defined in section 45K(e)(3)).

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

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

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

“(6) REGULATIONS.—The Secretary may pre-
scribe such regulations as may be necessary to pre-
vent the credit provided for in subsection (a)(5)
from directly or indirectly benefitting any person
with a direct or indirect productive capacity of more than 60,000,000 gallons of alcohol from fossil free alcohol production facilities during the taxable year.

“(7) Allocation of small fossil free alcohol producer credit to patrons of cooperative.—Rules similar to the rules under subsection (g)(6) shall apply for purposes of this subsection.”.

(d) Alcohol not used as a fuel, etc.—

(1) In general.—Paragraph (3) of section 40(d) is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following new subparagraph:

“(E) Small fossil free alcohol producer credit.—If—

“(i) any credit is allowed under subsection (a)(5), and

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

then there is hereby imposed on such person a tax equal to 25 cents for each gallon of such alcohol.”.

(2) Conforming amendment.—Subparagraph (F) of section 40(d)(3), as redesignated by para-
graph (1), is amended by striking “or (D)” and inserting “(D), or (E)”.

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

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

(2) in subparagraph (B), by inserting “(January 1, 2013, in the case of the credit allowed by reason of subsection (a)(5))” after “January 1, 2011”.

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

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

(a) EXTENSION.—

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

(2) EXCISE TAX CREDIT.—Section 6426(c)(6) (relating to termination) is amended by striking “2008” and inserting “2012”.
(3) Fuels not used for taxable purposes.—Section 6427(e)(5)(B) (relating to termination) is amended by striking “2008” and inserting “2012”.

(b) Modification of credit for renewable diesel.—

(1) Eligibility of certain aviation fuel.—Paragraph (3) of section 40A(f) (defining renewable diesel) is amended by adding at the end the following: “The term ‘renewable diesel’ also means fuel derived from biomass which meets the requirements of a Department of Defense specification for military jet fuel or an American Society of Testing and Materials specification for aviation turbine fuel.”.

(2) Co-processed renewable diesel.—Section 40A(f) (relating to renewable diesel) is amended by adding at the end the following new paragraph:

“(4) Special rule for co-processed renewable diesel.—In the case of a taxpayer which produces renewable diesel through the co-processing of biomass and petroleum at any facility, this subsection shall not apply to so much of the renewable diesel produced at such facility and sold or used dur-
ing the taxable year in a qualified biodiesel mixture
as exceeds 60,000,000 gallons.”.

(c) Modification Relating to Definition of
Agri-Biodiesel.—Paragraph (2) of section 40A(d) (re-
lying to agri-biodiesel) is amended by striking “and mus-
tard seeds” and inserting “mustard seeds, and camelina”.

(d) Effective Dates.—The amendments made by
this section shall apply to fuel sold or used after the date
of the enactment of this Act.

SEC. 334. Extension and Modification of Alter-
native Fuel Credit.

(a) Extension.—

(1) Alternative Fuel Credit.—Paragraph
(4) of section 6426(d) (relating to alternative fuel
credit) is amended by striking “September 30,
2009” and inserting “December 31, 2012”.

(2) Alternative Fuel Mixture Credit.—
Paragraph (3) of section 6426(e) (relating to alter-
native fuel mixture credit) is amended by striking
“September 30, 2009” and inserting “December 31,
2012”.

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

(1) Alternative fuel to include compressed or liquified biomass gas.—Paragraph (2) of section 6426(d) (relating to alternative fuel credit) is amended by striking “and” at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

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

(2) Credit allowed for aviation use of fuel.—Paragraph (1) of section 6426(d) is amended by inserting “sold by the taxpayer for use as a fuel in aviation,” after “motorboat,”.

(c) Carbon Capture Requirement for Certain Fuels.—

(1) In general.—Subsection (d) of section 6426, as amended by subsection (a), is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

“(4) Carbon capture requirement.—The requirements of this paragraph are met if the fuel is certified, under such procedures as required by the Secretary, as having been produced at a facility
which separates and sequesters not less than 75 percent of such facility’s total carbon dioxide emissions.”.

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

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to fuel sold or used after the date of the enactment of this Act.

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

SEC. 335. EXTENSION OF SUSPENSION OF TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR OIL AND NATURAL GAS PRODUCED FROM MARGINAL PROPERTIES.

Subparagraph (H) of section 613A(c)(6) (relating to oil and gas produced from marginal properties) is amended by striking “January 1, 2008” and inserting “January 1, 2013”.

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

(a) Extension.—Paragraph (1) of section 179C(e) (relating to qualified refinery property) is amended—

(1) by striking “January 1, 2012” in subparagraph (B) and inserting “January 1, 2013”, and

(2) by striking “January 1, 2008” each place it appears in subparagraph (F) and inserting “January 1, 2010”.

(b) Inclusion of Fuel Derived From Shale and Tar Sands.—

(1) In general.—Subsection (d) of section 179C is amended by inserting “, or directly from shale or tar sands” after “(as defined in section 45K(e))”.

(2) Conforming amendment.—Paragraph (2) of section 179C(e) is amended by inserting “shale, tar sands, or” before “qualified fuels”.

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

SEC. 337. HYDROGEN INSTALLATION, INFRASTRUCTURE, AND FUEL COSTS.

(a) In General.—Subpart B of part IV of subchapter A of chapter 1 (relating to foreign tax credit, etc.),
as amended by this Act, is amended by adding at the end the following new section:

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

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

“(1) the hydrogen installation and infrastructure costs credit determined under subsection (b), and

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

“(b) HYDROGEN INSTALLATION AND INFRASTRUCTURE COSTS CREDIT.—

“(1) IN GENERAL.—For purposes of subsection (a), the hydrogen installation and infrastructure costs credit determined under this subsection with respect to each eligible hydrogen production and distribution facility of the taxpayer is an amount equal to—

“(A) 30 percent of so much of the installation costs which when added to such costs taken into account with respect to such facility for all preceding taxable years under this sub-

paragraph does not exceed $200,000, plus
“(B) 30 percent of so much of the infrastructure costs for the taxable year as does not exceed $200,000 with respect to such facility, and which when added to such costs taken into account with respect to such facility for all preceding taxable years under this subparagraph does not exceed $600,000.

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

“(2) ELIGIBLE HYDROGEN PRODUCTION AND DISTRIBUTION FACILITY.—For purposes of this subsection, the term ‘eligible hydrogen production and distribution facility’ means a hydrogen production and distribution facility which is placed in service after December 31, 2008.

“(c) HYDROGEN FUEL COSTS CREDIT.—

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

“(2) QUALIFIED HYDROGEN EXPENDITURE AMOUNT.—For purposes of this subsection—
“(A) In General.—The term ‘qualified hydrogen expenditure amount’ means, with respect to each eligible hydrogen energy conversion device of the taxpayer with a production capacity of not more than 25 kilowatts of electricity per year, the lesser of—

“(i) 30 percent of the amount paid or incurred by the taxpayer during the taxable year for hydrogen which is consumed by such device, and

“(ii) $2,000.

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

“(B) Higher Limitation for Devices with More Production Capacity.—In the case of any eligible hydrogen energy conversion device with a production capacity of—

“(i) more than 25 but less than 100 kilowatts of electricity per year, subparagraph (A) shall be applied by substituting
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‘$4,000’ for ‘$2,000’ each place it appears,

and

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

“(3) Eligible hydrogen energy conversion devices.—For purposes of this subsection—

“(A) In general.—The term ‘eligible hydrogen energy conversion device’ means, with
respect to any taxpayer, any hydrogen energy conversion device which—

[(“(i) is placed in service after December 31, 2004, and]

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

If an owner of a device (determined without re-
gard to this subparagraph) provides to the pri-
mary user of such device a written statement
that such user shall be treated as the owner of
such device for purposes of this section, then
such user (and not such owner) shall be so
treated.
“(B) HYDROGEN ENERGY CONVERSION DEVICE.—The term ‘hydrogen energy conversion device’ means—

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

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

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

“(e) APPLICATION WITH OTHER CREDITS.—

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

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

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

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

“(f) Denial of Double Benefit.—The amount of
any deduction or other credit allowable under this chapter
for any cost taken into account in determining the amount
of the credit under subsection (a) shall be reduced by the
amount of such credit attributable to such cost.

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

“(h) Election Not To Take Credit.—No credit
shall be allowed under subsection (a) for any property if
the taxpayer elects not to have this section apply to such
property.

“(i) Regulations.—The Secretary shall prescribe
such regulations as necessary to carry out the provisions
of this section.
“(j) TERMINATION.—This section shall not apply to any costs after December 31, 2012.”.

(b) CONFORMING AMENDMENTS.—

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

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

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

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

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

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

(5) The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by in-
serting after the item relating to section 30E the fol-
lowing new item:

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

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

SEC. 338. ALTERNATIVE FUEL VEHICLE REFUELING PRO-
PERTY CREDIT.

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

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

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

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

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

“(C) Electricity.”.

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

(a) IN GENERAL.—Subparagraph (E) of section 7704(d)(1) is amended by inserting “, or the transportation, storage, or marketing of any fuel described in subsection (b), (c), (d), or (e) of section 6426, or any alcohol fuel defined in section 6426(b)(4)(A) or any biodiesel fuel as defined in section 40A(d)(1)” after “timber)”.

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

Subtitle C—Other Provisions

PART I—GENERAL PROVISIONS

SEC. 341. ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANTS.

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

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

(2) by redesignating paragraph (14) as paragraph (15); and
(3) by inserting after paragraph (13) the following:

“(14) development, implementation, and installation of smart grid technologies and smart grid functions (as defined in section 1306(d)); and”.

SEC. 342. CLEAN ENERGY CORRIDORS.

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

(1) in subsection (a)—

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

“(1) IN GENERAL.—Not later than”;

(B) by striking paragraph (2) and inserting the following:

“(2) REPORT AND DESIGNATIONS.—

“(A) IN GENERAL.—After considering alternatives and recommendations from interested parties (including an opportunity for comment from affected States), the Secretary shall issue a report, based on the study conducted under paragraph (1), in which the Secretary may designate as a national interest electric transmission corridor any geographical area experiencing electric energy transmission capacity constraints or congestion that adversely affects
consumers, including constraints or congestion that—

“(i) increases costs to consumers;
“(ii) limits resource options to serve load growth; or
“(iii) limits access to sources of clean energy, such as wind, solar energy, geothermal energy, and biomass.

“(B) ADDITIONAL DESIGNATIONS.—In addition to the corridor designations made under subparagraph (A), the Secretary may designate additional corridors in accordance with that subparagraph on the application by an interested person, on the condition that the Secretary provides for an opportunity for notice and comment by interested persons and affected States on the application.”;

(C) in paragraph (3), the striking “(3) The Secretary” and inserting the following:
“(3) CONSULTATION.—The Secretary”; and

(D) in paragraph (4)—

(i) by striking “(4) In determining” and inserting the following:
“(4) BASIS FOR DETERMINATION.—In determining”; and
(ii) by striking subparagraphs (A) through (E) and inserting the following:

“(A) the economic vitality and development of the corridor, or the end markets served by the corridor, may be constrained by lack of adequate or reasonably priced electricity;

“(B)(i) economic growth in the corridor, or the end markets served by the corridor, may be jeopardized by reliance on limited sources of energy; and

“(ii) a diversification of supply is warranted;

“(C) the energy independence of the United States would be served by the designation;

“(D) the designation would be in the interest of national energy policy; and

“(E) the designation would enhance national defense and homeland security.”; and

(2) by adding at the end the following:

“(l) RATES AND RECOVERY OF COSTS.—

“(1) IN GENERAL.—Not later than 1 year after the date of enactment of this subsection, the Commission shall promulgate regulations providing for the allocation and recovery of costs prudently in-
curred by public utilities in building and operating facilities authorized under this section for transmission of electric energy generated from clean sources (such as wind, solar energy, geothermal energy, and biomass) and recovered in rates for the transmission of the electric energy subject to the jurisdiction of the Commission.

“(2) Applicable provisions.—All rates approved under the regulations promulgated under paragraph (1), including any revisions to the regulations, shall be subject to the requirements under sections 205 and 206 that all rates, charges, terms, and conditions be just and reasonable and not unduly discriminatory or preferential.

“(3) Rates in organized markets.—In establishing rates under section 205 or 206 for facilities built under this section by a public utility or transmitting utility and located within or interconnecting with a regional transmission organization, the costs of the facilities shall be allocated to all users of the transmission system within the regional transmission organization.”.
SEC. 343. WEATHERIZATION ASSISTANCE PROGRAM FOR LOW-INCOME PERSONS.

(a) IN GENERAL.—Section 422 of the Energy Conservation and Production Act (42 U.S.C. 6872) is amended—

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

“SEC. 422. FUNDING.

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

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

(3) by adding at the end the following:

“(b) MANDATORY FUNDING.—

“(1) IN GENERAL.—In addition to any amounts made available under subsection (a), on October 1, 2008, and on each October 1 thereafter through October 1, 2011, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this part $500,000,000, to remain available until expended.

“(2) RECEIPT AND ACCEPTANCE.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this part the funds transferred
under paragraph (1), without further appropriation.”.

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

PART II—TAX PROVISIONS

SEC. 350. REFERENCE.
Except as otherwise expressly provided, whenever in this part an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

Subpart A—Renewable Energy Incentives

SEC. 351. RENEWABLE ENERGY CREDIT.

(a) Extension of Credit.—

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

(A) Paragraph (1).

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

(D) Paragraph (4).

(E) Paragraph (5).

(F) Paragraph (6).

(G) Paragraph (7).

(H) Subparagraphs (A) and (B) of paragraph (9).

(b) MODIFICATION OF CREDIT PHASEOUT.—

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

(A) by striking paragraph (1), and

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

(2) LIMITATION BASED ON INVESTMENT IN FACILITY.—Subsection (b) of section 45 is amended by inserting before paragraph (2) the following new paragraph:

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

“(A) IN GENERAL.—In the case of any qualified facility originally placed in service after December 31, 2009, the amount of the credit determined under subsection (a) for any taxable year with respect to electricity produced
at such facility shall not exceed the product of—

“(i) the applicable percentage with respect to such facility, multiplied by

“(ii) the eligible basis of such facility.

“(B) Carryforward of unused limitation and excess credit.—

“(i) Unused limitation.—If the limitation imposed under subparagraph (A) with respect to any facility for any taxable year exceeds the prelimitation credit for such facility for such taxable year, the limitation imposed under subparagraph (A) with respect to such facility for the succeeding taxable year shall be increased by the amount of such excess.

“(ii) Excess credit.—If the prelimitation credit with respect to any facility for any taxable year exceeds the limitation imposed under subparagraph (A) with respect to such facility for such taxable year, the credit determined under subsection (a) with respect to such facility for the succeeding taxable year (determined before the application of subparagraph (A)
for such succeeding taxable year) shall be increased by the amount of such excess. With respect to any facility, no amount may be carried forward under this clause to any taxable year beginning after the 10-year period described in subsection (a)(2)(A)(ii) with respect to such facility.

“(iii) Prelimitation Credit.—The term ‘prelimitation credit’ with respect to any facility for a taxable year means the credit determined under subsection (a) with respect to such facility for such taxable year, determined without regard to subparagraph (A) and after taking into account any increase for such taxable year under clause (ii).

“(C) Applicable Percentage.—For purposes of this paragraph—

“(i) In General.—The term ‘applicable percentage’ means, with respect to any facility, the appropriate percentage prescribed by the Secretary for the month in which such facility is originally placed in service.
“(ii) Method of Prescribing Applicable Percentages.—The applicable percentages prescribed by the Secretary for any month under clause (i) shall be percentages which yield over a 10-year period amounts of limitation under subparagraph (A) which have a present value equal to 35 percent of the eligible basis of the facility.

“(iii) Method of Discounting.—The present value under clause (ii) shall be determined—

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

“(II) by using a discount rate equal to the greater of 110 percent of the Federal long-term rate as in effect under section 1274(d) for the month preceding the month for which the applicable percentage is being prescribed, or 4.5 percent, and

“(III) by taking into account the limitation under subparagraph (A) for any year on the last day of such year.
“(D) Eligible basis.—For purposes of this paragraph—

“(i) In general.—The term ‘eligible basis’ means, with respect to any facility, the sum of—

“(I) the basis of such facility determined as of the time that such facility is originally placed in service, and

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

“(ii) Rules for allocation.—For purposes of subclause (II) of clause (i), the basis of shared qualified property shall be allocated among all qualified facilities which are projected to be placed in service and which require utilization of such property in proportion to projected generation from such facilities.

“(iii) Shared qualified property.—For purposes of this paragraph, the term ‘shared qualified property’ means,
with respect to any facility, any property
described in section 168(e)(3)(B)(vi)—

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

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

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

“(E) SPECIAL RULE FOR FIRST AND LAST
YEAR OF CREDIT PERIOD.—In the case of any
taxable year any portion of which is not within
the 10-year period described in subsection
(a)(2)(A)(ii) with respect to any facility, the
amount of the limitation under subparagraph
(A) with respect to such facility shall be re-
duced by an amount which bears the same ratio
to the amount of such limitation (determined
without regard to this subparagraph) as such portion of the taxable year which is not within such period bears to the entire taxable year.

“(F) Election to treat all facilities placed in service in a year as 1 facility.—At the election of the taxpayer, all qualified facilities which are part of the same project and which are placed in service during the same calendar year shall be treated for purposes of this section as 1 facility which is placed in service at the mid-point of such year or the first day of the following calendar year.”

(c) Trash Facility Clarification.—Paragraph (7) of section 45(d) is amended—

(1) by striking “facility which burns” and inserting “facility (other than a facility described in paragraph (6)) which uses”, and

(2) by striking “COMBUSTION”.

(d) Expansion of Biomass Facilities.—

(1) Open-loop biomass facilities.—Paragraph (3) of section 45(d) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:
“(B) Expansion of facility.—Such term shall include a new unit placed in service after the date of the enactment of this subparagraph in connection with a facility described in subparagraph (A), but only to the extent of the increased amount of electricity produced at the facility by reason of such new unit.”.

(2) Closed-loop biomass facilities.—Paragraph (2) of section 45(d) is amended by redesignating subparagraph (B) as subparagraph (C) and inserting after subparagraph (A) the following new subparagraph:

“(B) Expansion of facility.—Such term shall include a new unit placed in service after the date of the enactment of this subparagraph in connection with a facility described in subparagraph (A)(i), but only to the extent of the increased amount of electricity produced at the facility by reason of such new unit.”.

(e) Sales of net electricity to regulated public utilities treated as sales to unrelated persons.—Paragraph (4) of section 45(e) is amended by adding at the end the following new sentence: “The net amount of electricity sold by any taxpayer to a regulated
public utility (as defined in section 7701(a)(33)) shall be treated as sold to an unrelated person.”.

(f) Modification of Rules for Hydropower Production.—Subparagraph (C) of section 45(c)(8) is amended to read as follows:

“(C) Nonhydroelectric Dam.—For purposes of subparagraph (A), a facility is described in this subparagraph if—

“(i) the hydroelectric project installed on the nonhydroelectric dam is licensed by the Federal Energy Regulatory Commission and meets all other applicable environmental, licensing, and regulatory requirements,

“(ii) the nonhydroelectric dam was placed in service before the date of the enactment of this paragraph and operated for flood control, navigation, or water supply purposes and did not produce hydroelectric power on the date of the enactment of this paragraph, and

“(iii) the hydroelectric project is operated so that the water surface elevation at any given location and time that would have occurred in the absence of the hydro-
electric project is maintained, subject to any license requirements imposed under applicable law that change the water surface elevation for the purpose of improving environmental quality of the affected waterway.

The Secretary, in consultation with the Federal Energy Regulatory Commission, shall certify if a hydroelectric project licensed at a nonhydroelectric dam meets the criteria in clause (iii). Nothing in this section shall affect the standards under which the Federal Energy Regulatory Commission issues licenses for and regulates hydropower projects under part I of the Federal Power Act.”.

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to property originally placed in service after December 31, 2008.

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

(3) LIMITATION BASED ON INVESTMENT IN FACILITY.—The amendment made by subsection (b)(2)
shall apply to property originally placed in service after December 31, 2009.

(4) Trash Facility Clarification; Sales to Related Regulated Public Utilities.—The amendments made by subsections (c) and (e) shall apply to electricity produced and sold after the date of the enactment of this Act.

(5) Expansion of Biomass Facilities.—The amendments made by subsection (d) shall apply to property placed in service after the date of the enactment of this Act.

SEC. 352. PRODUCTION CREDIT FOR ELECTRICITY PRODUCED FROM MARINE RENEWABLES.

(a) In General.—Paragraph (1) of section 45(c) is amended by striking “and” at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting “, and”, and by adding at the end the following new subparagraph:

“(I) marine and hydrokinetic renewable energy.”.

(b) Marine Renewables.—Subsection (c) of section 45 is amended by adding at the end the following new paragraph:

“(10) Marine and Hydrokinetic Renewable Energy.—
“(A) IN GENERAL.—The term ‘marine and hydrokinetic renewable energy’ means energy derived from—

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

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

“(iii) free flowing water in an irrigation system, canal, or other man-made channel, including projects that utilize non-mechanical structures to accelerate the flow of water for electric power production purposes, or

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

“(B) EXCEPTIONS.—Such term shall not include any energy which is derived from any source which utilizes a dam, diversionary structure (except as provided in subparagraph (A)(iii)), or impoundment for electric power production purposes.”.

(c) DEFINITION OF FACILITY.—Subsection (d) of section 45 is amended by adding at the end the following new paragraph:
“(11) Marine and Hydrokinetic Renewable Energy Facilities.—In the case of a facility producing electricity from marine and hydrokinetic renewable energy, the term ‘qualified facility’ means any facility owned by the taxpayer—

“(A) which has a nameplate capacity rating of at least 150 kilowatts, and

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

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

(e) Coordination With Small Irrigation Power.—Paragraph (5) of section 45(d), as amended by this Act, is amended by striking “January 1, 2013” and inserting “the date of the enactment of paragraph (11)”.

(f) Effective Date.—The amendments made by this section shall apply to electricity produced and sold after the date of the enactment of this Act, in taxable years ending after such date.

SEC. 353. ENERGY CREDIT.

(a) Extension of Credit.—

(1) Solar Energy Property.—Paragraphs (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) are each
amended by striking “January 1, 2009” and inserting “January 1, 2013”.

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

(3) MICROTURBINE PROPERTY.—Subparagraph (E) of section 48(c)(2) is amended by striking “December 31, 2008” and inserting “December 31, 2012”.

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

“(v) the credit determined under section 46 to the extent that such credit is attributable to the energy credit determined under section 48, and”.

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

(1) IN GENERAL.—Section 48(a)(3)(A) is amended by striking “or” at the end of clause (iii), by inserting “or” at the end of clause (iv), and by adding at the end the following new clause:
“(v) combined heat and power system property,”.

(2) **Combined heat and power system property.**—Section 48 is amended by adding at the end the following new subsection:

“(d) **Combined heat and power system property.**—For purposes of subsection (a)(3)(A)(v) collapse:

“(1) **Combined heat and power system property.**—The term ‘combined heat and power system property’ means property comprising a system—

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

“(B) which produces—

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

“(ii) at least 20 percent of its total useful energy in the form of electrical or
mechanical power (or combination thereof),

and

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

“(2) LIMITATION.—

“(A) IN GENERAL.—In the case of combined heat and power system property with an electrical capacity in excess of the applicable capacity placed in service during the taxable year, the credit under subsection (a)(1) (determined without regard to this paragraph) for such year shall be equal to the amount which bears the same ratio to such credit as the applicable capacity bears to the capacity of such property.

“(B) APPLICABLE CAPACITY.—For purposes of subparagraph (A), the term ‘applicable capacity’ means 15 megawatts or a mechanical energy capacity of more than 20,000 horsepower or an equivalent combination of electrical and mechanical energy capacities.

“(C) MAXIMUM CAPACITY.—The term ‘combined heat and power system property’ shall not include any property comprising a system if such system has a capacity in excess of 50 megawatts or a mechanical energy capacity
in excess of 67,000 horsepower or an equivalent combination of electrical and mechanical energy capacities.

“(3) Special rules.—

“(A) Energy efficiency percentage.—For purposes of this subsection, the energy efficiency percentage of a system is the fraction—

“(i) the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and expected to be consumed in its normal application, and

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

“(B) Determinations made on Btu basis.—The energy efficiency percentage and the percentages under paragraph (1)(B) shall be determined on a Btu basis.

“(C) Input and output property not included.—The term ‘combined heat and power system property’ does not include property used to transport the energy source to the
facility or to distribute energy produced by the facility.

“(4) Systems using biomass.—If a system is designed to use biomass (within the meaning of paragraphs (2) and (3) of section 45(c) without regard to the last sentence of paragraph (3)(A)) for at least 90 percent of the energy source—

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

“(B) the amount of credit determined under subsection (a) with respect to such system shall not exceed the amount which bears the same ratio to such amount of credit (determined without regard to this paragraph) as the energy efficiency percentage of such system bears to 60 percent.

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

(d) Increase of credit limitation for fuel cell property.—Subparagraph (B) of section 48(e)(1) is amended by striking “$500” and inserting “$1,500”.

(e) Public utility property taken into account.—
(1) In general.—Paragraph (3) of section 48(a) is amended by striking the second sentence thereof.

(2) Conforming amendments.—

(A) Paragraph (1) of section 48(c) is amended by striking subparagraph (D) and redesignating subparagraph (E) as subparagraph (D).

(B) Paragraph (2) of section 48(c) is amended by striking subparagraph (D) and redesignating subparagraph (E) as subparagraph (D).

(f) Effective date.—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) Allowance against alternative minimum tax.—The amendments made by subsection (b) shall apply to credits determined under section 46 of the Internal Revenue Code of 1986 in taxable years beginning after the date of the enactment of this Act and to carrybacks of such credits.

(3) Combined heat and power and fuel cell property.—The amendments made by sub-
sections (c) and (d) shall apply to periods after the
date of the enactment of this Act, in taxable years
ending after such date, under rules similar to the
rules of section 48(m) of the Internal Revenue Code
of 1986 (as in effect on the day before the date of
the enactment of the Revenue Reconciliation Act of
1990).

(4) Public utility property.—The amend-
ments made by subsection (e) shall apply to periods
after February 13, 2008, in taxable years ending
after such date, under rules similar to the rules of
section 48(m) of the Internal Revenue Code of 1986
(as in effect on the day before the date of the enact-

SEC. 354. CREDIT FOR RESIDENTIAL ENERGY EFFICIENT
PROPERTY.

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

(b) Maximum Credit for Solar Electric Prop-
erty.—

(1) In general.—Section 25D(b)(1)(A) is
amended by striking “$2,000” and inserting
“$4,000”.
(2) CONFORMING AMENDMENT.—Section 25D(e)(4)(A)(i) is amended by striking “$6,667” and inserting “$13,333”.

(c) CREDIT FOR RESIDENTIAL WIND PROPERTY.—

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

“(4) 30 percent of the qualified small wind energy property expenditures made by the taxpayer during such year.”.

(2) LIMITATION.—Section 25D(b)(1) is amended by striking “and” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, and”, and by adding at the end the following new subparagraph:

“(D) $500 with respect to each half kilowatt of capacity (not to exceed $4,000) of wind turbines for which qualified small wind energy property expenditures are made.”.

(3) QUALIFIED SMALL WIND ENERGY PROPERTY EXPENDITURES.—
(A) In general.—Section 25D(d) is amended by adding at the end the following new paragraph:

“(4) Qualified small wind energy property expenditure.—The term ‘qualified small wind energy property expenditure’ means an expenditure for property which uses a wind turbine to generate electricity for use in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.”.

(B) No double benefit.—Section 45(d)(1) is amended by adding at the end the following new sentence: “Such term shall not include any facility with respect to which any qualified small wind energy property expenditure (as defined in subsection (d)(4) of section 25D) is taken into account in determining the credit under such section.”.

(4) Maximum expenditures in case of joint occupancy.—Section 25D(e)(4)(A) is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:
“(iv) $1,667 in the case of each half kilowatt of capacity (not to exceed $13,333) of wind turbines for which qualified small wind energy property expenditures are made.”.

(d) CREDIT FOR GEOTHERMAL HEAT PUMP SYSTEMS.—

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

“(5) 30 percent of the qualified geothermal heat pump property expenditures made by the taxpayer during such year.”.

(2) LIMITATION.—Section 25D(b)(1), as amended by subsection (c), is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding at the end the following new subparagraph:

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

(3) QUALIFIED GEOTHERMAL HEAT PUMP PROPERTY EXPENDITURE.—Section 25D(d), as
amended by subsection (c), is amended by adding at the end the following new paragraph:

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

“(A) IN GENERAL.—The term ‘qualified geothermal heat pump property expenditure’ means an expenditure for qualified geothermal heat pump property installed on or in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.

“(B) QUALIFIED GEOTHERMAL HEAT PUMP PROPERTY.—The term ‘qualified geothermal heat pump property’ means any equipment which—

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

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

(4) MAXIMUM EXPENDITURES IN CASE OF JOINT OCCUPANCY.—Section 25D(e)(4)(A), as
amended by subsection (c), is amended by striking “and” at the end of clause (iii), by striking the period at the end of clause (iv) and inserting “, and”, and by adding at the end the following new clause:

“(v) $6,667 in the case of any qualified geothermal heat pump property expenditures.”.

(c) Credit Allowed Against Alternative Minimum Tax.—

(1) In General.—Subsection (c) of section 25D is amended to read as follows:

“(c) Limitation Based on Amount of Tax; Carryforward of Unused Credit.—

“(1) Limitation Based on Amount of Tax.—In the case of a taxable year to which section 26(a)(2) does not apply, the credit allowed under subsection (a) for the taxable year shall not exceed the excess of—

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

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

“(2) Carryforward of Unused Credit.—
“(A) Rule for Years in which All Personal Credits Allowed Against Regular and Alternative Minimum Tax.—In the case of a taxable year to which section 26(a)(2) applies, if the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a)(2) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.

“(B) Rule for Other Years.—In the case of a taxable year to which section 26(a)(2) does not apply, if the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.”.

(2) Conforming Amendments.—

(A) Section 23(b)(4)(B) is amended by inserting “and section 25D” after “this section”.
(B) Section 24(b)(3)(B) is amended by striking “and 25B” and inserting “, 25B, and 25D”.

(C) Section 25B(g)(2) is amended by striking “section 23” and inserting “sections 23 and 25D”.

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

(f) EFFECTIVE DATE.—

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

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

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

(a) EXTENSION FOR QUALIFIED ELECTRIC UTILITIES.—

(1) IN GENERAL.—Paragraph (3) of section 451(i) is amended by inserting “(before January 1,
2013, in the case of a qualified electric utility)” after “January 1, 2008”.

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

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

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

“(B) an electric utility (as defined in section 3(22) of the Federal Power Act (16 U.S.C. 796(22))).”.

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

(c) Property Located Outside the United States Not Treated as Exempt Utility Property.—Paragraph (5) of section 451(i) is amended by adding at the end the following new subparagraph:

“(C) Exception for property located outside the United States.—The term ‘exempt utility property’ shall not include any property which is located outside the United States.”.

(d) Effective Dates.—

(1) Extension.—The amendments made by subsection (a) shall apply to transactions after December 31, 2007.

(2) Transfers of Operational Control.—

The amendment made by subsection (b) shall take effect as if included in section 909 of the American Jobs Creation Act of 2004.

(3) Exception for property located outside the United States.—The amendment made by subsection (c) shall apply to transactions after the date of the enactment of this Act.
SEC. 356. NEW CLEAN RENEWABLE ENERGY BONDS.

(a) In General.—Subpart I of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

"SEC. 54C. NEW CLEAN RENEWABLE ENERGY BONDS.

"(a) New Clean Renewable Energy Bond.—For purposes of this subpart, the term ‘new clean renewable energy bond’ means any bond issued as part of an issue if—

"(1) 100 percent of the available project proceeds of such issue are to be used for capital expenditures incurred by governmental bodies, public power providers, or cooperative electric companies for one or more qualified renewable energy facilities,

"(2) the bond is issued by a qualified issuer, and

"(3) the issuer designates such bond for purposes of this section.

"(b) Reduced Credit Amount.—The annual credit determined under section 54A(b) with respect to any new clean renewable energy bond shall be 70 percent of the amount so determined without regard to this subsection.

"(c) Limitation on Amount of Bonds Designated.—

"(1) In General.—The maximum aggregate face amount of bonds which may be designated
under subsection (a) by any issuer shall not exceed the limitation amount allocated under this subsection to such issuer.

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

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

“(B) not more than 33\(\frac{1}{3}\) percent thereof may be allocated to qualified projects of governmental bodies, and

“(C) not more than 33\(\frac{1}{3}\) percent thereof may be allocated to qualified projects of cooperative electric companies.

“(3) METHOD OF ALLOCATION.—

“(A) ALLOCATION AMONG PUBLIC POWER PROVIDERS.—After the Secretary determines the qualified projects of public power providers which are appropriate for receiving an allocation of the national new clean renewable energy bond limitation, the Secretary shall, to the maximum extent practicable, make allocations
1. among such projects in such manner that the amount allocated to each such project bears the same ratio to the cost of such project as the limitation under paragraph (2)(A) bears to the cost of all such projects.

“(B) ALLOCATION AMONG GOVERNMENTAL BODIES AND COOPERATIVE ELECTRIC COMPANIES.—The Secretary shall make allocations of the amount of the national new clean renewable energy bond limitation described in paragraphs (2)(B) and (2)(C) among qualified projects of governmental bodies and cooperative electric companies, respectively, in such manner as the Secretary determines appropriate.

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

“(1) QUALIFIED RENEWABLE ENERGY FACILITY.—The term ‘qualified renewable energy facility’ means a qualified facility (as determined under section 45(d) without regard to paragraphs (8) and (10) thereof and to any placed in service date) owned by a public power provider, a governmental body, or a cooperative electric company.

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

“(3) GOVERNMENTAL BODY.—The term ‘gov-
ernmental body’ means any State or Indian tribal
government, or any political subdivision thereof.

“(4) COOPERATIVE ELECTRIC COMPANY.—The
term ‘cooperative electric company’ means a mutual
or cooperative electric company described in section
501(e)(12) or section 1381(a)(2)(C).

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

“(6) QUALIFIED ISSUER.—The term ‘qualified
issuer’ means a public power provider, a cooperative
electric company, a governmental body, a clean re-
newable energy bond lender, or a not-for-profit elec-
tric utility which has received a loan or loan guar-
antee under the Rural Electrification Act.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d) is amended
to read as follows:
“(1) QUALIFIED TAX CREDIT BOND.—The term ‘qualified tax credit bond’ means—

“(A) a qualified forestry conservation bond, or

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

(2) Subparagraph (C) of section 54A(d)(2) is amended to read as follows:

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

“(i) in the case of a qualified forestry conservation bond, a purpose specified in section 54B(e), and

“(ii) in the case of a new clean renewable energy bond, a purpose specified in section 54C(a)(1).”.

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

“Sec. 54C. Qualified clean renewable energy bonds.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after the date of the enactment of this Act.
Subpart B—Carbon Mitigation Provisions

SEC. 361. EXPANSION AND MODIFICATION OF ADVANCED COAL PROJECT INVESTMENT CREDIT.

(a) Modification of Credit Amount.—Section 48A(a) is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by adding at the end the following new paragraph:

“(3) 30 percent of the qualified investment for such taxable year in the case of projects described in clause (iii) of subsection (d)(3)(B).”.

(b) Expansion of Aggregate Credits.—Section 48A(d)(3)(A) is amended by striking “$1,300,000,000” and inserting “$2,550,000,000”.

(c) Authorization of Additional Projects.—

(1) In general.—Subparagraph (B) of section 48A(d)(3) is amended to read as follows:

“(B) Particular projects.—Of the dollar amount in subparagraph (A), the Secretary is authorized to certify—

“(i) $800,000,000 for integrated gasification combined cycle projects the application for which is submitted during the period described in paragraph (2)(A)(i),

“(ii) $500,000,000 for projects which use other advanced coal-based generation
technologies the application for which is submitted during the period described in paragraph (2)(A)(i), and

“(iii) $1,250,000,000 for advanced coal-based generation technology projects the application for which is submitted during the period described in paragraph (2)(A)(ii).”.

(2) APPLICATION PERIOD FOR ADDITIONAL PROJECTS.—Subparagraph (A) of section 48A(d)(2) is amended to read as follows:

“(A) APPLICATION PERIOD.—Each applicant for certification under this paragraph shall submit an application meeting the requirements of subparagraph (B). An applicant may only submit an application—

“(i) for an allocation from the dollar amount specified in clause (i) or (ii) of paragraph (3)(B) during the 3-year period beginning on the date the Secretary establishes the program under paragraph (1), and

“(ii) for an allocation from the dollar amount specified in paragraph (3)(B)(iii) during the 3-year period beginning at the
earlier of the termination of the period described in clause (i) or the date prescribed by the Secretary.”.

(3) Capture and Sequestration of Carbon Dioxide Emissions Requirement.—

(A) In General.—Section 48A(e)(1) is amended by striking “and” at the end of subparagraph (E), by striking the period at the end of subparagraph (F) and inserting “; and”, and by adding at the end the following new subparagraph:

“(G) in the case of any project the application for which is submitted during the period described in subsection (d)(2)(A)(ii), the project includes equipment which separates and sequesters at least 65 percent (70 percent in the case of an application for reallocated credits under subsection (d)(4)) of such project’s total carbon dioxide emissions.”.

(B) Highest Priority for Projects Which Sequester Carbon Dioxide Emissions.—Section 48A(e)(3) is amended by striking “and” at the end of subparagraph (A)(iii), by striking the period at the end of subparagraph (B)(iii) and inserting “, and”, and by
adding at the end the following new subpara-

graph:

“(C) give highest priority to projects with

the greatest separation and sequestration per-

centage of total carbon dioxide emissions.”.

(C) Recapture of credit for failure
to sequester.—Section 48A is amended by

adding at the end the following new subsection:

“(i) Recapture of credit for failure to se-

quester.—The Secretary shall provide for recapturing

the benefit of any credit allowable under subsection (a)

with respect to any project which fails to attain or main-
tain the separation and sequestration requirements of sub-

section (e)(1)(G).”.

(4) Additional priority for research

partnerships.—Section 48A(e)(3)(B), as amended

by paragraph (3)(B), is amended—

(A) by striking “and” at the end of clause

(ii),

(B) by redesignating clause (iii) as clause

(iv), and

(C) by inserting after clause (ii) the fol-

lowing new clause:

“(iii) applicant participants who have

a research partnership with an eligible edu-
cational institution (as defined in section 529(e)(5)), and”.

(5) Clerical Amendment.—Section 48A(e)(3) is amended by striking “INTEGRATED GASIFICATION COMBINED CYCLE” in the heading and inserting “CERTAIN”.

(d) Disclosure of Allocations.—Section 48A(d) is amended by adding at the end the following new paragraph:

“(5) Disclosure of Allocations.—The Secretary shall, upon making a certification under this subsection or section 48B(d), publicly disclose the identity of the applicant and the amount of the credit certified with respect to such applicant.”.

(e) Effective Dates.—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to credits the application for which is submitted during the period described in section 48A(d)(2)(A)(ii) of the Internal Revenue Code of 1986 and which are allocated or reallocated after the date of the enactment of this Act.

(2) Disclosure of Allocations.—The amendment made by subsection (d) shall apply to
certifications made after the date of the enactment of this Act.

(3) Clerical Amendment.—The amendment made by subsection (c)(5) shall take effect as if included in the amendment made by section 1307(b) of the Energy Tax Incentives Act of 2005.

SEC. 362. EXPANSION AND MODIFICATION OF COAL GASIFICATION INVESTMENT CREDIT.

(a) Modification of Credit Amount.—Section 48B(a) is amended by inserting “(30 percent in the case of credits allocated under subsection (d)(1)(B))” after “20 percent”.

(b) Expansion of Aggregate Credits.—Section 48B(d)(1) is amended by striking “shall not exceed $350,000,000” and all that follows and inserting “shall not exceed—

“(A) $350,000,000, plus

“(B) $250,000,000 for qualifying gasification projects that include equipment which separates and sequesters at least 75 percent of such project’s total carbon dioxide emissions.”.

(c) Recapture of Credit for Failure To Sequester.—Section 48B is amended by adding at the end the following new subsection:
“(f) **RECAPTURE OF CREDIT FOR FAILURE TO SEQUESTER.**—The Secretary shall provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any project which fails to attain or maintain the separation and sequestration requirements for such project under subsection (d)(1).”.

(d) **SELECTION PRIORITIES.**—Section 48B(d) is amended by adding at the end the following new paragraph:

“(4) **SELECTION PRIORITIES.**—In determining which qualifying gasification projects to certify under this section, the Secretary shall—

“(A) give highest priority to projects with the greatest separation and sequestration percentage of total carbon dioxide emissions, and

“(B) give high priority to applicant participants who have a research partnership with an eligible educational institution (as defined in section 529(e)(5)).”.

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to credits described in section 48B(d)(1)(B) of the Internal Revenue Code of 1986 which are allocated or reallocated after the date of the enactment of this Act.
SEC. 363. TEMPORARY INCREASE IN COAL EXCISE TAX.

Paragraph (2) of section 4121(e) is amended—

(1) by striking “January 1, 2014” in subparagraph (A) and inserting “December 31, 2018”, and

(2) by striking “January 1 after 1981” in subparagraph (B) and inserting “December 31 after 2007”.

SEC. 364. SPECIAL RULES FOR REFUND OF THE COAL EXCISE TAX TO CERTAIN COAL PRODUCERS AND EXPORTERS.

(a) REFUND.—

(1) COAL PRODUCERS.—

(A) IN GENERAL.—Notwithstanding subsections (a)(1) and (c) of section 6416 and section 6511 of the Internal Revenue Code of 1986, if—

(i) a coal producer establishes that such coal producer, or a party related to such coal producer, exported coal produced by such coal producer to a foreign country or shipped coal produced by such coal producer to a possession of the United States, or caused such coal to be exported or shipped, the export or shipment of which was other than through an exporter who meets the requirements of paragraph (2),
(ii) such coal producer filed an excise tax return on or after October 1, 1990, and on or before the date of the enactment of this Act, and

(iii) such coal producer files a claim for refund with the Secretary not later than the close of the 30-day period beginning on the date of the enactment of this Act,

then the Secretary shall pay to such coal producer an amount equal to the tax paid under section 4121 of such Code on such coal exported or shipped by the coal producer or a party related to such coal producer, or caused by the coal producer or a party related to such coal producer to be exported or shipped.

(B) Special rules for certain taxpayers.—For purposes of this section—

(i) In general.—If a coal producer or a party related to a coal producer has received a judgment described in clause (iii), such coal producer shall be deemed to have established the export of coal to a foreign country or shipment of coal to a pos-
135

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
described in paragraph (1)(B)(iii) of this subsection, if—

(A) an exporter establishes that such exporter exported coal to a foreign country or shipped coal to a possession of the United States, or caused such coal to be so exported or shipped,

(B) such exporter filed a tax return on or after October 1, 1990, and on or before the date of the enactment of this Act, and

(C) such exporter files a claim for refund with the Secretary not later than the close of the 30-day period beginning on the date of the enactment of this Act,

then the Secretary shall pay to such exporter an amount equal to $0.825 per ton of such coal exported by the exporter or caused to be exported or shipped, or caused to be exported or shipped, by the exporter.

(b) LIMITATIONS.—Subsection (a) shall not apply with respect to exported coal if a settlement with the Federal Government has been made with and accepted by, the coal producer, a party related to such coal producer, or the exporter, of such coal, as of the date that the claim is filed under this section with respect to such exported
coal. For purposes of this subsection, the term “settlement
with the Federal Government” shall not include any settle-
ment or stipulation entered into as of the date of the en-
actment of this Act, the terms of which contemplate a
judgment concerning which any party has reserved the
right to file an appeal, or has filed an appeal.

(c) Subsequent Refund Prohibited.—No refund
shall be made under this section to the extent that a credit
or refund of such tax on such exported or shipped coal
has been paid to any person.

(d) Definitions.—For purposes of this section—

(1) Coal Producer.—The term “coal pro-
ducer” means the person in whom is vested owner-
ship of the coal immediately after the coal is severed
from the ground, without regard to the existence of
any contractual arrangement for the sale or other
disposition of the coal or the payment of any royal-
ties between the producer and third parties. The
term includes any person who extracts coal from
c coal waste refuse piles or from the silt waste product
which results from the wet washing (or similar proc-
ressing) of coal.

(2) Exporter.—The term “exporter” means a
person, other than a coal producer, who does not
have a contract, fee arrangement, or any other
agreement with a producer or seller of such coal to
export or ship such coal to a third party on behalf
of the producer or seller of such coal and—

(A) is indicated in the shipper’s export
documentation as the exporter of record, or

(B) actually exported such coal to a foreign
country or shipped such coal to a possession of the United States, or caused such coal
to be so exported or shipped.

(3) RELATED PARTY.—The term “a party related to such coal producer” means a person who—

(A) is related to such coal producer
through any degree of common management,
stock ownership, or voting control,

(B) is related (within the meaning of section 144(a)(3) of the Internal Revenue Code of
1986) to such coal producer, or

(C) has a contract, fee arrangement, or
any other agreement with such coal producer to
sell such coal to a third party on behalf of such
carbon producer.

(4) SECRETARY.—The term “Secretary” means
the Secretary of Treasury or the Secretary’s des-
ignee.
(c) **Timing of Refund.**—With respect to any claim for refund filed pursuant to this section, the Secretary shall determine whether the requirements of this section are met not later than 180 days after such claim is filed. If the Secretary determines that the requirements of this section are met, the claim for refund shall be paid not later than 180 days after the Secretary makes such determination.

(f) **Interest.**—Any refund paid pursuant to this section shall be paid by the Secretary with interest from the date of overpayment determined by using the overpayment rate and method under section 6621 of the Internal Revenue Code of 1986.

(g) **Denial of Double Benefit.**—The payment under subsection (a) with respect to any coal shall not exceed—

1. in the case of a payment to a coal producer, the amount of tax paid under section 4121 of the Internal Revenue Code of 1986 with respect to such coal by such coal producer or a party related to such coal producer, and
2. in the case of a payment to an exporter, an amount equal to $0.825 per ton with respect to such coal exported by the exporter or caused to be exported by the exporter.
(h) APPLICATION OF SECTION.—This section applies
only to claims on coal exported or shipped on or after Oc-
tober 1, 1990, through the date of the enactment of this
Act.

(i) STANDING NOT CONFERRED.—

(1) EXPORTERS.—With respect to exporters,
this section shall not confer standing upon an ex-
porter to commence, or intervene in, any judicial or
administrative proceeding concerning a claim for re-
fund by a coal producer of any Federal or State tax,
fee, or royalty paid by the coal producer.

(2) COAL PRODUCERS.—With respect to coal
producers, this section shall not confer standing
upon a coal producer to commence, or intervene in,
any judicial or administrative proceeding concerning
a claim for refund by an exporter of any Federal or
State tax, fee, or royalty paid by the producer and
alleged to have been passed on to an exporter.

SEC. 365. CARBON AUDIT OF THE TAX CODE.

(a) STUDY.—The Secretary of the Treasury shall
enter into an agreement with the National Academy of
Sciences to undertake a comprehensive review of the Inter-

nal Revenue Code of 1986 to identify the types of and
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
4 (b) REPORT.—Not later than 2 years after the date
5 of enactment of this Act, the National Academy of
6 Sciences shall submit to Congress a report containing the
7 results of study authorized under this section.
8
9 (c) AUTHORIZATION OF APPROPRIATIONS.—There is
10 authorized to be appropriated to carry out this section
11 $1,500,000 for the period of fiscal years 2008 and 2009.
12
13 Subpart C—Energy Conservation and Efficiency
14
15 SEC. 371. QUALIFIED ENERGY CONSERVATION BONDS.
16
17 (a) IN GENERAL.—Subpart I of part IV of sub-
18 chapter A of chapter 1, as amended by this Act, is amend-
19 ed by adding at the end the following new section:
20
21 “SEC. 54D. QUALIFIED ENERGY CONSERVATION BONDS.
22
23 “(a) Qualified Energy Conservation Bond.—
24 For purposes of this subchapter, the term ‘qualified en-
25 ergy conservation bond’ means any bond issued as part
26 of an issue if—
27
28 “(1) 100 percent of the available project pro-
29 ceeds of such issue are to be used for one or more
30 qualified conservation purposes,
31
32 “(2) the bond is issued by a State or local gov-
33 ernment, and
“(3) the issuer designates such bond for purposes of this section.

“(b) REDUCED CREDIT AMOUNT.—The annual credit determined under section 54A(b) with respect to any qualified energy conservation bond shall be 70 percent of the amount so determined without regard to this subsection.

“(c) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds which may be designated under subsection (a) by any issuer shall not exceed the limitation amount allocated to such issuer under subsection (e).

“(d) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified energy conservation bond limitation of $3,000,000,000.

“(e) ALLOCATIONS.—

“(1) IN GENERAL.—The limitation applicable under subsection (d) shall be allocated by the Secretary among the States in proportion to the population of the States.

“(2) ALLOCATIONS TO LARGEST LOCAL GOVERNMENTS.—

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

“(B) ALLOCATION OF UNUSED LIMITATION
TO STATE.—The amount allocated under this
subsection to a large local government may be
reallocated by such local government to the
State in which such local government is located.

“(C) LARGE LOCAL GOVERNMENT.—For
purposes of this section, the term ‘large local
government’ means any municipality or county
if such municipality or county has a population
of 100,000 or more.

“(3) ALLOCATION TO ISSUERS; RESTRICTION
ON PRIVATE ACTIVITY BONDS.—Any allocation
under this subsection to a State or large local gov-
ernment shall be allocated by such State or large
local government to issuers within the State in a
manner that results in not less than 70 percent of
the allocation to such State or large local govern-
ment being used to designate bonds which are not
private activity bonds.
“(f) QUALIFIED CONSERVATION PURPOSE.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified conservation purpose’ means any of the following:

“(A) Capital expenditures incurred for purposes of—

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

“(ii) implementing green community programs,

“(iii) rural development involving the production of electricity from renewable energy resources, or

“(iv) any qualified facility (as determined under section 45(d) without regard to paragraphs (8) and (10) thereof and without regard to any placed in service date).

“(B) Expenditures with respect to research facilities, and research grants, to support research in—

“(i) development of cellulosic ethanol or other nonfossil fuels,
“(ii) technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels,

“(iii) increasing the efficiency of existing technologies for producing nonfossil fuels,

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

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

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

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

“(i) green building technology,

“(ii) conversion of agricultural waste for use in the production of fuel or otherwise,

“(iii) advanced battery manufacturing technologies,

“(iv) technologies to reduce peak use of electricity, or
“(v) technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity.

“(E) Public education campaigns to promote energy efficiency.

“(2) Special rules for private activity bonds.—For purposes of this section, in the case of any private activity bond, the term ‘qualified conservation purposes’ shall not include any expenditure which is not a capital expenditure.

“(g) Population.—

“(1) In general.—The population of any State or local government shall be determined for purposes of this section as provided in section 146(j) for the calendar year which includes the date of the enactment of this section.

“(2) Special rule for counties.—In determining the population of any county for purposes of this section, any population of such county which is taken into account in determining the population of any municipality which is a large local government shall not be taken into account in determining the population of such county.
“(h) Application to Indian Tribal Governments.—An Indian tribal government shall be treated for purposes of this section in the same manner as a large local government, except that—

“(1) an Indian tribal government shall be treated for purposes of subsection (e) as located within a State to the extent of so much of the population of such government as resides within such State, and

“(2) any bond issued by an Indian tribal government shall be treated as a qualified energy conservation bond only if issued as part of an issue the available project proceeds of which are used for purposes for which such Indian tribal government could issue bonds to which section 103(a) applies.”.

(b) Conforming Amendments.—

(1) Paragraph (1) of section 54A(d), as amended by this Act is amended to read as follows:

“(1) Qualified Tax Credit Bond.—The term ‘qualified tax credit bond’ means—

“(A) a qualified forestry conservation bond,

“(B) a new clean renewable energy bond,

or

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

(2) Subparagraph (C) of section 54A(d)(2), as amended by this Act, is amended to read as follows:

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

“(i) in the case of a qualified forestry conservation bond, a purpose specified in section 54B(e),

“(ii) in the case of a new clean renewable energy bond, a purpose specified in section 54C(a)(1), and

“(iii) in the case of a qualified energy conservation bond, a purpose specified in section 54D(a)(1).”.

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

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

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after the date of the enactment of this Act.
SEC. 372. CREDIT FOR NONBUSINESS ENERGY PROPERTY.

(a) Extension of Credit.—Section 25C(g) is amended by striking “December 31, 2007” and inserting “December 31, 2012”.

(b) Qualified Biomass Fuel Property.—

(1) In General.—Section 25C(d)(3) is amended—

(A) by striking “and” at the end of subparagraph (D),

(B) by striking the period at the end of subparagraph (E) and inserting “, and”, and

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

“(F) a stove which uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and which has a thermal efficiency rating of at least 75 percent.”.

(2) Biomass Fuel.—Section 25C(d) is amended by adding at the end the following new paragraph:

“(6) Biomass Fuel.—The term ‘biomass fuel’ means any plant-derived fuel available on a renewable or recurring basis, including agricultural crops and trees, wood and wood waste and residues (in-
including wood pellets), plants (including aquatic plants), grasses, residues, and fibers.”.

(c) Modification of Water Heater Requirements.—Section 25C(d)(3)(E) is amended by inserting “or a thermal efficiency of at least 90 percent” after “0.80”.

(d) Coordination With Credit for Qualified Geothermal Heat Pump Property Expenditures.—

(1) In general.—Paragraph (3) of section 25C(d), as amended by subsections (b) and (c), is amended by striking subparagraph (C) and by redesignating subparagraphs (D), (E), and (F) as subparagraphs (C), (D), and (E), respectively.

(2) Conforming Amendment.—Subparagraph (C) of section 25C(d)(2) is amended to read as follows:

“(C) Requirements and Standards for Air Conditioners and Heat Pumps.—
The standards and requirements prescribed by the Secretary under subparagraph (B) with respect to the energy efficiency ratio (EER) for central air conditioners and electric heat pumps—

“(i) shall require measurements to be based on published data which is tested by
manufacturers at 95 degrees Fahrenheit, and

“(ii) may be based on the certified data of the Air Conditioning and Refrigeration Institute that are prepared in partnership with the Consortium for Energy Efficiency.”.

(c) Modification of Qualified Energy Efficiency Improvements.—

(1) in General.—Paragraph (1) of section 25C(c) is amended by inserting “, or an asphalt roof with appropriate cooling granules,” before “which meet the Energy Star program requirements”.

(2) Building Envelope Component.—Subparagraph (D) of section 25C(c)(2) is amended—

(A) by inserting “or asphalt roof” after “metal roof”, and

(B) by inserting “or cooling granules” after “pigmented coatings”.

(f) Effective Dates.—

(1) in General.—Except as provided in paragraph (2), the amendments made this section shall apply to expenditures made after December 31, 2007.
(2) MODIFICATION OF QUALIFIED ENERGY EFFICIENCY IMPROVEMENTS.—The amendments made by subsection (c) shall apply to property placed in service after the date of the enactment of this Act.

SEC. 373. ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION.

Subsection (h) of section 179D is amended by striking “December 31, 2008” and inserting “December 31, 2012”.


(a) IN GENERAL.—Subsection (b) of section 45M is amended to read as follows:

“(b) APPLICABLE AMOUNT.—For purposes of subsection (a)—

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

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

“(B) $75 in the case of a dishwasher which is manufactured in calendar year 2008, 2009, 2010, 2011, or 2012 and which uses no
more than 307 kilowatt hours per year and 5.0
gallons per cycle (5.5 gallons per cycle for dish-
washers designed for greater than 12 place set-
tings).

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

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

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

“(C) $150 in the case of a residential or
commercial clothes washer manufactured in cal-
which meets or exceeds 2.0 modified energy fac-
tor and does not exceed a 6.0 water consump-
tion factor, and

“(D) $250 in the case of a residential or
commercial clothes washer manufactured in cal-
which meets or exceeds 2.2 modified energy factor and does not exceed a 4.5 water consumption factor.

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

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

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

“(C) $100 in the case of a refrigerator which is manufactured in calendar year 2008, 2009, 2010, 2011, or 2012 and consumes at least 25 percent but not more than 29.9 percent less kilowatt hours per year than the 2001 energy conservation standards, and

“(D) $200 in the case of a refrigerator manufactured in calendar year 2008, 2009, 2010, 2011, or 2012 and which consumes at
least 30 percent less energy than the 2001 energy conservation standards.”.

(b) Eligible Production.—

(1) Similar treatment for all appliances.—Subsection (e) of section 45M is amended—

(A) by striking paragraph (2),

(B) by striking “(1) In general” and all that follows through “the eligible” and inserting “The eligible”,

(C) by moving the text of such subsection in line with the subsection heading, and

(D) by redesignating subparagraphs (A) and (B) as paragraphs (1) and (2), respectively, and by moving such paragraphs 2 ems to the left.

(2) Modification of base period.—Paragraph (2) of section 45M(e), as amended by paragraph (1), is amended by striking “3-calendar year” and inserting “2-calendar year”.

(c) Types of energy efficient appliances.—

Subsection (d) of section 45M is amended to read as follows:
“(d) Types of Energy Efficient Appliance.—

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

“(1) dishwashers described in subsection (b)(1),
“(2) clothes washers described in subsection (b)(2), and
“(3) refrigerators described in subsection (b)(3).”.

(d) Aggregate Credit Amount Allowed.—

(1) Increase in Limit.—Paragraph (1) of section 45M(e) is amended to read as follows:

“(1) Aggregate credit amount allowed.—

The aggregate amount of credit allowed under subsection (a) with respect to a taxpayer for any taxable year shall not exceed $75,000,000 reduced by the amount of the credit allowed under subsection (a) to the taxpayer (or any predecessor) for all prior taxable years beginning after December 31, 2007.”.

(2) Exception for Certain Refrigerator and Clothes Washers.—Paragraph (2) of section 45M(e) is amended to read as follows:

“(2) Amount allowed for certain refrigerators and clothes washers.—Refrigerators described in subsection (b)(3)(D) and clothes wash-
ers described in subsection (b)(2)(D) shall not be taken into account under paragraph (1).’’.

(c) Qualified Energy Efficient Appliances.—

(1) In General.—Paragraph (1) of section 45M(f) is amended to read as follows:

‘‘(1) Qualified Energy Efficient Appliance.—The term ‘qualified energy efficient appliance’ means—

(A) any dishwasher described in subsection (b)(1),

(B) any clothes washer described in subsection (b)(2), and

(C) any refrigerator described in subsection (b)(3).’’.

(2) Clothes Washer.—Section 45M(f)(3) is amended by inserting ‘‘commercial’’ before ‘‘residential’’ the second place it appears.

(3) Top-Loading Clothes Washer.—Subsection (f) of section 45M is amended by redesignating paragraphs (4), (5), (6), and (7) as paragraphs (5), (6), (7), and (8), respectively, and by inserting after paragraph (3) the following new paragraph:

‘‘(4) Top-Loading Clothes Washer.—The term ‘top-loading clothes washer’ means a clothes
washer which has the clothes container compartment
access located on the top of the machine and which
operates on a vertical axis.”.

(4) Replacement of energy factor.—Section 45M(f)(6), as redesignated by paragraph (3), is amended to read as follows:

“(6) Modified energy factor.—The term ‘modified energy factor’ means the modified energy factor established by the Department of Energy for compliance with the Federal energy conservation standard.”.

(5) Gallons per cycle; water consumption factor.—Section 45M(f), as amended by paragraph (3), is amended by adding at the end the following:

“(9) Gallons per cycle.—The term ‘gallons per cycle’ means, with respect to a dishwasher, the amount of water, expressed in gallons, required to complete a normal cycle of a dishwasher.

“(10) Water consumption factor.—The term ‘water consumption factor’ means, with respect to a clothes washer, the quotient of the total weighted per-cycle water consumption divided by the cubic foot (or liter) capacity of the clothes washer.”.
(f) EFFECTIVE DATE.—The amendments made by this section shall apply to appliances produced after December 31, 2007.

SEC. 375. ACCELERATED RECOVERY PERIOD FOR DEPRECIATION OF SMART METERS AND SMART GRID SYSTEMS.

(a) IN GENERAL.—Section 168(e)(3)(C) is amended by striking “and” at the end of clause (iv), by redesignating clause (v) as clause (vii), and by inserting after clause (iv) the following new clauses:

“(v) any qualified smart electric meter,

“(vi) any qualified smart electric grid system, and”.

(b) DEFINITIONS.—Section 168(i) is amended by inserting at the end the following new paragraph:

“(18) QUALIFIED SMART ELECTRIC METERS.—

“(A) IN GENERAL.—The term ‘qualified smart electric meter’ means any smart electric meter which is placed in service by a taxpayer who is a supplier of electric energy or a provider of electric energy services.

“(B) SMART ELECTRIC METER.—For purposes of subparagraph (A), the term ‘smart electric meter’ means any time-based meter and
related communication equipment which is capable of being used by the taxpayer as part of a system that—

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

“(ii) provides for the exchange of information between supplier or provider and the customer’s electric meter in support of time-based rates or other forms of demand response,

“(iii) provides data to such supplier or provider so that the supplier or provider can provide energy usage information to customers electronically, and

“(iv) provides net metering.

“(19) QUALIFIED SMART ELECTRIC GRID SYSTEMS.—

“(A) IN GENERAL.—The term ‘qualified smart electric grid system’ means any smart grid property used as part of a system for electric distribution grid communications, monitoring, and management placed in service by a
taxpayer who is a supplier of electric energy or a provider of electric energy services.

“(B) SMART GRID PROPERTY.—For the purposes of subparagraph (A), the term ‘smart grid property’ means electronics and related equipment that is capable of—

“(i) sensing, collecting, and monitoring data of or from all portions of a utility’s electric distribution grid,

“(ii) providing real-time, two-way communications to monitor or manage such grid, and

“(iii) providing real time analysis of and event prediction based upon collected data that can be used to improve electric distribution system reliability, quality, and performance.

“(C) EXCEPTION.—In the case of any smart grid property that, but for subsection (e)(3)(C)(vi), would have an applicable recovery period under this section or section 167 of less than 7 years, such property shall be treated as placed in service separately from any other smart grid property, and the recovery period of
such property shall be determined without re-
gard to subsection (e)(3)(C)(vi).”.

(c) Continued Application of 150 Percent De-
clining Balance Method.—Paragraph (2) of section
168(b) is amended by striking “or” at the end of subpara-
graph (B), by redesignating subparagraph (C) as subpara-
graph (D), and by inserting after subparagraph (B) the
following new subparagraph:

“(C) any property (other than property de-
scribed in paragraph (3)) which is a qualified
smart electric meter or qualified smart electric
grid system, or”.

(d) Effective Date.—The amendments made by
this section shall apply to property placed in service after
the date of the enactment of this Act.

SEC. 376. QUALIFIED GREEN BUILDING AND SUSTAINABLE
DESIGN PROJECTS.

(a) In General.—Paragraph (8) of section 142(l)
is amended by striking “September 30, 2009” and insert-
ing “December 31, 2012”.

(b) Treatment of Current Refunding
Bonds.—Paragraph (9) of section 142(l) is amended by
striking “October 1, 2009” and inserting “January 1,
2013”. 
(c) ACCOUNTABILITY.—The second sentence of section 701(d) of the American Jobs Creation Act of 2004 is amended by striking “issuance,” and inserting “issuance of the last issue with respect to such project.”

SEC. 377. SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN REUSE AND RECYCLING PROPERTY.

(a) IN GENERAL.—Section 168 is amended by adding at the end the following new subsection:

“(m) Special Allowance for Certain Reuse and Recycling Property.—

“(1) In General.—In the case of any qualified reuse and recycling property—

“(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 50 percent of the adjusted basis of the qualified reuse and recycling property, and

“(B) the adjusted basis of the qualified reuse and recycling property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.
“(2) QUALIFIED REUSE AND RECYCLING PROPERTY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified reuse and recycling property’ means any reuse and recycling property—

“(i) to which this section applies,

“(ii) which has a useful life of at least 5 years,

“(iii) the original use of which commences with the taxpayer after December 31, 2007, and

“(iv) which is—

“(I) acquired by purchase (as defined in section 179(d)(2)) by the taxpayer after December 31, 2007, but only if no written binding contract for the acquisition was in effect before January 1, 2008, or

“(II) acquired by the taxpayer pursuant to a written binding contract which was entered into after December 31, 2007.

“(B) EXCEPTIONS.—

“(i) BONUS DEPRECIATION PROPERTY UNDER SUBSECTION (k).—The term ‘quali-
fied reuse and recycling property’ shall not include any property to which section 168(k) applies.

“(ii) Alternative Depreciation Property.—The term ‘qualified reuse and recycling property’ shall not include any property to which the alternative depreciation system under subsection (g) applies, determined without regard to paragraph (7) of subsection (g) (relating to election to have system apply).

“(iii) Election Out.—If a taxpayer makes an election under this clause with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year.

“(C) Special rule for self-constructed property.—In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer’s own use, the requirements of clause (iv) of subparagraph (A) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property after December 31, 2007.
“(D) Deduction allowed in computing minimum tax.—For purposes of determining alternative minimum taxable income under section 55, the deduction under subsection (a) for qualified reuse and recycling property shall be determined under this section without regard to any adjustment under section 56.

“(3) Definitions.—For purposes of this subsection—

“(A) Reuse and recycling property.—

“(i) In general.—The term ‘reuse and recycling property’ means any machinery and equipment (not including buildings or real estate), along with all appurtenances thereto, including software necessary to operate such equipment, which is used exclusively to collect, distribute, or recycle qualified reuse and recyclable materials.

“(ii) Exclusion.—Such term does not include rolling stock or other equipment used to transport reuse and recyclable materials.
“(B) QUALIFIED REUSE AND RECYCLABLE MATERIALS.—

“(i) IN GENERAL.—The term ‘qualified reuse and recyclable materials’ means scrap plastic, scrap glass, scrap textiles, scrap rubber, scrap packaging, recovered fiber, scrap ferrous and nonferrous metals, or electronic scrap generated by an individual or business.

“(ii) ELECTRONIC SCRAP.—For purposes of clause (i), the term ‘electronic scrap’ means—

“(I) any cathode ray tube, flat panel screen, or similar video display device with a screen size greater than 4 inches measured diagonally, or

“(II) any central processing unit.

“(C) RECYCLING OR RECYCLE.—The term ‘recycling’ or ‘recycle’ means that process (including sorting) by which worn or superfluous materials are manufactured or processed into specification grade commodities that are suitable for use as a replacement or substitute for virgin materials in manufacturing tangible con-
sumer and commercial products, including packaging.”.

(b) **Effective Date.**—The amendment made by this section shall apply to property placed in service after December 31, 2007.

**Subpart D—Geothermal Incentives**

**SEC. 381. ENERGY CREDIT FOR GEOTHERMAL HEAT PUMP SYSTEMS.**

(a) **In General.**—Subparagraph (A) of section 48(a)(3), as amended by this Act, is amended by striking “or” at the end of clause (iv), by inserting “or” at the end of clause (v), and by adding at the end the following new clause:

“(vi) equipment which uses the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure, but only with respect to periods ending before January 1, 2013,”.

(b) **Effective Date.**—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.
SEC. 382. 3-YEAR ACCELERATED DEPRECIATION PERIOD FOR GEOTHERMAL HEAT PUMP SYSTEMS.

(a) IN GENERAL.—Subparagraph (A) of section 168(e)(3) is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) any property which is described in clause (vi) of section 48(a)(3)(A).”.

(b) CONFORMING AMENDMENT.—Subclause (I) of section 168(e)(3)(B)(vi) is amended by inserting “clause (i), (ii), (iii), or (iv) of” before “subparagraph (A)”.

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

TITLE IV—INCREASED DOMESTIC PRODUCTION
Subtitle A—Outer Continental Shelf

SEC. 401. PRODUCTION OF OIL AND GAS ON OUTER CONTINENTAL SHELF.

(a) IN GENERAL.—Section 18 of the Outer Continental Shelf Lands Act (43 U.S.C. 1344) is amended by adding at the end the following:

“(i) PRODUCTION OF OIL AND GAS ON OUTER CONTINENTAL SHELF.—
“(1) DEFINITIONS.—In this subsection:

“(A) COASTAL POLITICAL SUBDIVISION.—
The term ‘coastal political subdivision’ means a political subdivision of a Gulf producing State or a Southeastern State any part of which political subdivision is—

“(i) within the coastal zone (as defined in section 304 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1453)) of the Gulf producing State as of the date of enactment of this Act; and

“(ii) not more than 200 nautical miles from the geographic center of any leased tract.

“(B) COMMISSION.—The term ‘Commission’ means the National Commission on Offshore Oil and Gas Leasing established under paragraph (7).

“(C) GULF PRODUCING STATE.—The term ‘Gulf producing State’ means each of the States of Alabama, Florida, Louisiana, Mississippi, and Texas.

“(D) MORATORIUM AREA.—The term ‘moratorium area’ means any area of the outer Continental Shelf with respect to which Con-
gress has prohibited the use of appropriated funds or other means for preleasing, leasing, or related activities.

“(E) QUALIFIED OUTER CONTINENTAL SHELF REVENUES.—

“(i) IN GENERAL.—The term ‘qualified outer Continental Shelf revenues’ means all rentals, royalties, bonus bids, and other sums due and payable to the United States from leases entered into under this subsection.

“(ii) EXCLUSIONS.—The term ‘qualified outer Continental Shelf revenues’ does not include—

“(I) revenues from the forfeiture of a bond or other surety securing obligations other than royalties, civil penalties, or royalties taken by the Secretary in-kind and not sold; or

“(II) revenues generated from leases subject to section 8(g).

“(F) SOUTHEASTERN STATE.—The term ‘Southeastern State’ means the each of the States of Georgia, North Carolina, South Carolina, and Virginia.
“(2) PHASE I.—

“(A) GULF OF MEXICO.—

“(i) IN GENERAL.—Notwithstanding any other provision of law, the Secretary may offer for leasing, preleasing, or any related activity under this Act any moratorium area in the Gulf of Mexico that is more than 50 miles off the coastline of the Gulf of Mexico.

“(ii) CONSULTATION WITH SECRETARY OF DEFENSE.—The Secretary shall consult with the Secretary of Defense to ensure that any activity conducted under clause (i) is carried out in a manner that is consistent with national security.

“(B) SOUTHEASTERN STATES.—

“(i) IN GENERAL.—The Governor, with the concurrence of the Legislature, of a Southeastern State may submit to the Secretary a petition requesting that the Secretary make available for leasing any portion of a moratorium area in the administrative boundaries of the Southeastern State that is more than 50 miles off the coastline of the Southeastern State.
“(ii) Action by Secretary.—Notwithstanding any other provision of law, not later than 90 days after the date of receipt of a petition under clause (i), the Secretary shall approve the petition unless the Secretary determines that leasing in the affected area presents a significant likelihood of incidents associated with the development of resources that would cause serious harm or damage to the marine resources of the covered area or of an adjacent State.

“(iii) Failure to Act.—If the Secretary fails to approve or deny a petition in accordance with clause (iii), the petition shall be considered to be approved as of the date that is 90 days after the date of receipt of the petition.

“(iv) Treatment.—Notwithstanding any other provision of this section, not later than 180 days after the date on which a petition is approved, or considered to be approved, under clause (iii) or (iv), the Secretary shall—
“(I) treat the petition of the Governor or the Legislature of a South-eastern State under clause (i) as a proposed revision to a leasing program under this section; and

“(II) except as provided in clause (v), initiate a new 5-year outer Continental Shelf oil and gas leasing program to replace the outer Continental Shelf oil and gas leasing program in effect as of that date, which shall include any lease sale for any area covered by the petition.

“(v) INCLUSION IN SUBSEQUENT PLANS.—

“(I) IN GENERAL.—If there are less than 18 months remaining in the 5-year outer Continental Shelf oil and gas leasing program described in clause (iv)(I), the Secretary, without consultation with any State, shall include the areas covered by the petition in lease sales under the proposed 5-year outer Continental Shelf oil and gas leasing program.
“(II) ENVIRONMENTAL ASSESSMENT.—Before modifying a 5-year outer Continental Shelf oil and gas leasing program for the next 5-year period, the Secretary shall complete an environmental assessment that describes any anticipated environmental effect of leasing in the area covered by the petition.

“(3) PHASE II.—

“(A) REVIEW AND RECOMMENDATIONS BY COMMISSION.—The Commission shall review the results of the comprehensive inventory of outer Continental Shelf oil and natural gas resources and other information and make recommendations in accordance with paragraph (7)(B).

“(B) SENSE OF CONGRESS ON ADDITIONAL OIL AND GAS LEASING.—It is the sense of Congress that, after taking into account the recommendations of the Commission under paragraph (7)(B)(ii), Congress should determine whether any additional areas on the outer Continental Shelf should become available for oil and gas leasing beginning in calendar year 2015.
“(4) DISPOSITION OF QUALIFIED OUTER CONTINENTAL SHELF REVENUES.—

“(A) GULF OF MEXICO.—Notwithstanding section 9, qualified outer Continental Shelf revenues derived from leasing moratorium areas in the Gulf of Mexico under paragraph (2)(A) shall be disbursed to Gulf producing States (including the State of Florida) and coastal political subdivisions of those Gulf producing States in accordance with section 105 of the Gulf of Mexico Energy Security Act of 2006 (43 U.S.C. 1331 note; Public Law 109–432).

“(B) SOUTHEASTERN STATES.—

“(i) IN GENERAL.—Except as provided in clause (ii), if the Governor or the Legislature of a Southeastern State submits to the Secretary a petition requesting that the Secretary make available for leasing any portion of a moratorium area in the administrative boundaries of the Southeastern State that is more than 50 miles off the coastline of the Southeastern State and the Secretary approves the petition, the Secretary shall—
“(I) disburse to the Southeastern State 37.5 percent of any qualified outer Continental Shelf revenues that are derived from leasing any portion of a moratorium area in the administrative boundaries of the Southeastern State that is more than 50 miles, but less than 100 miles, off the coastline of the Southeastern State; and

“(II) pay 20 percent of the allocable share of the Southeastern State to the coastal political subdivisions of the Southeastern State in accordance with subparagraphs (B), (C), and (E) of section 31(b)(4).

“(ii) CONTIGUOUS STATES.—If 2 or more contiguous Southeastern States submit petitions described in clause (i) and the Secretary approves the petitions, the Secretary shall—

“(I) disburse to the contiguous Southeastern States 50 percent of any qualified outer Continental Shelf revenues that are derived from leasing any portion of a moratorium area in the

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administrative boundaries of the Southeastern States that is more than 50 miles, but less than 100 miles, off the coastline of the Southeastern States;

“(II) allocate the amount made available under subclause (I) to the contiguous Southeastern States in amounts that are inversely proportional to the respective distances between the point on the coastline of each Southeastern State that is closest to the geographical center of each historical lease site and the geographical center of the historical lease site, as determined by the Secretary; and

“(III) pay 20 percent of the allocable share of each contiguous Southeastern State to the coastal political subdivisions of the Southeastern State in accordance with subparagraphs (B), (C), and (E) of section 31(b)(4).

“(5) PROHIBITION ON EXPORT.—All oil and natural gas produced on the outer Continental Shelf
of the United States under this subsection shall be made available for refining and sale solely within the United States.

“(6) ALTERNATIVE FUEL TRUST FUND.—

“(A) ESTABLISHMENT.—There is established in the Treasury of the United States a revolving fund, to be known as the ‘Alternative Fuel Trust Fund’, consisting of all qualified outer Continental Shelf revenues payable to the Federal Government under this subsection (as determined by the Secretary).

“(B) EXPENDITURES FROM FUND.—Subject to appropriations and on request by the Secretary of Energy, the Secretary of the Treasury shall transfer from the Fund to the Secretary of Energy such amounts as the Secretary of Energy determines are necessary to carry out—

“(i) research, development, and commercialization programs for alternative fuels and alternative fuel technologies; and

“(ii) similar programs established under titles III and IV of the New Energy Reform Act of 2008 and amendments made by those titles.
“(C) Transfers of amounts.—

“(i) In general.—The amounts required to be transferred to the Fund under this paragraph shall be transferred at least monthly from the general fund of the Treasury to the Fund on the basis of estimates made by the Secretary of the Treasury.

“(ii) Adjustments.—Proper adjustment shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

“(7) National Commission on Offshore Oil and Gas Leasing.—

“(A) Establishment.—

“(i) In general.—There is established a commission, to be known as the ‘National Commission on Offshore Oil and Gas Leasing’.

“(ii) Membership.—The Commission shall be composed of 15 members, of whom—

“(I) 3 shall be appointed by the President;
“(II) 3 shall be appointed by the
majority leader of the Senate;

“(III) 3 shall be appointed by the
minority leader of the Senate;

“(IV) 3 shall be appointed by the
Speaker of the House of Repre-
sentatives; and

“(V) 3 shall be appointed by the
minority leader of the House of Rep-
resentatives.

“(iii) Co-chairpersons.—

“(I) In general.—The Presi-
dent shall designate 2 co-chairpersons
from among the members of the Com-
mission appointed.

“(II) Political affiliation.—
The co-chairpersons designated under
subclause (I) shall not both be affili-
ated with the same political party.

“(iv) Deadline for appoint-
ment.—Members of the Commission shall
be appointed not later than 90 days after
the date of enactment of the New Energy
Reform Act of 2008.

“(v) Term; vacancies.—
“(I) TERM.—A member of the Commission shall be appointed for the life of the Commission.

“(II) VACANCIES.—Any vacancy in the Commission—

“(aa) shall not affect the powers of the Commission; and

“(bb) shall be filled in the same manner as the original appointment.

“(B) FUNCTIONS.—The Commission shall—

“(i) review—

“(I) the results of the comprehensive inventory of outer Continental Shelf oil and natural gas resources conducted under section 357 of the Energy Policy Act of 2005 (42 U.S.C. 15912); and

“(II) other information relating to the environmental impact, community acceptance, existing and planned infrastructure, and other factors that are relevant to the recommendation required under clause (ii); and
“(ii) make recommendations to Congress concerning any additional areas on the outer Continental Shelf that the Commission should become available for oil and gas leasing beginning in calendar year 2015, based on—

“(I) the review conducted under clause (i); and

“(II) production potential, environmental factors, community acceptance, existing and planned infrastructure, and other relevant factors.

“(C) COMMISSION PERSONNEL MATTERS.—

“(i) STAFF AND DIRECTOR.—The Commission shall have a staff headed by an Executive Director.

“(ii) STAFF APPOINTMENT.—The Executive Director may appoint such personnel as the Executive Director and the Commission determine to be appropriate.

“(iii) EXPERTS AND CONSULTANTS.—With the approval of the Commission, the Executive Director may procure temporary
and intermittent services under section 3109(b) of title 5, United States Code.

“(iv) FEDERAL AGENCIES.—

“(I) DETAIL OF GOVERNMENT EMPLOYEES.—

“(aa) IN GENERAL.—On the request of the Commission, the head of any Federal agency may detail, without reimbursement, any of the personnel of the Federal agency to the Commission to assist in carrying out the duties of the Commission.

“(bb) NATURE OF DETAIL.—Any detail of a Federal employee under item (aa) shall not interrupt or otherwise affect the civil service status or privileges of the Federal employee.

“(II) TECHNICAL ASSISTANCE.—

On the request of the Commission, the head of a Federal agency shall provide such technical assistance to the Commission as the Commission
(D) **Resources.**—

“(i) **In general.**—The Commission shall have reasonable access to materials, resources, statistical data, and such other information from Executive agencies as the Commission determines to be necessary to carry out the duties of the Commission.

“(ii) **Form of requests.**—The co-chairpersons of the Commission shall make requests for access described in clause (i) in writing, as necessary.”.

(b) **Comprehensive Inventory of OCS Oil and Natural Gas Resources.**—Section 357 of the Energy Policy Act of 2005 (42 U.S.C. 15912) is amended—

(1) in the first sentence of subsection (b), by striking “within 6 months of the date of enactment of this section” and inserting “within [_____] days of the date of enactment of the New Energy Reform Act of 2008”; and

(2) by adding at the end the following:

“(e) **Funding.**—

“(1) **In general.**—On October 1, 2008, out of any funds in the Treasury not otherwise appro-
appropriated, the Secretary of the Treasury shall transfer to the Secretary to carry out this section [§________], to remain available until expended.

“(2) Receipt and acceptance.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section the funds transferred under paragraph (1), without further appropriation.”.

(e) Conforming Amendments.—

(1) Section 104 of the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2008 (Public Law 110–161; 121 Stat. 2118) is amended—

(A) by inserting “and” after “North Atlantic;”; and

(B) by striking “; and the eastern” and all that follows through “longitude”.

(2) Section 105 of the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2008 (Public Law 110–161; 121 Stat. 2118) is repealed.

(3) Section 104 of the Gulf of Mexico Energy Security Act of 2006 (43 U.S.C. 1331 note; Public Law 109–432) is amended—

(A) by striking subsection (a);
(B) in subsection (b), by striking “Notwithstanding subsection (a), the” and inserting “The”;

(C) in subsection (c)(1), by inserting “(as it existed before the amendment made by section 401(c)(1) of the New Energy Reform Act of 2008)” after “subsection (a)”; and

(D) by redesignating subsections (b) and (c) as subsections (a) and (b), respectively.

SEC. 402. LEASE RENTAL AND ROYALTY PAYMENTS.

(a) LEASE RENTAL PAYMENTS.—Effective beginning on the date that is 1 year after the date a new lease is entered into by the Secretary of the Interior for the production of oil or natural gas on Federal land, the Secretary shall increase the amount of rental payments otherwise due under the lease by $3 per acre per year.

(b) ROYALTY PAYMENTS STUDY.—

(1) IN GENERAL.—The Secretary of the Interior, acting through Minerals Management Service, shall conduct a pilot program under which royalty rates for oil or natural gas leases for areas on the outer Continental Shelf are based on a sliding scale that is price and volume sensitive (in a manner similar to the scale used in Canada or Great Britain).
(2) Report.—Not later than 1 year after the date of enactment of this Act, the Secretary shall submit to the appropriate committees of Congress a report that describes the results of the pilot program conducted under paragraph (1).

SEC. 403. OCS JOINT PERMITTING OFFICES.

(a) Establishment.—The Secretary of the Interior (referred to in this section as the “Secretary”) shall establish Federal OCS Joint Regional Permitting Offices (referred to in this section as the “Regional Permitting Offices”) in accordance with this section.

(b) Memorandum of Understanding.—Not later than 90 days after the date of enactment of this Act, the Secretary shall enter into a memorandum of understanding for purposes of this section with—

(1) the Secretary of Commerce;

(2) the Administrator of the Environmental Protection Agency; and

(3) the Chief of Engineers.

(c) Designation of Qualified Staff.—

(1) In general.—Not later than 30 days after the date of the signing of the memorandum of understanding under subsection (b), all Federal signatory parties shall assign to each of the Regional Permitting Offices identified in subsection (d) a suffi-
cient number of employees with expertise to address
the full spectrum of agency regulatory issues relating to the Regional Permitting Office in which the employee is employed, including, as applicable, particular expertise in—

(A) the consultations and the preparation of biological opinions under section 7 of the Endangered Species Act of 1973 (16 U.S.C. 1536);

(B) permits under section 404 of Federal Water Pollution Control Act (33 U.S.C. 1344);

(C) regulatory matters under the Clean Air Act (42 U.S.C. 7401 et seq.);

(D) the consultations and preparation of documents under the Marine Mammal Protection Act of 1972 (16 U.S.C. 1361 et seq.); and

(E) the preparation of analyses under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

(2) DUTIES.—Each employee assigned under paragraph (1) shall—

(A) not later than 90 days after the date of assignment, report to the Minerals Management Service Regional Director in the Regional
Permitting Office to which the employee is assigned;

(B) be responsible for all issues relating to the jurisdiction of the home office or agency of the employee; and

(C) participate as part of the team of personnel working on proposed energy projects, planning, and environmental analyses.

(d) **REGIONAL PERMITTING OFFICES.**—The following Minerals Management Service Regional Headquarters shall serve as the Regional Permitting Offices:

(1) Anchorage, Alaska.

(2) New Orleans, Louisiana.

(3) MMS Pacific Regional Headquarters.

(4) MMS Atlantic Regional Headquarters.

(e) **REPORTS.**—Not later than 3 years after the date of enactment of this Act, the Secretary shall submit to Congress a report that describes the results of the Regional Permitting Offices.

(f) **TRANSFER OF FUND.**—For the purposes of coordination and processing of oil and gas use authorizations on the Federal outer Continental Shelf under the administration of the Regional Permitting Offices identified in subsection (d), the Secretary may authorize the expenditure or transfer of such funds as are necessary to—
(1) the United States Fish and Wildlife Service;
(2) the Bureau of Indian Affairs;
(3) the Environmental Protection Agency;
(4) the National Oceanic and Atmospheric Ad-
ministration; and

(5) the Corps of Engineers.

Subtitle B—Coal-to-Liquid Fuel

SEC. 411. COAL-TO-LIQUID FUEL.

(a) IN GENERAL.—Title XXXI of the Energy Policy
Act of 1992 (42 U.S.C. 13571 et seq.) is amended by add-
ing at the end the following:

“SEC. 3105. COAL-TO-LIQUID FUEL.

“(a) DEFINITIONS.—In this section:

“(1) CARBON CAPTURE.—The term ‘carbon
capture’ means the capture, separation, and com-
pression of carbon dioxide that would otherwise be
released to the atmosphere at a facility in the pro-
duction of end products of a project prior to trans-
portation of the carbon dioxide to a long-term stor-
age site.

“(2) COAL-TO-LIQUID PRODUCT.—The term
‘coal-to-liquid product’ means a liquid fuel resulting
from the conversion of a feedstock.
“(3) COMBUSTIBLE END PRODUCT.—The term ‘combustible end product’ means any product of a facility intended to be used as a combustible fuel.

“(4) CONVENTIONAL BASELINE EMISSIONS.—

The term ‘conventional baseline emissions’ means—

“(A) the lifecycle greenhouse gas emissions of a facility that produces combustible end products, using petroleum as a feedstock, that are equivalent to combustible end products produced by a facility of comparable size through an eligible project;

“(B) in the case of noncombustible products produced through an eligible project, the average lifecycle greenhouse gas emissions emitted by projects that—

“(i) are of comparable size; and

“(ii) produce equivalent products using conventional feedstocks; and

“(C) in the case of synthesized gas intended for use as a combustible fuel in lieu of natural gas produced by an eligible project, the lifecycle greenhouse gas emissions that would result from equivalent use of natural gas.
“(5) CTL.—The term ‘CTL’ means the coal-to-liquid process, by which any grade of coal is transformed into a liquid transportation fuel.

“(6) CTL REFINERY.—The term ‘CTL refinery’ means a facility at which coal is transformed into liquid transportation fuel through CTL.

“(7) ELIGIBLE PROJECT.—The term ‘eligible project’ means a project—

“(A) that employs gasification technology or another conversion process for feedstocks described in this section; and

“(B) for which—

“(i) the annual lifecycle greenhouse gas emissions are the same or lower than conventional baseline emissions;

“(ii) the individual or entity carrying out the eligible project has entered into an enforceable agreement with the Secretary to implement carbon capture at the percentage that, by the end of the 5-year period after commencement of commercial operation of the eligible project represents the best available technology; and

“(iii) in the opinion of the Secretary, sufficient commitments have been secured
to achieve long-term storage of captured carbon dioxide beginning as of the date of commencement of commercial operation of the project.

“(8) FACILITY.—The term ‘facility’ means a facility at which the conversion of feedstocks to end products takes place.

“(9) GASIFICATION TECHNOLOGY.—The term ‘gasification technology’ means any process that converts coal, petroleum residue, renewable biomass, or other material that is recovered for energy or feedstock value into a synthesis gas composed primarily of carbon monoxide and hydrogen for direct use or subsequent chemical or physical conversion.

“(10) GREENHOUSE GAS.—The term ‘greenhouse gas’ means any of—

“(A) carbon dioxide;
“(B) methane;
“(C) nitrous oxide;
“(D) hydrofluorocarbons;
“(E) perfluorocarbons; and
“(F) sulfur hexafluoride.

“(11) LIFECYCLE GREENHOUSE GAS EMISSIONS.—The term ‘lifecycle greenhouse gas emissions’ means the aggregate quantity of greenhouse...
gases attributable to the production and transportation of end products at a facility, including the production, extraction, cultivation, distribution, marketing, and transportation of feedstocks, and the subsequent distribution and use of any combustible end products, as modified by deducting, as determined by the Administrator of the Environmental Protection Agency—

“(A) any greenhouse gases captured at the facility and sequestered;

“(B) the carbon content, expressed in units of carbon dioxide equivalent, of any feedstock that is renewable biomass; and

“(C) the carbon content, expressed in units of carbon dioxide equivalent, of any end products that do not result in the release of carbon dioxide to the atmosphere.

“(12) LONG-TERM STORAGE.—The term ‘long-term storage’ means sequestration with an expected maximum rate of carbon dioxide leakage over a specified period of time that is consistent with the objective of reducing atmospheric concentrations of carbon dioxide, subject to a permit issued pursuant to law in effect as of the date of the sequestration.
“(13) **RENEWABLE BIOMASS.**—The term ‘renewable biomass’ has the meaning given the term in section 9001 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8101).

“(14) **SEQUESTRATION.**—The term ‘sequestration’ means the placement of carbon dioxide in a geological formation, including—

“(A) an operating oil and gas field;

“(B) coal bed methane recovery;

“(C) a depleted oil and gas field;

“(D) an unmineable coal seam;

“(E) a deep saline formation; and

“(F) a deep geological systems containing basalt formations.

“(b) **DOMESTIC REFINERY DIVERSIFICATION.**—

“(1) **IN GENERAL.**—The Secretary shall award grants for qualifying projects to support the commercial deployment of CTL refineries.

“(2) **PROJECT CRITERIA.**—A project shall be considered to be a qualifying project under this subsection if the Secretary determines that—

“(A) the purpose of the project is the deployment of a CTL refinery in the United States;
“(B) the grant recipient is financially viable without the receipt of additional Federal funding;

“(C) the project site has been identified;

“(D) a preliminary feasibility study has been completed;

“(E) a long-term source of coal has been identified and secured; and

“(F) the refinery will be designed and constructed—

“(i) to have a production capacity of at least 12,000 barrels per day; and

“(ii) to include carbon capture technology.

“(3) USE.—A grant under this subsection may be used to offset costs associated with the deployment of a CTL refinery in the United States, including the costs of preliminary engineering and engineering design specifications.

“(4) MAXIMUM AMOUNT.—The amount of a grant made for a qualifying project under this subsection shall not exceed $50,000,000.

“(5) REPORT.—Not later than 1 year after the date of enactment of this section and annually thereafter until amounts made available to carry out this
section are expended, the Secretary shall submit to Congress a report describing—

“(A) the status of projects funded under this section; and

“(B) the reasons for the denial of any grant for a project funded under this section.

“(6) Authorization of Appropriations.—

There is authorized to be appropriated to the Secretary to carry out this subsection $500,000,000, to remain available until expended.

“(c) Direct Loan Program.—

“(1) In General.—Not later than 1 year after the date of enactment of this section, and subject to funds being made available in advance through appropriations Acts, the Secretary shall carry out a program to provide a total of not more than $10,000,000,000 in loans to eligible individuals and entities (as determined by the Secretary) for use in carrying out eligible projects.

“(2) Selection of Eligible Projects.—The Secretary shall select eligible projects to receive loans under this section—

“(A) through the conduct of a reverse auction, in which eligible projects proposed to be carried out that have the greatest rate of car-
bon capture and long-term storage, and the
lowest lifecycle greenhouse gas emissions, are
given priority;

“(B) that, taken together, would—

“(i) represent a variety of geographical regions;

“(ii) use a variety of types of feedstocks and coal; and

“(iii) to the extent consistent with achieving long-term storage, represent a
variety of geological formations; and

“(C) for which eligible projects, in the
opinion of the Secretary—

“(i) each award recipient is financially
viable without the receipt of additional
Federal funding associated with the pro-
posed project;

“(ii) each recipient will provide suffi-
cient information to the Secretary for the
Secretary to ensure that the qualified in-
vestment is expended efficiently and effec-
tively;

“(iii) a market exists for the products
of the proposed project, as evidenced by
contracts or written statements of intent
from potential customers;

“(iv) the project team of each recipi-
ent is competent in the construction and
operation of the gasification technology
proposed; and

“(v) each recipient has met such other
criteria as may be established and pub-
lished by the Secretary.

“(3) USE OF LOAN FUNDS.—

“(A) IN GENERAL.—Subject to subpara-
graph (B), funds from a loan provided under
this section may be used to pay up to 100 per-
cent of the costs of capital associated with re-
ducing lifecycle greenhouse gas emissions at the
facility (including carbon dioxide capture, com-
pression, and long-term storage, cogeneration,
and gasification of biomass) carried out as part
of an eligible project.

“(B) TOTAL PROJECT COST.—Funds from
a loan provided under this section may not be
used to pay more than 50 percent of the total
cost of an eligible project.

“(4) RATES, TERMS, AND REPAYMENT OF
LOANS.—A loan provided under this section—
“(A) shall have an interest rate that, as of the date on which the loan is made, is equal to the cost of funds to the Department of the Treasury for obligations of comparable maturity;

“(B) shall have a term equal to the lesser of—

“(i) the projected life, in years, of the eligible project to be carried out using funds from the loan, as determined by the Secretary; and

“(ii) 25 years;

“(C) may be subject to a deferral in repayment for not more than 5 years after the date on which the eligible project carried out using funds from the loan first begins operations, as determined by the Secretary;

“(D) shall be made on the condition that the Secretary shall be subrogated to the rights of the recipient of the payment as specified in the loan or related agreements, including, as appropriate, the authority (notwithstanding any other provision of law)—

“(i) to complete, maintain, operate, lease, or otherwise dispose of any property
acquired pursuant to the guarantee or a related agreement; or
“(ii) to permit the borrower, pursuant to an agreement with the Secretary, to continue to pursue the purposes of the project, if the Secretary determines the pursuit to be in the public interest; and
“(E) shall be subject to section 136(d)(2) of the Energy Independence and Security Act of 2007 (42 U.S.C. 17013(d)(2)).
“(5) METHODOLOGY.—Not later than 18 months after the date of enactment of this section, the Administrator of the Environmental Protection Agency shall, by regulation, establish a methodology for use in determining the lifecycle greenhouse gas emissions of products produced using gasification technology.
“(6) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary such sums as are necessary to carry out this subsection, to remain available until expended.”.
(b) CONFORMING AMENDMENT.—The table of contents of the Energy Policy Act of 1992 (42 U.S.C. pree. 13201) is amended by adding at the end of the items relating to title XXXI the following:

“Sec. 3105. Coal innovation direct loan program.”.
Subtitle C—Nuclear Power

SEC. 421. NUCLEAR REGULATORY COMMISSION.

There are authorized to be appropriated to the Nuclear Regulatory Commission such sums as are necessary for the Commission to establish an additional 40 full-time equivalent positions to—

(1) expedite the processing of applications for new nuclear plants; and

(2) streamline the licensing process.

SEC. 422. NUCLEAR ENERGY WORKFORCE.

Section 1101 of the Energy Policy Act of 2005 (42 U.S.C. 16411) is amended—

(1) in subsection (b)(1)—

(A) in subparagraph (A), by striking “and” at the end;

(B) in subparagraph (B), by striking the period and inserting “; and”; and

(C) by adding at the end the following:

“(C) nuclear utility and nuclear energy product and service industries.”;

(2) by redesignating subsection (d) as subsection (e); and

(3) by inserting after subsection (e) the following:

“(d) WORKFORCE TRAINING.—
“(1) IN GENERAL.—The Secretary of Labor, in cooperation with the Secretary, shall promulgate regulations to implement a program to provide grants to enhance workforce training for any occupation in the workforce of the nuclear utility and nuclear energy products and services industries for which a shortage is identified or predicted in the report under subsection (b)(2).

“(2) CONSULTATION.—In carrying out this subsection, the Secretary of Labor shall consult with representatives of the nuclear utility and nuclear energy products and services industries, including organized labor organizations and multiemployer associations that jointly sponsor apprenticeship programs that provide training for skills needed in those industries.

“(3) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary of Labor, working in coordination with the Secretary and the Secretary of Education, $20,000,000 for each of fiscal years 2009 through 2013 to carry out this subsection.”.
SEC. 423. INTERAGENCY WORKING GROUP TO PROMOTE DOMESTIC MANUFACTURING BASE FOR NUCLEAR COMPONENTS AND EQUIPMENT.

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

(1) to increase the competitiveness of the United States nuclear energy products and services industries;

(2) to identify the stimulus or incentives necessary to cause United States manufacturers of nuclear energy products to expand manufacturing capacity;

(3) to facilitate the export of United States nuclear energy products and services;

(4) to reduce the trade deficit of the United States through the export of United States nuclear energy products and services;

(5) to retain and create nuclear energy manufacturing and related service jobs in the United States;

(6) to integrate the objectives described in paragraphs (1) through (5), in a manner consistent with the interests of the United States, into the foreign policy of the United States; and

(7) to authorize funds for increasing United States capacity to manufacture nuclear energy products and supply nuclear energy services.
(b) Establishment.—

(1) In general.—There is established an interagency working group (referred to in this section as the “Working Group”) that, in consultation with representative industry organizations and manufacturers of nuclear energy products, shall make recommendations to coordinate the actions and programs of the Federal Government in order to promote increasing domestic manufacturing capacity and export of domestic nuclear energy products and services.

(2) Composition.—The Working Group shall be composed of—

(A) the Secretary of Energy (or a designee), who shall serve as Chairperson of the Working Group; and

(B) representatives of—

(i) the Department of Energy;

(ii) the Department of Commerce;

(iii) the Department of Defense;

(iv) the Department of Treasury;

(v) the Department of State;

(vi) the Environmental Protection Agency;
(vii) the United States Agency for International Development;

(viii) the Export-Import Bank of the United States;

(ix) the Trade and Development Agency;

(x) the Small Business Administration;

(xi) the Office of the United States Trade Representative; and

(xii) other Federal agencies, as determined by the President.

(c) Duties of Working Group.—The Working Group shall—

(1) not later than 180 days after the date of enactment of this Act, identify the actions necessary to promote the safe development and application in foreign countries of nuclear energy products and services—

(A) to increase electricity generation from nuclear energy sources through development of new generation facilities;

(B) to improve the efficiency, safety, and reliability of existing nuclear generating facilities through modifications; and
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(C) enhance the safe treatment, handling, storage, and disposal of used nuclear fuel;

(2) not later than 180 days after the date of enactment of this Act, identify—

(A) mechanisms (including tax stimuli for investment, loans and loan guarantees, and grants) necessary for United States companies to increase—

(i) the capacity of the companies to produce or provide nuclear energy products and services; and

(ii) exports of nuclear energy products and services; and

(B) administrative or legislative initiatives that are necessary —

(i) to encourage United States companies to increase the manufacturing capacity of the companies for nuclear energy products;

(ii) to provide technical and financial assistance and support to small and mid-sized businesses to establish quality assurance programs in accordance with domestic and international nuclear quality assurance code requirements;
(iii) to encourage, through financial incentives, private sector capital investment to expand manufacturing capacity; and

(iv) to provide technical assistance and financial incentives to small and mid-sized businesses to develop the workforce necessary to increase manufacturing capacity and meet domestic and international nuclear quality assurance code requirements;

(3) not later than 270 days after the date of enactment of this Act, submit to Congress a report that describes the findings of the Working Group under paragraphs (1) and (2), including recommendations for new legislative authority, as necessary; and

(4) encourage the agencies represented by membership in the Working Group—

(A) to provide technical training and education for international development personnel and local users in other countries;

(B) to provide financial and technical assistance to nonprofit institutions that support the marketing and export efforts of domestic
companies that provide nuclear energy products and services;

(C) to develop nuclear energy projects in foreign countries;

(D) to provide technical assistance and training materials to loan officers of the World Bank, international lending institutions, commercial and energy attaches at embassies of the United States, and other appropriate personnel in order to provide information about nuclear energy products and services to foreign governments or other potential project sponsors;

(E) to support, through financial incentives, private sector efforts to commercialize and export nuclear energy products and services in accordance with the subsidy codes of the World Trade Organization; and

(F) to augment budgets for trade and development programs in order to support prefeasibility or feasibility studies for projects that use nuclear energy products and services.

(d) PERSONNEL AND SERVICE MATTERS.—The Secretary and the heads of agencies represented by membership in the Working Group shall detail such personnel and furnish such services to the Working Group, with or with-
out reimbursement, as are necessary to carry out the func-
tions of the Working Group.

(c) Authorization of Appropriations.—There is
authorized to be appropriated to the Secretary to carry
out this section $20,000,000 for each of fiscal years 2009
through 2013.

SEC. 424. SPENT FUEL RECYCLING PROGRAM.

(a) In General.—The Secretary shall—

(1) begin construction of a spent fuel recycling
research and development facility not later than 1
year after the date of enactment of this Act; and

(2) conduct research and development activities
to develop spent fuel processes that reduces the
quantity of waste in a manner that ensures adequate
protection against proliferation and is in accordance
with the defense, security, national interests, and
treaty obligations of the United States.

(b) Spent Fuel Recycling Research and De-
velopment Facility.—

(1) Purpose.—The facility described in sub-
section (a)(1) shall serve as the lead site for con-
tinuing research and development of advanced nu-
clear fuel cycles and separation technologies.
(2) Site selection.—In selecting a site for the facility, the Secretary shall give preference to a site that has—

(A) the most technically sound bid;

(B) a demonstrated technical expertise in spent fuel recycling; and

(C) community support.

c) Authorization of Appropriations.—There are authorized to be appropriated such sums as are necessary to carry out this section.

Sec. 425. Standby Support for Certain Nuclear Plant Delays.

(a) Definitions.—Section 638(a) of the Energy Policy Act of 2005 (42 U.S.C. 16014(a)) is amended—

(1) by redesignating paragraph (4) as paragraph (7); and

(2) by inserting after paragraph (3) the following:

“(4) Full power operation.—The term ‘full power operation’, with respect to a facility, means the earlier of—

“(A) the commercial operation date (or the equivalent under the terms of the financing documents for the facility); and
“(B) the date on which the facility achieves operation at an average nameplate capacity of 50 percent or more during any consecutive 30-day period after the completion of startup testing for the facility.

“(5) INCREASED PROJECT COSTS.—The term ‘increased project costs’ means the increased cost of constructing, commissioning, testing, operating, or maintaining a reactor prior to full-power operation incurred as a result of a delay covered by the contract, including costs of demobilization and remobilization, increased costs of equipment, materials and labor due to delay (including idle time), increased general and administrative costs, and escalation costs for completing construction.

“(6) LITIGATION.—The term ‘litigation’ means any—

“(A) adjudication in Federal, State, local, or tribal court; and

“(B) any administrative proceeding or hearing before a Federal, State, local, or tribal agency or administrative entity.”.

(b) CONTRACT AUTHORITY.—Section 638(b) of the Energy Policy Act of 2005 (42 U.S.C. 16014(b)) is
amended by striking paragraph (1) and inserting the fol-
lowing:

“(1) CONTRACTS.—

“(A) IN GENERAL.—The Secretary may
enter into contracts under this section with
sponsors of an advanced nuclear facility that
cover at any 1 time a total of not more than
12 reactors, which shall consist of not less than
2 nor more than 4 different reactor designs, in
accordance with paragraph (2).

“(B) REPLACEMENT CONTRACTS.—If any
contract entered into under this section termi-
nates or expires without a claim being paid by
the Secretary under the contract, the Secretary
may enter into a new contract under this sec-
tion in replacement of the contract.”.

(c) COVERED COSTS.—Section 638(d) of the Energy
Policy Act of 2005 (42. U.S.C. 16014(d)) is amended by
striking paragraphs (2) and (3) and inserting the fol-
lowing:

“(2) COVERAGE.—In the case of reactors that
receive combined licenses and on which construction
is commenced, the Secretary shall pay—
“(A) 100 percent of the covered costs of delay that occur after the initial 30-day period of covered delay; but
“(B) not more than $500,000,000 per contract.
“(3) COVERED DEBT OBLIGATIONS.—Debt obligations covered under subparagraph (A) of paragraph (5) shall include debt obligations incurred to pay increased project costs.”.
(d) DISPUTE RESOLUTION.—Section 638 of the Energy Policy Act of 2005 (42 U.S.C. 16014) is amended—
(1) by redesignating subsections (f) through (h) as subsections (g) through (i), respectively; and
(2) by inserting after subsection (e) the following:
“(f) DISPUTE RESOLUTION.—
“(1) IN GENERAL.—Any controversy or claim arising out of or relating to any contract entered into under this section shall be determined by arbitration in Washington, DC, in accordance with the applicable Commercial Arbitration Rules of the American Arbitration Association.
“(2) TREATMENT OF DECISION.—A decision by an arbitrator shall be final and binding, and the United district court for Washington, DC, or the
district in which the project is located shall have ju-
risdiction to enter judgment on the decision.”.

3 SEC. 426. INCENTIVES FOR INNOVATIVE TECHNOLOGIES.

(a) DEFINITION OF PROJECT COST.—Section
1701(1) of the Energy Policy Act of 2005 (42 U.S.C.
16511(1)) is amended by adding at the end the following:

“(6) PROJECT COST.—The term ‘project cost’
means all costs associated with the development,
planning, design, engineering, permitting and licens-
ing, construction, commissioning, startup, shake-
down, and financing of a facility, including reason-
able escalation and contingencies, the cost of and
fees for the guarantee, reasonably required reserve
funds, initial working capital, and interest during
construction.”.

(b) TERMS AND CONDITIONS.—Section 1702 of the
Energy Policy Act of 2005 (42 U.S.C. 16512) is amended
by striking subsections (b) and (c) and inserting the fol-
lowing:

“(b) SPECIFIC APPROPRIATION OR CONTRIBUT-
ION.—

“(1) IN GENERAL.—No guarantee shall be
made unless—

“(A) sufficient amounts have been appro-
priated to cover the cost of the guarantee;
“(B) the Secretary has—

“(i) received from the borrower payment in full for the cost of the obligation; and

“(ii) deposited the payment into the Treasury; or

“(C) any combination of subparagraphs (A) and (B) that is sufficient to cover the cost of the obligation.

“(2) Relation to other laws.—Section 504(b) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661c (b)) shall not apply to a loan guarantee made in accordance with paragraph (1).

“(c) Amount.—

“(1) In general.—Subject to paragraph (2), the Secretary shall guarantee—

“(A) 100 percent of the obligation for a facility that is the subject of a guarantee; or

“(B) a lesser amount, if requested by the borrower.

“(2) Limitation.—The total amount of loans guaranteed for a facility by the Secretary shall not exceed 80 percent of the total cost of the facility, as estimated at the time at which the guarantee is issued.”.
(c) Fees.—Section 1702(h) of the Energy Policy Act of 2005 (42 U.S.C. 16512(h)) is amended by striking paragraph (2) and inserting the following:

“(2) Availability.—Fees collected under this subsection shall—

“(A) be deposited by the Secretary into a special fund in the Treasury to be known as the ‘Incentives For Innovative Technologies Fund’; and

“(B) remain available to the Secretary for expenditure, without further appropriation or fiscal year limitation, for administrative expenses incurred in carrying out this title.”.

Subtitle D—Tax Provisions

SEC. 431. TAX CREDIT FOR CARBON DIOXIDE SEQUESTRATION.

(a) In General.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business credits), as amended by this Act, is amended by adding at the end the following new section:

“SEC. 45R. CREDIT FOR CARBON DIOXIDE SEQUESTRATION.

“(a) General Rule.—For purposes of section 38, the carbon dioxide sequestration credit for any taxable
year is an amount equal to $15 per metric ton of qualified carbon dioxide which is—

“(1) captured by the taxpayer at a qualified facility, and

“(2) used by the taxpayer as a tertiary injectant in a qualified enhanced oil or natural gas recovery project.

“(b) QUALIFIED CARBON DIOXIDE.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified carbon dioxide’ means carbon dioxide captured from an industrial source which—

“(A) would otherwise be released into the atmosphere as industrial emission of greenhouse gas, and

“(B) is measured at the source of capture and verified at the point of disposal or injection.

“(2) RECYCLED CARBON DIOXIDE.—The term ‘qualified carbon dioxide’ includes the initial deposit of captured carbon dioxide used as a tertiary injectant. Such term does not include carbon dioxide that is re-captured, recycled, and re-injected as part of the enhanced oil and natural gas recovery process.
“(c) Qualified Facility.—For purposes of this section, the term ‘qualified facility’ means any industrial facility—

“(1) which is owned by the taxpayer,

“(2) at which carbon capture equipment is placed in service, and

“(3) which captures not less than 500,000 metric tons of carbon dioxide during the taxable year.

“(d) Special Rules and Other Definitions.—

For purposes of this section—

“(1) Only Carbon Dioxide Captured Within the United States Taken into Account.—

The credit under this section shall apply only with respect to qualified carbon dioxide the capture of which is within—

“(A) the United States (within the meaning of section 638(1)), or

“(B) a possession of the United States (within the meaning of section 638(2)).

“(2) Tertiary Injectant.—The term ‘tertiary injectant’ has the same meaning as when used within section 193(b)(1).

“(3) Qualified Enhanced Oil or Natural Gas Recovery Project.—The term ‘qualified enhanced oil or natural gas recovery project’ has the
meaning given the term ‘qualified enhanced oil recovery project’ by section 43(e)(2), by substituting ‘crude oil or natural gas’ for ‘crude oil’ in subparagraph (A)(i) thereof.

“(4) Credit attributable to taxpayer.—Any credit under this section shall be attributable to the person that captures and physically or contractually ensures the use as a tertiary injectant of the qualified carbon dioxide, except to the extent provided in regulations prescribed by the Secretary.

“(5) Recapure.—The Secretary shall, by regulations, provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any qualified carbon dioxide which ceases to be captured or used as a tertiary injectant in a manner consistent with the requirements of this section.

“(6) Inflation adjustment.—In the case of any taxable year beginning in a calendar year after 2009, there shall be substituted for each dollar amount contained in subsection (a) an amount equal to the product of—

“(A) such dollar amount, multiplied by

“(B) the inflation adjustment factor for such calendar year determined under section
43(b)(3)(B) for such calendar year, determined by substituting ‘2008’ for ‘1990’.

“(e) APPLICATION OF SECTION.—The credit under this section shall apply with respect to qualified carbon dioxide before the end of the calendar year in which the Secretary, in consultation with the Administrator of the Environmental Protection Agency, certifies that 75,000,000 metric tons of qualified carbon dioxide have been captured and disposed of or used as a tertiary injectant.”.

(b) CONFORMING AMENDMENT.—Section 38(b) of the Internal Revenue Code of 1986 (relating to general business credit), as amended by this Act, is amended by striking “plus” at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting “, plus”, and by adding at the end of following new paragraph:

“(37) the carbon dioxide sequestration credit determined under section 45Q(a).”.

(c) CLERICAL AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to other credits), as amended by this Act, is amended by adding at the end the following new section:

“Sec. 45R. Credit for carbon dioxide sequestration.”.
(d) Effective Date.—The amendments made by this section shall apply carbon dioxide captured after the date of the enactment of this Act.

SEC. 432. 5-YEAR ACCELERATED DEPRECIATION FOR NEW NUCLEAR POWER FACILITIES.

(a) In General.—Subparagraph (B) of section 168(e)(3) of the Internal Revenue Code of 1986 (relating to 5-year property) is amended—

(1) by striking “and” at the end of clause (v);

(2) by striking the period at the end of clause (vi) and inserting “, and”; and

(3) by inserting after clause (vi) the following new clause:

“(vii) any qualified nuclear power facility the original use of which commences with the taxpayer.”.

(b) Qualified Nuclear Power Facility.—Section 168(e) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(8) Qualified nuclear power facility.—The term ‘qualified nuclear power facility’ means an advanced nuclear facility (as defined in section 45J(d)(2))—
“(A) which, when placed in service, will use nuclear power to produce electricity,

“(B) the construction of which is approved by the Nuclear Regulatory Commission on or before December 31, 2013, and

“(C) which is placed in service before January 1, 2021.”.

(e) Conforming Amendment.—Section 168(e)(3)(E)(vii) of the Internal Revenue Code of 1986 is amended by inserting “and not described in subparagraph (B)(vii) of this paragraph” after “section 1245(a)(3)”.

(d) Effective Date.—The amendments made by this section shall apply to property placed in service in taxable years beginning after the date of enactment of this Act.

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.

(a) Denial of Deduction for Major Integrated Oil Companies and State-Owned Oil Compa-
NIES FOR INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION OF OIL, GAS, OR PRIMARY PRODUCTS THEREOF.—

(1) IN GENERAL.—Subparagraph (B) of section 199(c)(4) of the Internal Revenue Code of 1986 (relating to exceptions) is amended by striking “or” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, or”, and by inserting after clause (iii) the following new clause:

“(iv) in the case of any disqualified oil company, the production, refining, processing, transportation, or distribution of oil, gas, or any primary product thereof.”.

(2) DISQUALIFIED OIL COMPANY.—Section 199(c) of such Code is amended by adding at the end the following new paragraph:

“(8) DISQUALIFIED OIL COMPANY.—

“(A) IN GENERAL.—The term ‘disqualified oil company’ means—

“(i) any major integrated oil company (as defined in section 167(h)(5)(B)) during any taxable year described in section 167(h)(5)(B), or

“(ii) any controlled commercial entity (as defined in section 892(a)(2)(B)) the
commercial activities of which during the taxable year includes the production, refining, processing, transportation, or distribution of oil, gas, or any primary product thereof.

“(B) PRIMARY PRODUCT.—The term ‘primary product’ has the same meaning as when used in section 927(a)(2)(C), as in effect before its repeal.”.

(b) LIMITATION ON OIL RELATED QUALIFIED PRODUCTION ACTIVITIES INCOME FOR TAXPAYERS OTHER THAN MAJOR INTEGRATED OIL COMPANIES AND STATE-OWNED OIL COMPANIES.—

(1) IN GENERAL.—Section 199(d) of the Internal Revenue Code of 1986 is amended by redesignating paragraph (9) as paragraph (10) and by inserting after paragraph (8) the following new paragraph:

“(9) SPECIAL RULE FOR TAXPAYERS WITH OIL RELATED QUALIFIED PRODUCTION ACTIVITIES INCOME.—

“(A) IN GENERAL.—If a taxpayer (other than a disqualified oil company) has oil related qualified production activities income for any taxable year beginning after 2009, the amount
of the deduction under subsection (a) shall be reduced by 3 percent of the least of—

“(i) the oil related qualified production activities income of the taxpayer for the taxable year,

“(ii) the qualified production activities income of the taxpayer for the taxable year, or

“(iii) taxable income (determined without regard to this section).

“(B) OIL RELATED QUALIFIED PRODUCTION ACTIVITIES INCOME.—The term ‘oil related qualified production activities income’ means for any taxable year the qualified production activities income which is attributable to the production, refining, processing, transportation, or distribution of oil, gas, or any primary product thereof during such taxable year.”.

(2) CONFORMING AMENDMENT.—Section 199(d)(2) of such Code (relating to application to individuals) is amended by striking “subsection (a)(1)(B)” and inserting “subsections (a)(1)(B) and (d)(9)(A)(iii)”.
(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

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.

(a) In General.—Subtitle E of the Internal Revenue Code of 1986 (relating to alcohol, tobacco, and certain other excise taxes) is amended by adding at the end the following new chapter:

“CHAPTER 56—TAX ON SEVERANCE OF CRUDE OIL AND NATURAL GAS FROM THE OUTER CONTINENTAL SHELF IN 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.

“SEC. 5896. IMPOSITION OF TAX.

“(a) In General.—In addition to any other tax imposed under this title, there is hereby imposed a tax equal to 13 percent of the removal price of any taxable crude oil or natural gas removed from the premises during any taxable period.
“(b) CREDIT FOR FEDERAL ROYALTIES PAID.—

“(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by subsection (a) with respect to the production of any taxable crude oil or natural gas an amount equal to the aggregate amount of royalties paid under Federal law with respect to such production.

“(2) LIMITATION.—The aggregate amount of credits allowed under paragraph (1) to any taxpayer for any taxable period shall not exceed the amount of tax imposed by subsection (a) for such taxable period.

“(c) TAX PAID BY PRODUCER.—The tax imposed by this section shall be paid by the producer of the taxable crude oil or natural gas.

“SEC. 5897. TAXABLE CRUDE OIL OR NATURAL GAS AND REMOVAL PRICE.

“(a) TAXABLE CRUDE OIL OR NATURAL GAS.—For purposes of this chapter, the term ‘taxable crude oil or natural gas’ means crude oil or natural gas which is produced from Federal submerged lands on the outer Continental Shelf in the Gulf of Mexico pursuant to a lease entered into with the United States which authorizes the production.
“(b) Removal Price.—For purposes of this chapter—

“(1) In general.—Except as otherwise provided in this subsection, the term ‘removal price’ means—

“(A) in the case of taxable crude oil, the amount for which a barrel of such crude oil is sold, and

“(B) in the case of taxable natural gas, the amount per 1,000 cubic feet for which such natural gas is sold.

“(2) Sales between related persons.—In the case of a sale between related persons, the removal price shall not be less than the constructive sales price for purposes of determining gross income from the property under section 613.

“(3) Oil or gas removed from property before sale.—If crude oil or natural gas is removed from the property before it is sold, the removal price shall be the constructive sales price for purposes of determining gross income from the property under section 613.

“(4) Refining begun on property.—If the manufacture or conversion of crude oil into refined
products begins before such oil is removed from the property—

“(A) such oil shall be treated as removed on the day such manufacture or conversion begins, and

“(B) the removal price shall be the constructive sales price for purposes of determining gross income from the property under section 613.

“(5) Property.—The term ‘property’ has the meaning given such term by section 614.

“SEC. 5898. SPECIAL RULES AND DEFINITIONS.

“(a) Administrative Requirements.—

“(1) Withholding and deposit of tax.—The Secretary shall provide for the withholding and deposit of the tax imposed under section 5896 on a quarterly basis.

“(2) Records and information.—Each taxpayer liable for tax under section 5896 shall keep such records, make such returns, and furnish such information (to the Secretary and to other persons having an interest in the taxable crude oil or natural gas) with respect to such oil as the Secretary may by regulations prescribe.

“(3) Taxable periods; return of tax.—
“(A) TAXABLE PERIOD.—Except as provided by the Secretary, each calendar year shall constitute a taxable period.

“(B) RETURNS.—The Secretary shall provide for the filing, and the time for filing, of the return of the tax imposed under section 5896.

“(b) DEFINITIONS.—For purposes of this chapter—

“(1) PRODUCER.—The term ‘producer’ means the holder of the economic interest with respect to the crude oil or natural gas.

“(2) CRUDE OIL.—The term ‘crude oil’ includes crude oil condensates and natural gasoline.

“(3) PREMISES AND CRUDE OIL PRODUCT.— The terms ‘premises’ and ‘crude oil product’ have the same meanings as when used for purposes of determining gross income from the property under section 613.

“(c) ADJUSTMENT OF REMOVAL PRICE.—In determining the removal price of oil or natural gas from a property in the case of any transaction, the Secretary may adjust the removal price to reflect clearly the fair market value of oil or natural gas removed.

“(d) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this chapter.”.
(b) DEDUCTIBILITY OF TAX.—The first sentence of section 164(a) of the Internal Revenue Code of 1986 (relating to deduction for taxes) is amended by inserting after paragraph (5) the following new paragraph:

“(6) The tax imposed by section 5896(a) (after application of section 5896(b)) on the severance of crude oil or natural gas from the outer Continental Shelf in the Gulf of Mexico.”.

(c) CLERICAL AMENDMENT.—The table of chapters for subtitle E of the Internal Revenue Code of 1986 is 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.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to crude oil or natural gas removed after December 31, 2008.