

110TH CONGRESS
1ST SESSION

H. R. 2652

To amend the Internal Revenue Code of 1986 to generate renewable energy and encourage novel technologies related to the production of energy, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 11, 2007

Mr. ENGLISH of Pennsylvania introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to generate renewable energy and encourage novel technologies related to the production of energy, and for other purposes.

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

3 **SECTION 1. SHORT TITLE, ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Generating Renewable Energy and Encouraging Novel
6 Technologies Act of 2007”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment

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

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

Sec. 1. Short title, etc.

TITLE I—INVESTMENT INCENTIVES

- Sec. 101. Expensing for certain energy property.
- Sec. 102. Modifications relating to clean renewable energy bonds.
- Sec. 103. Extension and modification of investment tax credit with respect to solar energy property and qualified fuel cell property.
- Sec. 104. Extension and modification of credit for residential energy efficient property.
- Sec. 105. 15-year recovery period for property used in the transmission or distribution of electricity for sale.

TITLE II—PRODUCTION INCENTIVES

- Sec. 201. Extension of production credit for wind, solar, and geothermal.
- Sec. 202. Electricity produced from ocean energy.

TITLE III—INCENTIVES FOR ALTERNATIVE FUELS

- Sec. 301. Technology neutral diesel credit.
- Sec. 302. Extension of credit for alcohol used as fuel.
- Sec. 303. Extension of credit for alternative fuels.
- Sec. 304. Investment tax credit for cellulosic biomass ethanol plant property.

TITLE IV—INCENTIVES TO CONSERVE ENERGY

- Sec. 401. Extension of nonbusiness energy property.
- Sec. 402. Modifications of energy efficient appliance credit for appliances produced after 2007.
- Sec. 403. Increase and extension of energy efficient commercial buildings deduction.

TITLE V—CREDIT FOR OIL SHALE RECOVERY COSTS

- Sec. 501. Incentives for extraction and processing of oil shale.

TITLE VI—PROVISIONS RELATING TO ADVANCED COAL AND NUCLEAR ENERGY

- Sec. 601. Alternative method for satisfying certain requirements relating to production of refined coal.
- Sec. 602. Advanced Nuclear Power Production.

TITLE VII—COAL TO LIQUIDS TECHNOLOGY

- Sec. 701. Credit for investment in coal-to-liquid fuels projects.

Sec. 702. Temporary expensing for equipment used in coal-to-liquid fuels process.

Sec. 703. Extension of alternative fuel credit for fuel derived from coal through the Fischer-Tropsch process.

Sec. 704. Modifications to enhanced oil recovery credit.

Sec. 705. Allowance of enhanced oil, natural gas, and coalbed methane recovery, and capture and sequestration credit against the alternative minimum tax.

1 **TITLE I—INVESTMENT**
 2 **INCENTIVES**

3 **SEC. 101. EXPENSING FOR CERTAIN ENERGY PROPERTY.**

4 (a) IN GENERAL.—Part VI of subchapter B of chap-
 5 ter 1 of is amended by inserting after section 179E the
 6 following new section:

7 **“SEC. 179F. ELECTION TO EXPENSE CERTAIN ENERGY**
 8 **PROPERTY.**

9 “(a) TREATMENT AS EXPENSES.—A taxpayer may
 10 elect to treat the cost of any qualified energy property as
 11 an expense which is not chargeable to capital account. Any
 12 cost so treated shall be allowed as a deduction for the tax-
 13 able year in which the expense is incurred.

14 “(b) ELECTION.—

15 “(1) IN GENERAL.—An election under this sec-
 16 tion for any taxable year shall be made on the tax-
 17 payer’s return of the tax imposed by this chapter for
 18 the taxable year. Such election shall be made in such
 19 manner as the Secretary may by regulations pre-
 20 scribe.

1 “(2) ELECTION IRREVOCABLE.—Any election
2 made under this section may not be revoked except
3 with the consent of the Secretary.

4 “(c) QUALIFIED ENERGY PROPERTY.—For purposes
5 of this section—

6 “(1) The term ‘qualified energy property’
7 means any property located in the United States—

8 “(A) which—

9 “(i) is described in subparagraph (A)
10 of section 48(a)(3) (or would be so de-
11 scribed if ‘solar or wind energy’ were sub-
12 stituted for ‘solar energy’ in clause (i)
13 thereof and the last sentence of such sec-
14 tion did not apply to such subparagraph),

15 “(ii) is described in paragraph (15) of
16 section 48(l) (as in effect on the day before
17 the date of the enactment of the Revenue
18 Reconciliation Act of 1990) and is a quali-
19 fying small power production facility within
20 the meaning of section 3(17)(C) of the
21 Federal Power Act (16 U.S.C.
22 796(17)(C)), as in effect on September 1,
23 1986,

24 “(iii) is described in section
25 48(l)(3)(A)(ix) (as in effect on the day be-

1 fore the date of the enactment of the Rev-
2 enue Reconciliation Act of 1990), or

3 “(iv) ocean energy property,

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

6 “(C) the construction of which—

7 “(i) except as provided in subpara-
8 graph (B), is subject to a binding con-
9 struction contract entered into after the
10 date of the enactment of this section and
11 before January 1, 2011, but only if there
12 was no written binding construction con-
13 tract entered into on or before such date of
14 enactment, or

15 “(ii) in the case of self-constructed
16 property, began after the date of the enact-
17 ment of this section and before January 1,
18 2011, and

19 “(D) which is placed in service by the tax-
20 payer after the date of the enactment of this
21 section and before January 1, 2016.

22 “(2) OCEAN ENERGY PROPERTY.—The term
23 ‘ocean energy property’ means property—

1 “(A) for hydro thermal energy generation
2 through closed-cycle, open-cycle and hybrid
3 processes, or

4 “(B) for hydro mechanical energy genera-
5 tion through channel systems, float systems,
6 and oscillating water column systems.

7 “(3) SPECIAL RULE.—Nothing in any provision
8 of law shall be construed to treat property as not
9 being described in paragraph (1)(A)(i) (or the cor-
10 responding provisions of prior law) by reason of
11 being public utility property (within the meaning of
12 section 48(a)(3)).

13 “(d) ELECTION TO ALLOCATE DEDUCTION TO COOP-
14 ERATIVE OWNER.—If—

15 “(1) a taxpayer to which subsection (a) applies
16 is an organization to which part I of subchapter T
17 applies, and

18 “(2) one or more persons directly holding an
19 ownership interest in the taxpayer are organizations
20 to which part I of subchapter T apply,

21 the taxpayer may elect to allocate all or a portion of the
22 deduction allowable under subsection (a) to such persons.
23 Such allocation shall be equal to the person’s ratable share
24 of the total amount allocated, determined on the basis of
25 the person’s ownership interest in the taxpayer. The tax-

1 able income of the taxpayer shall not be reduced under
2 section 1382 by reason of any amount to which the pre-
3 ceding sentence applies.

4 “(e) BASIS REDUCTION.—

5 “(1) IN GENERAL.—For purposes of this title,
6 if a deduction is allowed under this section with re-
7 spect to any qualified energy property, the basis of
8 such property shall be reduced by the amount of the
9 deduction so allowed.

10 “(2) ORDINARY INCOME RECAPTURE.—For
11 purposes of section 1245, the amount of the deduc-
12 tion allowable under subsection (a) with respect to
13 any property which is of a character subject to the
14 allowance for depreciation shall be treated as a de-
15 duction allowed for depreciation under section 167.

16 “(f) APPLICATION WITH OTHER DEDUCTIONS AND
17 CREDITS.—

18 “(1) OTHER DEDUCTIONS.—No deduction shall
19 be allowed under any other provision of this chapter
20 with respect to any expenditure with respect to
21 which a deduction is allowed under subsection (a) to
22 the taxpayer.

23 “(2) CREDITS.—No credit shall be allowed
24 under section 38 with respect to any amount for
25 which a deduction is allowed under subsection (a).

1 “(g) REPORTING.—No deduction shall be allowed
2 under subsection (a) to any taxpayer for any taxable year
3 unless such taxpayer files with the Secretary a report con-
4 taining such information with respect to the operation of
5 the property of the taxpayer as the Secretary shall re-
6 quire.”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 1016(a) is amended by striking
9 “and” at the end of paragraph (36), by striking the
10 period at the end of paragraph (37) and inserting “,
11 and”, and by adding at the end the following new
12 paragraph:

13 “(38) to the extent provided in section
14 179F(e)(1).”.

15 (2) Section 1245(a) is amended by inserting
16 “179F,” after “179D,” both places it appears in
17 paragraphs (2)(C) and (3)(C).

18 (3) Section 263(a)(1) is amended by striking
19 “or” at the end of subparagraph (J), by striking the
20 period at the end of subparagraph (K) and inserting
21 “, or”, and by inserting after subparagraph (K) the
22 following new subparagraph:

23 “(L) expenditures for which a deduction is
24 allowed under section 179F.”.

1 (4) Section 312(k)(3)(B) is amended by strik-
2 ing “or 179E” each place it appears in the heading
3 and text and inserting “179E, or 179F”.

4 (5) Section 168(e)(B) is amended by inserting
5 “and” after clause (iv), by striking “and” at the end
6 of clause (v) and inserting a period, by striking
7 clause (vi), and by striking the last sentence at the
8 end.

9 (6) The table of sections for part VI of sub-
10 chapter B of chapter 1 is amended by inserting after
11 the item relating to section 179E the following new
12 item:

“Sec. 179F. Election to expense certain energy property.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to properties placed in service after
15 the date of the enactment of this Act.

16 **SEC. 102. MODIFICATIONS RELATING TO CLEAN RENEW-**
17 **ABLE ENERGY BONDS.**

18 (a) CLEAN RENEWABLE ENERGY BOND.—Paragraph
19 (1) of section 54(d) (defining clean renewable energy
20 bond) is amended—

21 (1) in subparagraph (A) by striking “pursuant”
22 and all that follows through “subsection (f)(2)”,

23 (2) in subparagraph (B) by striking “95 per-
24 cent or more of the proceeds” and inserting “90 per-
25 cent or more of the net proceeds”, and

1 (3) in subparagraph (D) by striking “subsection
2 (h)” and inserting “subsection (g)”.

3 (b) QUALIFIED PROJECT.—Subparagraph (A) of sec-
4 tion 54(d)(2) (defining qualified project) is amended to
5 read as follows:

6 “(A) IN GENERAL.—The term ‘qualified
7 project’ means any qualified facility (as deter-
8 mined under section 45(d) without regard to
9 paragraphs (8) and (10) thereof and to any
10 placed in service requirement) owned by a
11 qualified borrower and also without regard to
12 the following—

13 “(i) in the case of a qualified facility
14 described in section 45(d)(9) (regarding in-
15 cremental hydropower production), any de-
16 termination of incremental hydropower
17 production and related calculations shall be
18 determined by the qualified borrower based
19 on a methodology that meets Federal En-
20 ergy Regulatory Commission standards;
21 and

22 “(ii) in the case of a qualified facility
23 described in section 45(d)(9) (regarding
24 non-hydropower production), the facility
25 need not be licensed by the Federal Energy

1 Regulation Commission if the facility,
2 when constructed, will meet Federal En-
3 ergy Regulatory Commission licensing re-
4 quirements and other applicable environ-
5 mental, licensing, and regulatory require-
6 ments.”.

7 (c) REIMBURSEMENT.—Subparagraph (C) of section
8 54(d)(2) (relating to reimbursement) is amended to read
9 as follows:

10 “(C) REIMBURSEMENT.—For purposes of
11 paragraph (1)(B), proceeds of a clean renew-
12 able energy bond may be issued to reimburse a
13 qualified borrower for amounts paid after the
14 date of the enactment of this section in the
15 same manner as proceeds of State and local
16 government obligations the interest upon which
17 is exempt from tax under section 103.”.

18 (d) CHANGE IN USE.—Subparagraph (D) of section
19 54(d)(2) (relating to treatment of changes in use) is
20 amended by striking “or qualified issuer”.

21 (e) MAXIMUM TERM.—Paragraph (2) of section
22 54(e) (relating to maximum term) is amended by striking
23 “without regard to the requirements of subsection (1)(6)
24 and”.

1 (f) REPEAL OF LIMITATION ON AMOUNT OF BONDS
2 DESIGNATED.—Section 54 is amended by striking sub-
3 section (f) (relating to repeal of limitation on amount of
4 bonds designated).

5 (g) SPECIAL RULES RELATING TO EXPENDI-
6 TURES.—Subsection (h) of section 54 (relating to special
7 rules relating to expenditures) is amended—

8 (1) in paragraph (1)(A) by striking “95 percent
9 of the proceeds” and inserting “90 percent of the
10 net proceeds”,

11 (2) in paragraph (1)(B)—

12 (A) by striking “10 percent of the pro-
13 ceeds” and inserting “5 percent of the net pro-
14 ceeds”, and

15 (B) by striking “the 6-month period begin-
16 ning on” both places it appears and inserting
17 “1 year of”, and

18 (3) in paragraph (1)(C) by inserting “net” be-
19 fore “proceeds”,

20 (4) in paragraph (3) by striking “95 percent of
21 the proceeds” and inserting “90 percent of the net
22 proceeds”.

23 (h) REPEAL OF SPECIAL RULES RELATING TO ARBI-
24 TRAGE.—Section 54 is amended by striking subsection (i)
25 (relating to repeal of special rules relating to arbitration).

1 (i) PUBLIC POWER ENTITY.—Subsection (j) of sec-
2 tion 54 (defining cooperative electric company; qualified
3 energy tax credit bond lender; governmental body; quali-
4 fied borrower) is amended—

5 (1) by redesignating paragraphs (4) and (5) as
6 paragraph (5) and (6) and by inserting after para-
7 graph (3) the following new paragraph:

8 “(4) PUBLIC POWER ENTITY.—The term ‘public
9 power entity’ means a State utility with a service ob-
10 ligation, as such terms are defined in section 217 of
11 the Federal Power Act (as in effect on the date of
12 enactment of this paragraph).”,

13 (2) in paragraph (5), as so redesignated, by
14 striking “or” at the end of subparagraph (B), by
15 striking the period at the end of subparagraph (C)
16 and inserting “, or”, and by adding at the end the
17 following:

18 “(D) a public power entity.”, and

19 (3) in paragraph (6), as so redesignated, by
20 striking “or” at the end of subparagraph (A), by
21 striking the period at the end of subparagraph (B)
22 and inserting “, or”, and by adding at the end the
23 following:

24 “(C) a public power entity.”.

1 (j) REPEAL OF RATABLE PRINCIPAL AMORTIZATION
2 REQUIREMENT.—Subsection (l) of section 54 (relating to
3 other definitions and special rules) is amended by striking
4 paragraph (5) and redesignating paragraph (6) as para-
5 graph (5).

6 (k) NET PROCEEDS.—Subsection (i) of section 54
7 (relating to other definitions and special rules), as amend-
8 ed by subsection (j), is amended by redesignating para-
9 graphs (2), (3), (4), and (5) as paragraphs (4), (5), (6),
10 and (7), respectively, and by inserting after paragraph (1)
11 the following new paragraphs:

12 “(2) NET PROCEEDS.—The term ‘net proceeds’
13 means, with respect to an issue, the proceeds of such
14 issue reduced by amounts in a reasonably required
15 reserve or replacement fund.

16 “(3) LIMITATION ON AMOUNT IN RESERVE OR
17 REPLACEMENT FUND WHICH MAY BE FINANCED BY
18 ISSUE.—A bond issued as part of an issue shall not
19 be treated as a clean renewable energy bond if the
20 amount of the proceeds from the sale of such issue
21 which is part of any reserve or replacement fund ex-
22 ceeds 10 percent of the proceeds of the issue (or
23 such higher amount which the issuer establishes is
24 necessary to the satisfaction of the Secretary).”.

1 (l) OTHER SPECIAL RULES.—Subsection (i) of sec-
2 tion 54 ((relating to other definitions and special rules),
3 as amended by subsections (j) and (k)) is amended by add-
4 ing at the end the following new paragraphs:

5 “(8) CREDITS MAY BE SEPARATED.—There
6 may be a separation (including at issuance) of the
7 ownership of a clean renewable energy bond and the
8 entitlement to the credit under this section with re-
9 spect to such bond. In case of any such separation,
10 the credit under this section shall be allowed to the
11 person who on the credit allowance date holds the
12 instrument evidencing the entitlement to the credit
13 and not to the holder of the bond.

14 “(9) TREATMENT FOR ESTIMATED TAX PUR-
15 POSES.—Solely for the purposes of sections 6654
16 and 6655, the credit allowed by this section to a tax-
17 payer by reason of holding a qualified energy tax
18 credit bond on a credit allowance date (or the credit
19 in the case of a separation as provided in paragraph
20 (8)) shall be treated as if it were a payment of esti-
21 mated tax made by the taxpayer on such date.

22 “(10) CARRYBACK AND CARRYFORWARD OF UN-
23 USED CREDITS.—If the sum of the credit exceeds
24 the limitation imposed by subsection (c) for any tax-

1 able year, any credits may be applied in a manner
2 similar to the rules set forth in section 39.”.

3 (m) TERMINATION.—Subsection (m) of section 54
4 (relating to termination) is amended by striking “2008”
5 and inserting “2018”.

6 (n) CLERICAL REDESIGNATIONS.—Section 54, as
7 amended by the preceding provisions of this section, is
8 amended by redesignating subsections (g), (h), (j), (k), (l),
9 and (m) as subsections (f), (g), (h), (i), (j), and (k), re-
10 spectively.

11 (o) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to obligations issued after the date
13 of the enactment of this Act.

14 **SEC. 103. EXTENSION AND MODIFICATION OF INVESTMENT**
15 **TAX CREDIT WITH RESPECT TO SOLAR EN-**
16 **ERGY PROPERTY AND QUALIFIED FUEL CELL**
17 **PROPERTY.**

18 (a) SOLAR ENERGY PROPERTY.—Paragraphs
19 (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) are each
20 amended by striking “2008” and inserting “2019”.

21 (b) ELIGIBLE FUEL CELL PROPERTY.—Paragraph
22 (1)(E) of section 48(c) is amended by striking “2007” and
23 inserting “2018”.

1 (c) ENERGY PROPERTY TO INCLUDE EXCESS EN-
2 ERGY STORAGE DEVICE.—Clause (i) of section
3 48(a)(3)(A) is amended to read as follows:

4 “(i) equipment which uses solar en-
5 ergy to generate electricity, to heat or cool
6 (or provide hot water for use in) a struc-
7 ture, or to provide solar process heat, or
8 advanced energy storage systems installed
9 as an integrated component of the fore-
10 going, excepting property used to generate
11 energy for purposes of heating a swimming
12 pool.”.

13 (d) SOLAR LIGHTING EQUIPMENT TO INCLUDE
14 SOLAR HYBRID LIGHTING SYSTEMS.—Clause (ii) of sec-
15 tion 48(a)(3)(A) is amended to read as follows:

16 “(ii) equipment which uses solar en-
17 ergy to illuminate the inside of a structure
18 using fiber-optic distributed sunlight.”.

19 (e) MODIFICATIONS.—

20 (1) SOLAR PHOTOVOLTAIC ENERGY PROPERTY
21 CREDIT DETERMINED SOLELY BY KILOWATT CAPAC-
22 ITY.—

23 (A) IN GENERAL.—Subsection (a) of sec-
24 tion 48 is amended by redesignating paragraph

1 (4) as paragraph (5) and by inserting after
2 paragraph (3) the following new paragraph:

3 “(4) SPECIAL RULE FOR ENERGY CREDIT FOR
4 SOLAR PHOTOVOLTAIC ENERGY PROPERTY.—

5 “(A) IN GENERAL.—For purposes of sec-
6 tion 46, the energy credit for any taxable year
7 for solar photovoltaic energy property described
8 in paragraph (3)(A)(i) which is used to gen-
9 erate electricity and which is placed in service
10 during the taxable year is \$1,500 with respect
11 to each half kilowatt of capacity of such prop-
12 erty. Paragraph (2)(A)(ii) shall not apply to
13 property to which the preceding sentence ap-
14 plies.

15 “(B) APPLICATION OF SPECIAL RULES FOR
16 REHABILITATED OR SUBSIDIZED PROPERTY.—
17 Rules similar to the rules of paragraphs (2)(B)
18 and (5) shall apply to property to which this
19 paragraph applies.”.

20 (B) CONFORMING AMENDMENT.—Sub-
21 clause (II) of section 48(a)(2)(A)(i) is amended
22 by striking “described in paragraph (3)(A)(i)”
23 and inserting “which is described in paragraph
24 (3)(A)(i) and to which paragraph (4) does not
25 apply”.

1 (f) CREDITS ALLOWED AGAINST THE ALTERNATIVE
2 MINIMUM TAX.—Section 38(c)(4)(B) (defining specified
3 credits) is amended by striking the period at the end of
4 clause (ii)(II) and inserting “, and”, and by adding at the
5 end the following new clause:

6 “(iii) the portion of the investment
7 credit under section 46(2) as determined
8 under clauses (i) and (ii) of section
9 48(a)(2)(A).”.

10 (g) EFFECTIVE DATES.—

11 (1) Except as provided in paragraph (2), the
12 amendments made by this section shall take effect
13 on January 1, 2007.

14 (2) The amendments made by subsection (c)
15 shall apply to property placed in service after De-
16 cember 31, 2006.

17 **SEC. 104. EXTENSION AND MODIFICATION OF CREDIT FOR**
18 **RESIDENTIAL ENERGY EFFICIENT PROP-**
19 **ERTY.**

20 (a) EXTENSION.—Subsection (g) of section 25D of
21 the Internal Revenue Code of 1986 (relating to termi-
22 nation) is amended by striking “2008” and inserting
23 “2016”.

1 (b) SOLAR ELECTRIC PROPERTY.—Paragraph (1) of
2 section 25D(a) of such Code (relating to allowance of cred-
3 it) is amended by striking “30 percent of”.

4 (c) MODIFICATION OF MAXIMUM CREDIT.—Para-
5 graph (1) of section 25D(b) of the Internal Revenue Code
6 of 1986 (relating to limitations) is amended to read as
7 follows:

8 “(1) MAXIMUM CREDIT.—The credit allowed
9 under subsection (a) for any taxable year shall not
10 exceed—

11 “(A) \$1,500 with respect to each half kilo-
12 watt of installed capacity of qualified solar elec-
13 tric property for which qualified solar electric
14 property expenditures are made,

15 “(B) \$2,000 with respect to any qualified
16 solar water heating property expenditures, and

17 “(C) \$500 with respect to each half kilo-
18 watt of capacity of qualified fuel cell property
19 (as defined in section 48(c)(1)) for which quali-
20 fied fuel cell property expenditures are made.”.

21 (d) DEFINITION OF QUALIFIED SOLAR WATER
22 HEATING PROPERTY EXPENDITURE.—Paragraph (1) of
23 section 25D(d) of such Code is amended by striking “to
24 heat water for use in” and inserting “to heat or cool (or
25 provide hot water for use in)”.

1 (e) DEFINITION OF QUALIFIED PHOTOVOLTAIC
2 PROPERTY EXPENDITURE.—Paragraph (2) of section
3 25D(d) of such Code is amended by inserting “, including
4 advanced energy storage systems installed as an inte-
5 grated component of the foregoing” after “taxpayer”.

6 (f) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
7 IMUM TAX.—

8 (1) IN GENERAL.—Section 25D(b) of the Inter-
9 nal Revenue Code of 1986 (as amended by sub-
10 section (b)) is amended by adding at the end the fol-
11 lowing new paragraph:

12 “(3) CREDIT ALLOWED AGAINST ALTERNATIVE
13 MINIMUM TAX.—The credit allowed under subsection
14 (a) for the taxable year shall not exceed the excess
15 of—

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

19 “(B) the sum of the credits allowable
20 under subpart A of part IV of subchapter A
21 (other than this section) and section 27 for the
22 taxable year.”.

23 (2) CONFORMING AMENDMENTS.—

24 (A) Subsection (c) of section 25D of such
25 Code is amended to read as follows:

1 “(c) CARRYFORWARD OF UNUSED CREDIT.—If the
2 credit allowable under subsection (a) for any taxable year
3 exceeds the limitation imposed by subsection (b)(3) for
4 such taxable year, such excess shall be carried to the suc-
5 ceeding taxable year and added to the credit allowable
6 under subsection (a) for such succeeding taxable year.”.

7 (B) Section 23(b)(4)(B) of such Code is
8 amended by inserting “and section 25D” after
9 “this section”.

10 (C) Section 24(b)(3)(B) of such Code is
11 amended by striking “sections 23 and 25B”
12 and inserting “sections 23, 25B, and 25D”.

13 (D) Section 26(a)(1) of such Code is
14 amended by striking “and 25B” and inserting
15 “25B, and 25D”.

16 (g) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to expenditures made in taxable
18 years beginning after December 31, 2006.

19 **SEC. 105. 15-YEAR RECOVERY PERIOD FOR PROPERTY**
20 **USED IN THE TRANSMISSION OR DISTRIBUTION OF ELECTRICITY FOR SALE.**
21

22 (a) IN GENERAL.—Subparagraph (E) of section
23 168(e)(3) is amended by striking clause (vii), by redesign-
24 ating clause (viii) as clause (ix), and by inserting after
25 clause (vi) the following new clauses:

1 “(vii) any section 1245 property (as
2 defined in section 1245(a)(3))—

3 “(I) used in the transmission at
4 69 or more kilovolts of electricity for
5 sale and the original use of which
6 commences with the taxpayer after
7 April 11, 2005, or

8 “(II) used in the transmission or
9 distribution of electricity for sale and
10 which is originally placed in service
11 after the date of the enactment of this
12 subclause,

13 “(viii) initial clearing and grading
14 land improvements with respect to any
15 electric utility transmission and distribu-
16 tion plant, and”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Paragraph (3) of section 168(e) is amended
19 by striking subparagraph (F).

20 (2) The table contained in section 168(g)(3)(B)
21 is amended by striking the items relating to sub-
22 paragraphs (E)(viii) and (F) and inserting the fol-
23 lowing new items:

“(E)(viii) 25
“(E)(ix) 35”.

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

4 **TITLE II—PRODUCTION**
5 **INCENTIVES**

6 **SEC. 201. EXTENSION OF PRODUCTION CREDIT FOR WIND,**
7 **SOLAR, AND GEOTHERMAL.**

8 Subsection (d) of section 45 is amended—

9 (1) in paragraph (1) by striking “January 1,
10 2009” and inserting “January 1, 2018”, and

11 (2) in paragraph (4) by striking “January 1,
12 2009 (January 1, 2006, in the case of a facility
13 using solar energy)” and inserting “January 1,
14 2018”.

15 **SEC. 202. ELECTRICITY PRODUCED FROM OCEAN ENERGY.**

16 (a) IN GENERAL.—Section 45(c)(1) (defining quali-
17 fied energy resources) is amended by striking “and” at
18 the end of subparagraph (G), by striking the period at
19 the end of subparagraph (H) and inserting “, and”, and
20 by adding at the end the following new subparagraph:

21 “(I) ocean energy.”.

22 (b) DEFINITION OF RESOURCES.—Section 45(c) is
23 amended by adding at the end the following new para-
24 graph:

1 “(10) OCEAN ENERGY.—The term ‘ocean en-
2 ergy’ means energy derived—

3 “(A) in the case of ocean thermal energy,
4 generation through closed-cycle, open-cycle and
5 hybrid processes, and

6 “(B) in the case of ocean mechanical en-
7 ergy, generation through channel systems, float
8 systems, and oscillating water column sys-
9 tems.”.

10 (c) FACILITIES.—Section 45(d) is amended by add-
11 ing at the end the following new paragraph:

12 “(11) OCEAN ENERGY FACILITY.—In the case
13 of a facility using ocean energy to produce elec-
14 tricity, the term ‘qualified facility’ means any facility
15 owned by the taxpayer which is originally placed in
16 service after the date of the enactment of this para-
17 graph and before January 1, 2018.”.

18 (d) CREDIT RATE.—

19 (1) IN GENERAL.—Section 45(b) is amended by
20 adding at the end the following new paragraph:

21 “(5) CREDIT RATE FOR ELECTRICITY PRO-
22 DUCED AND SOLD FROM OCEAN ENERGY FACIL-
23 ITY.—In the case of electricity produced and sold in
24 any calendar year after the date of the enactment of

1 this paragraph at any qualified facility described in
2 subsection (d)(11)—

3 “(A) subsection (a)(1) shall be applied for
4 such calendar year by substituting ‘1.9 cents’
5 for ‘1.5 cents’, and

6 “(B) paragraph (2) shall be applied by
7 substituting ‘2005’ for ‘2002’.”.

8 (2) ADJUSTMENT FOR INFLATION.—Section
9 45(b)(2) is amended by inserting “the 1.9 cent
10 amount in paragraph (5)”.

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

14 **TITLE III—INCENTIVES FOR** 15 **ALTERNATIVE FUELS**

16 **SEC. 301. TECHNOLOGY NEUTRAL DIESEL CREDIT.**

17 (a) IN GENERAL.—Section 40A is amended to read
18 as follows:

19 **“SEC. 40A. QUALIFIED DIESEL USED AS FUEL.**

20 “(a) GENERAL RULE.—For purposes of section 38,
21 the qualified diesel fuels credit determined under this sec-
22 tion for the taxable year is an amount equal to the sum
23 of—

24 “(1) the qualified diesel mixture credit, plus

25 “(2) the qualified diesel credit.

1 “(b) DEFINITION OF QUALIFIED DIESEL MIXTURE
2 CREDIT AND QUALIFIED DIESEL CREDIT.—For purposes
3 of this section—

4 “(1) QUALIFIED DIESEL MIXTURE CREDIT.—

5 “(A) IN GENERAL.—The qualified diesel
6 mixture credit of any taxpayer for any taxable
7 year is \$1.00 for each gallon of biodiesel used
8 by the taxpayer in the production of a qualified
9 biodiesel mixture.

10 “(B) QUALIFIED DIESEL MIXTURE.—The
11 term ‘qualified biodiesel mixture’ means a mix-
12 ture of qualified diesel and diesel fuel (as de-
13 fined in section 4083(a)(3)), determined with-
14 out regard to any use of kerosene, which—

15 “(i) is sold by the taxpayer producing
16 such mixture to any person for use as a
17 fuel, or

18 “(ii) is used as a fuel by the taxpayer
19 producing such mixture.

20 “(C) SALE OR USE MUST BE IN TRADE OR
21 BUSINESS, ETC.—Biodiesel used in the produc-
22 tion of a qualified diesel mixture shall be taken
23 into account—

1 “(i) only if the sale or use described
2 in subparagraph (B) is in a trade or busi-
3 ness of the taxpayer, and

4 “(ii) for the taxable year in which
5 such sale or use occurs.

6 “(D) CASUAL OFF-FARM PRODUCTION NOT
7 ELIGIBLE.—No credit shall be allowed under
8 this section with respect to any casual off-farm
9 production of a qualified diesel mixture.

10 “(2) BIODIESEL CREDIT.—

11 “(A) IN GENERAL.—The diesel credit of
12 any taxpayer for any taxable year is \$1.00 for
13 each gallon of diesel which is not in a mixture
14 with diesel fuel and which during the taxable
15 year—

16 “(i) is used by the taxpayer as a fuel
17 in a trade or business, or

18 “(ii) is sold by the taxpayer at retail
19 to a person and placed in the fuel tank of
20 such person’s vehicle.

21 “(B) USER CREDIT NOT TO APPLY TO DIE-
22 SEL SOLD AT RETAIL.—No credit shall be al-
23 lowed under subparagraph (A)(i) with respect
24 to any diesel which was sold in a retail sale de-
25 scribed in subparagraph (A)(ii).

1 “(3) CERTIFICATION FOR DIESEL.—No credit
2 shall be allowed under paragraph (1) or (2) of sub-
3 section (a) unless the taxpayer obtains a certification
4 (in such form and manner as prescribed by the Sec-
5 retary) from the producer or importer of the bio-
6 diesel which identifies the product produced and the
7 percentage of biodiesel and agri-biodiesel in the
8 product.

9 “(4) SMALL QUALIFIED DIESEL PRODUCER
10 CREDIT.—

11 “(A) IN GENERAL.—The small qualified
12 diesel producer credit of any eligible small
13 qualified diesel producer for any taxable year is
14 10 cents for each gallon of qualified diesel pro-
15 duction of such producer.

16 “(B) QUALIFIED DIESEL PRODUCTION.—
17 For purposes of this paragraph, the term
18 ‘qualified agri-biodiesel production’ means any
19 qualified diesel which is produced by an eligible
20 small qualified diesel producer, and which dur-
21 ing the taxable year—

22 “(i) is sold by such producer to an-
23 other person—

24 “(I) for use by such other person
25 in the production of a qualified diesel

1 mixture in such other person's trade
2 or business (other than casual off-
3 farm production),

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

7 “(III) who sells such qualified
8 diesel at retail to another person and
9 places such qualified diesel in the fuel
10 tank of such other person, or

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

13 “(C) LIMITATION.—The qualified diesel
14 production of any producer for any taxable year
15 shall not exceed 15,000,000 gallons.

16 “(c) COORDINATION WITH CREDIT AGAINST EXCISE
17 TAX.—The amount of the credit determined under this
18 section with respect to any biodiesel shall be properly re-
19 duced to take into account any benefit provided with re-
20 spect to such biodiesel solely by reason of the application
21 of section 6426 or 6427(e).

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

24 “(1) QUALIFIED DIESEL.—

1 “(A) IN GENERAL.—The term ‘qualified
2 diesel’ means any diesel made from a renewable
3 source, as certified by the Secretary of Energy.

4 “(B) PROCEDURE FOR CERTIFICATION.—
5 For purposes of subparagraph (A), not later
6 than 90 days after the date on which a request
7 for certification is submitted to the Secretary of
8 Energy (in accordance with regulations promul-
9 gated by the Secretary of Energy), the Sec-
10 retary of Energy shall make a determination on
11 such request.

12 “(C) TRANSITIONAL RULE.—Any diesel
13 product eligible for the credit under this section
14 on the day before the date of the enactment of
15 the Generating Renewable Energy and Encour-
16 aging Novel Technologies Act of 2007 shall be
17 deemed to be qualified diesel for purposes of
18 this section after such date.

19 “(2) MIXTURE OR BIODIESEL NOT USED AS A
20 FUEL, ETC.—

21 “(A) MIXTURES.—If—

22 “(i) any credit was determined under
23 this section with respect to diesel used in
24 the production of any qualified diesel mix-
25 ture, and

1 “(ii) any person—

2 “(I) separates the biodiesel from
3 the mixture, or

4 “(II) without separation, uses the
5 mixture other than as a fuel,

6 then there is hereby imposed on such per-
7 son a tax equal to the product of the rate
8 applicable under subsection (b)(1)(A) and
9 the number of gallons of such diesel in
10 such mixture.

11 “(B) DIESEL.—If—

12 “(i) any credit was determined under
13 this section with respect to the retail sale
14 of any diesel, and

15 “(ii) any person mixes such diesel or
16 uses such diesel other than as a fuel,

17 then there is hereby imposed on such person a
18 tax equal to the product of the rate applicable
19 under subsection (b)(2)(A) and the number of
20 gallons of such diesel.

21 “(C) PRODUCER CREDIT.—If—

22 “(i) any credit was determined under
23 subsection (a)(3), and

1 “(ii) any person does not use such
2 fuel for a purpose described in subsection
3 (b)(5)(B),
4 then there is hereby imposed on such person a
5 tax equal to 10 cents a gallon for each gallon
6 of such diesel.

7 “(D) APPLICABLE LAWS.—All provisions
8 of law, including penalties, shall, insofar as ap-
9 plicable and not inconsistent with this section,
10 apply in respect of any tax imposed under sub-
11 paragraph (A) or (B) as if such tax were im-
12 posed by section 4081 and not by this chapter.

13 “(3) PASS-THRU IN THE CASE OF ESTATES AND
14 TRUSTS.—Under regulations prescribed by the Sec-
15 retary, rules similar to the rules of subsection (d) of
16 section 52 shall apply.

17 “(e) DEFINITIONS AND SPECIAL RULES FOR SMALL
18 QUALIFIED DIESEL PRODUCER CREDIT.—For purposes
19 of this section—

20 “(1) ELIGIBLE SMALL QUALIFIED DIESEL PRO-
21 DUCER.—The term ‘eligible small qualified diesel
22 producer’ means a person who, at all times during
23 the taxable year, has a productive capacity for quali-
24 fied diesel not in excess of 60,000,000 gallons.

1 “(2) AGGREGATION RULE.—For purposes of
2 the 15,000,000 gallon limitation under subsection
3 (b)(5)(C) and the 60,000,000 gallon limitation
4 under paragraph (1), all members of the same con-
5 trolled group of corporations (within the meaning of
6 section 267(f)) and all persons under common con-
7 trol (within the meaning of section 52(b) but deter-
8 mined by treating an interest of more than 50 per-
9 cent as a controlling interest) shall be treated as 1
10 person.

11 “(3) PARTNERSHIP, S CORPORATION, AND
12 OTHER PASS-THRU ENTITIES.—In the case of a
13 partnership, trust, S corporation, or other pass-thru
14 entity, the limitations contained in subsection
15 (b)(5)(C) and paragraph (1) shall be applied at the
16 entity level and at the partner or similar level.

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

22 “(5) REGULATIONS.—The Secretary may pre-
23 scribe such regulations as may be necessary—

24 “(A) to prevent the credit provided for in
25 subsection (a)(3) from directly or indirectly

1 benefitting any person with a direct or indirect
2 productive capacity of more than 60,000,000
3 gallons of agri-biodiesel during the taxable year,
4 or

5 “(B) to prevent any person from directly
6 or indirectly benefitting with respect to more
7 than 15,000,000 gallons during the taxable
8 year.

9 “(6) ALLOCATION OF SMALL QUALIFIED DIE-
10 SEL CREDIT TO PATRONS OF COOPERATIVE.—

11 “(A) ELECTION TO ALLOCATE.—

12 “(i) IN GENERAL.—In the case of a
13 cooperative organization described in sec-
14 tion 1381(a), any portion of the credit de-
15 termined under subsection (a)(3) for the
16 taxable year may, at the election of the or-
17 ganization, be apportioned pro rata among
18 patrons of the organization on the basis of
19 the quantity or value of business done with
20 or for such patrons for the taxable year.

21 “(ii) FORM AND EFFECT OF ELEC-
22 TION.—An election under clause (i) for any
23 taxable year shall be made on a timely
24 filed return for such year. Such election,
25 once made, shall be irrevocable for such

1 taxable year. Such election shall not take
2 effect unless the organization designates
3 the apportionment as such in a written no-
4 tice mailed to its patrons during the pay-
5 ment period described in section 1382(d).

6 “(B) TREATMENT OF ORGANIZATIONS AND
7 PATRONS.—

8 “(i) ORGANIZATIONS.—The amount of
9 the credit not apportioned to patrons pur-
10 suant to subparagraph (A) shall be in-
11 cluded in the amount determined under
12 subsection (a)(3) for the taxable year of
13 the organization.

14 “(ii) PATRONS.—The amount of the
15 credit apportioned to patrons pursuant to
16 subparagraph (A) shall be included in the
17 amount determined under such subsection
18 for the first taxable year of each patron
19 ending on or after the last day of the pay-
20 ment period (as defined in section
21 1382(d)) for the taxable year of the orga-
22 nization or, if earlier, for the taxable year
23 of each patron ending on or after the date
24 on which the patron receives notice from
25 the cooperative of the apportionment.

1 “(iii) SPECIAL RULES FOR DECREASE
2 IN CREDITS FOR TAXABLE YEAR.—If the
3 amount of the credit of the organization
4 determined under such subsection for a
5 taxable year is less than the amount of
6 such credit shown on the return of the or-
7 ganization for such year, an amount equal
8 to the excess of—

9 “(I) such reduction, over
10 “(II) the amount not apportioned
11 to such patrons under subparagraph
12 (A) for the taxable year,
13 shall be treated as an increase in tax im-
14 posed by this chapter on the organization.
15 Such increase shall not be treated as tax
16 imposed by this chapter for purposes of de-
17 termining the amount of any credit under
18 this chapter or for purposes of section 55.

19 “(f) TERMINATION.—This section shall not apply to
20 any sale or use after December 31, 2018.”.

21 (b) CLERICAL AMENDMENT.—The item relating to
22 section 40A in the table of sections for subpart D of part
23 IV of subchapter A of chapter 1 is amended to read as
24 follows:

“Sec. 40A. Qualified diesel used as fuel.”.

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

4 **SEC. 302. EXTENSION OF CREDIT FOR ALCOHOL USED AS**
5 **FUEL.**

6 (a) INCOME TAX CREDIT.—Paragraph (1) of section
7 40(e) is amended—

8 (1) in subparagraph (A) by striking “December
9 31, 2010” and inserting “December 31, 2018”, and

10 (2) in subparagraph (B) by striking “January
11 1, 2011” and inserting “January 1, 2019”.

12 (b) EXCISE TAX CREDIT.—Section 6426(b)(5) is
13 amended by striking “December 31, 2010” and inserting
14 “December 31, 2018”.

15 (c) FUELS NOT USED FOR TAXABLE PURPOSES.—
16 Section 6427(e)(5)(A) is amended by striking “December
17 31, 2010” and inserting “December 31, 2018”.

18 **SEC. 303. EXTENSION OF CREDIT FOR ALTERNATIVE**
19 **FUELS.**

20 (a) ALTERNATIVE FUEL.—Paragraph (4) of section
21 6426(d) is amended to read as follows:

22 “(4) TERMINATION.—This subsection shall not
23 apply to any sale or use for any period after Decem-
24 ber 31, 2018.”.

1 (b) ALTERNATIVE FUEL MIXTURE.—Paragraph (3)
2 of section 6426(e) is amended to read as follows:

3 “(3) TERMINATION.—This subsection shall not
4 apply to any sale or use for any period after Decem-
5 ber 31, 2018.”.

6 (c) FUELS NOT USED FOR TAXABLE PURPOSES.—
7 Section 6427(e)(5)(C) is amended by striking “September
8 30, 2009” and inserting “December 31, 2018”.

9 **SEC. 304. INVESTMENT TAX CREDIT FOR CELLULOSIC BIO-**
10 **MASS ETHANOL PLANT PROPERTY.**

11 (a) ALLOWANCE OF CREDIT.—Subpart E of part IV
12 of subchapter A of chapter 1 is amended by inserting after
13 section 48B the following new section:

14 **“SEC. 48C. CELLULOSIC BIOMASS ETHANOL PLANT FACIL-**
15 **ITY.**

16 “(a) GENERAL RULE.—For purposes of section 46,
17 the cellulosic biomass ethanol plant credit for any taxable
18 year is 30 percent of the cost of any qualified cellulosic
19 biomass ethanol plant property.

20 “(b) QUALIFIED CELLULOSIC BIOMASS ETHANOL
21 PLANT PROPERTY.—The term ‘qualified cellulosic bio-
22 mass ethanol plant property’ means property of a char-
23 acter subject to the allowance for depreciation—

24 “(1) which is used in the United States solely
25 to produce cellulosic biomass ethanol,

1 “(2) the original use of which commences with
2 the taxpayer after the date of the enactment of this
3 section,

4 “(3) which is acquired by the taxpayer by pur-
5 chase (as defined in section 179(d)) after the date
6 of the enactment of this subsection, but only if no
7 written binding contract for the acquisition was in
8 effect on or before the date of the enactment of this
9 subsection, and

10 “(4) which is placed in service by the taxpayer
11 before January 1, 2019.

12 “(c) CELLULOSIC BIOMASS ETHANOL.—For pur-
13 poses of this section, the term ‘cellulosic biomass ethanol’
14 means ethanol produced from any lignocellulosic or
15 hemicellulosic matter that is available on a renewable or
16 recurring basis.

17 “(d) SPECIAL RULE FOR CERTAIN SUBSIDIZED
18 PROPERTY.—For purposes of this section, rules similar to
19 the rules of section 48(a)(4) shall apply.

20 “(e) DENIAL OF DOUBLE BENEFIT.—A deduction or
21 credit shall not be allowed under any other provision of
22 this chapter for the cost taken into account under sub-
23 section (a).”.

24 (b) CREDIT TREATED AS PART OF INVESTMENT
25 CREDIT.—Section 46 is amended by striking “and” at the

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

4 “(5) the cellulosic biomass ethanol plant cred-
 5 it.”.

6 (c) CONFORMING AMENDMENTS.—

7 (1) Section 49(a)(1)(C) is amended by striking
 8 “and” at the end of clause (iii), by striking the pe-
 9 riod at the end of clause (iv) and inserting “, and”,
 10 and by adding at the end the following new clause:

11 “(v) the basis of any qualified cel-
 12 lulosic biomass ethanol plant property.”.

13 (2) Section 168 is amended by striking sub-
 14 section (l).

15 (3) The table of sections for subpart E of part
 16 IV of subchapter A of chapter 1 of such Code is
 17 amended by inserting after the item relating to sec-
 18 tion 48B the following new item:

“Sec. 48C. Cellulosic biomass ethanol plant facility.”.

19 **TITLE IV—INCENTIVES TO**
 20 **CONSERVE ENERGY**

21 **SEC. 401. EXTENSION OF NONBUSINESS ENERGY PROP-**
 22 **ERTY.**

23 Subsection (g) of section 25C is amended by striking
 24 “December 31, 2007” and inserting “December 31,
 25 2018”.

1 **SEC. 402. MODIFICATIONS OF ENERGY EFFICIENT APPLI-**
2 **ANCE CREDIT FOR APPLIANCES PRODUCED**
3 **AFTER 2007.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 (b) ELIGIBLE PRODUCTION.—

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

8 (A) by striking paragraph (2),

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

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

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

20 (c) TYPES OF ENERGY EFFICIENT APPLIANCES.—

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

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

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

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

2 “(2) clothes washers described in subsection

3 (b)(2),

4 “(3) refrigerators described in subsection

5 (b)(3), and

6 “(4) dehumidifiers described in subsection

7 (b)(4).”.

8 (d) AGGREGATE CREDIT AMOUNT ALLOWED.—

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

12 “(1) AGGREGATE CREDIT AMOUNT ALLOWED.—

13 The aggregate amount of credit allowed under sub-

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

15 able year shall not exceed \$100,000,000 reduced by

16 the amount of the credit allowed under subsection

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

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

19 (2) EXCEPTION FOR CERTAIN REFRIGERATOR

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

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

22 “(2) AMOUNT ALLOWED FOR CERTAIN REFRIG-

23 ERATORS AND CLOTHES WASHERS.—Refrigerators

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

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

3 (e) QUALIFIED ENERGY EFFICIENT APPLIANCES.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 “(C) an air-circulating fan, and

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

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

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

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

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

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

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

1 **SEC. 403. INCREASE AND EXTENSION OF ENERGY EFFI-**
2 **CIENT COMMERCIAL BUILDINGS DEDUCTION.**

3 (a) INCREASE IN AMOUNT OF DEDUCTION.—Section
4 179D (relating to energy efficient commercial buildings
5 deduction) is amended—

6 (1) in subsection (b)(1)(A) by striking “\$1.80”
7 and inserting “\$2.25”, and

8 (2) in subsection (d)(1)(A) by striking “\$.60
9 for \$1.80” and inserting “\$.75 for \$2.25”.

10 (b) EXTENSION.—Subsection (h) of section 179D
11 (relating to termination) is amended by striking “Decem-
12 ber 31, 2008” and inserting “December 31, 2018”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to property placed in service in
15 taxable years beginning after December 31, 2006.

16 **TITLE V—CREDIT FOR OIL**
17 **SHALE RECOVERY COSTS**

18 **SEC. 501. INCENTIVES FOR EXTRACTION AND PROCESSING**
19 **OF OIL SHALE.**

20 (a) INVESTMENT TAX CREDIT FOR EXTRACTION AND
21 PROCESSING OF OIL SHALE USING IN-SITU CONVERSION
22 TECHNOLOGY.—

23 (1) IN GENERAL.—Subpart E of part IV of
24 subchapter A of chapter 1 is amended by inserting
25 after section 48C the following new section:

1 **“SEC. 48D. OIL SHALE EXTRACTION AND PROCESSING FA-**
2 **CILITY.**

3 “(a) GENERAL RULE.—For purposes of section 46,
4 the oil shale extraction and processing credit for any tax-
5 able year is 30 percent of the cost of any qualified oil shale
6 extraction and processing property.

7 “(b) QUALIFIED OIL SHALE EXTRACTION AND
8 PROCESSING PROPERTY.—The term ‘qualified oil shale
9 extraction and processing property’ means property of a
10 character subject to the allowance for depreciation—

11 “(1) which is used in the United States solely
12 to extract and process oil shale using in-situ conver-
13 sion technology,

14 “(2) the original use of which commences with
15 the taxpayer after the date of the enactment of this
16 section,

17 “(3) which is acquired by the taxpayer by pur-
18 chase (as defined in section 179(d)) after the date
19 of the enactment of this subsection, but only if no
20 written binding contract for the acquisition was in
21 effect on or before the date of the enactment of this
22 subsection, and

23 “(4) which is placed in service by the taxpayer
24 before January 1, 2019.

1 “(c) SPECIAL RULE FOR CERTAIN SUBSIDIZED
2 PROPERTY.—For purposes of this section, rules similar to
3 the rules of section 48(a)(4) shall apply.

4 “(d) DENIAL OF DOUBLE BENEFIT.—A deduction or
5 credit shall not be allowed under any other provision of
6 this chapter for the cost taken into account under sub-
7 section (a).”.

8 (2) CREDIT TREATED AS PART OF INVESTMENT
9 CREDIT.—Section 46 is amended by striking “and”
10 at the end of paragraph (4), by striking the period
11 at the end of paragraph (5) and inserting “, and”,
12 and by adding at the end the following new para-
13 graph:

14 “(6) the oil shale extraction and processing
15 credit.”.

16 (3) CONFORMING AMENDMENTS.—

17 (A) Section 49(a)(1)(C) is amended by
18 striking “and” at the end of clause (iv), by
19 striking the period at the end of clause (v) and
20 inserting “, and”, and by adding at the end the
21 following new clause:

22 “(vi) the basis of any qualified oil
23 shale extraction and processing property.”.

24 (B) The table of sections for subpart E of
25 part IV of subchapter A of chapter 1 is amend-

1 ed by inserting after the item relating to section
2 48C the following new item:

“Sec. 48D. Oil shale extraction and processing facility.”.

3 (b) **EXPENSING OIL SHALE EXTRACTION AND PROC-**
4 **ESSING PROPERTY.**—Part VI of subchapter B of chapter
5 1 of is amended by inserting after section 179F the fol-
6 lowing new section:

7 **“SEC. 179G. ELECTION TO EXPENSE CERTAIN OIL SHALE**
8 **EXTRACTION AND PROCESSING PROPERTY.**

9 “(a) **TREATMENT AS EXPENSES.**—A taxpayer may
10 elect to treat the cost of any qualified oil shale extraction
11 and processing property as an expense which is not
12 chargeable to capital account. Any cost so treated shall
13 be allowed as a deduction for the taxable year in which
14 the expense is incurred.

15 “(b) **ELECTION.**—

16 “(1) **IN GENERAL.**—An election under this sec-
17 tion for any taxable year shall be made on the tax-
18 payer’s return of the tax imposed by this chapter for
19 the taxable year. Such election shall be made in such
20 manner as the Secretary may by regulations pre-
21 scribe.

22 “(2) **ELECTION IRREVOCABLE.**—Any election
23 made under this section may not be revoked except
24 with the consent of the Secretary.

1 “(c) QUALIFIED OIL SHALE EXTRACTION AND PROC-
2 ESSING PROPERTY.—For purposes of this section—

3 “(1) The term ‘qualified oil shale extraction
4 and processing property’ means any property located
5 in the United States—

6 “(A) the original use of which commences
7 with the taxpayer and which original use is
8 solely to extract or process oil shale, and

9 “(B) which is placed in service by the tax-
10 payer after the date of the enactment of this
11 section and before January 1, 2019.

12 “(d) ELECTION TO ALLOCATE DEDUCTION TO COOP-
13 ERATIVE OWNER.—If—

14 “(1) a taxpayer to which subsection (a) applies
15 is an organization to which part I of subchapter T
16 applies, and

17 “(2) one or more persons directly holding an
18 ownership interest in the taxpayer are organizations
19 to which part I of subchapter T apply,

20 the taxpayer may elect to allocate all or a portion of the
21 deduction allowable under subsection (a) to such persons.

22 Such allocation shall be equal to the person’s ratable share
23 of the total amount allocated, determined on the basis of
24 the person’s ownership interest in the taxpayer. The tax-
25 able income of the taxpayer shall not be reduced under

1 section 1382 by reason of any amount to which the pre-
2 ceding sentence applies.

3 “(e) BASIS REDUCTION.—

4 “(1) IN GENERAL.—For purposes of this title,
5 if a deduction is allowed under this section with re-
6 spect to any qualified oil shale extraction and proc-
7 essing property, the basis of such property shall be
8 reduced by the amount of the deduction so allowed.

9 “(2) ORDINARY INCOME RECAPTURE.—For
10 purposes of section 1245, the amount of the deduc-
11 tion allowable under subsection (a) with respect to
12 any property which is of a character subject to the
13 allowance for depreciation shall be treated as a de-
14 duction allowed for depreciation under section 167.

15 “(f) APPLICATION WITH OTHER DEDUCTIONS AND
16 CREDITS.—

17 “(1) OTHER DEDUCTIONS.—No deduction shall
18 be allowed under any other provision of this chapter
19 with respect to any expenditure with respect to
20 which a deduction is allowed under subsection (a) to
21 the taxpayer.

22 “(2) CREDITS.—No credit shall be allowed
23 under section 38 with respect to any amount for
24 which a deduction is allowed under subsection (a).

1 “(g) REPORTING.—No deduction shall be allowed
2 under subsection (a) to any taxpayer for any taxable year
3 unless such taxpayer files with the Secretary a report con-
4 taining such information with respect to the operation of
5 the property of the taxpayer as the Secretary shall re-
6 quire.”.

7 (c) CONFORMING AMENDMENTS.—

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

13 “(39) to the extent provided in section
14 179F(e)(1).”.

15 (2) Section 1245(a) is amended by inserting
16 “179F,” after “179E,” both places it appears in
17 paragraphs (2)(C) and (3)(C).

18 (3) Section 263(a)(1) is amended by striking
19 “or” at the end of subparagraph (K), by striking the
20 period at the end of subparagraph (L) and inserting
21 “, or”, and by inserting after subparagraph (L) the
22 following new subparagraph:

23 “(M) expenditures for which a deduction is
24 allowed under section 179F.”.

1 (4) Section 312(k)(3)(B) is amended by strik-
2 ing “or 179E” each place it appears in the heading
3 and text and inserting “179E, or 179F”.

4 (5) The table of sections for part VI of sub-
5 chapter B of chapter 1 is amended by inserting after
6 the item relating to section 179F the following new
7 item:

“Sec. 179F. Election to expense certain oil shale extraction and processing
property.”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to properties placed in service after
10 the date of the enactment of this Act.

11 **TITLE VI—PROVISIONS RELAT-**
12 **ING TO ADVANCED COAL AND**
13 **NUCLEAR ENERGY**

14 **SEC. 601. ALTERNATIVE METHOD FOR SATISFYING CER-**
15 **TAIN REQUIREMENTS RELATING TO PRODUC-**
16 **TION OF REFINED COAL.**

17 (a) IN GENERAL.—Subparagraph (A) of section
18 45(c)(7) is amended by inserting “and” at the end of
19 clause (ii) and by amending clause (iii) to read as follows:

20 “(iii)(I) is certified by the taxpayer as
21 resulting (when used in the production of
22 steam) in a qualified emission reduction
23 and is produced in such a manner as to re-
24 sult in an increase of at least 50 percent

1 in the market value of the refined coal (ex-
2 cluding any increase caused by materials
3 combined or added during the production
4 process), as compared to the value of feed-
5 stock coal, or

6 “(II) is certified by the taxpayer as
7 resulting (when used in the production of
8 steam) in a double emission reduction.”.

9 (b) DOUBLE EMISSION REDUCTION.—Paragraph (7)
10 of section 45(e) is amended by adding at the end the fol-
11 lowing new subparagraph:

12 “(C) DOUBLE EMISSION REDUCTION.—The
13 term ‘double emission reduction’ means an ag-
14 gregate reduction totaling at least 80 percent of
15 the sum of the individual emission reductions of
16 nitrogen oxide, sulfur dioxide and mercury re-
17 leased when burning the refined coal (excluding
18 any dilution caused by materials combined or
19 added during the production process), as com-
20 pared to the emissions released when burning
21 the feedstock coal or comparable coal predomi-
22 nantly available in the marketplace as of Janu-
23 ary 1, 2003.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to facilities placed in service after
3 June 11, 2007.

4 **SEC. 602. ADVANCED NUCLEAR POWER PRODUCTION.**

5 (a) INCREASE IN RATE.—Section 45J(a)(1) is
6 amended by striking “1.8 cents” and inserting “2.25
7 cents”.

8 (b) INCREASE IN NATIONAL LIMITATION.—Section
9 45J(b)(2) is amended by striking “6,000 megawatts” and
10 inserting “12,000 megawatts”.

11 (c) INCREASE IN ANNUAL LIMITATION.—Section
12 45J(c)(1) is amended by striking “\$125,000,000” and in-
13 serting “\$160,000,000”.

14 (d) EXTENSION OF PLACED IN SERVICE DATE.—
15 Section 45J(d)(1)(B) is amended by striking “January 1,
16 2021” and inserting “January 1, 2041”.

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

20 **TITLE VII—COAL TO LIQUIDS**
21 **TECHNOLOGY**

22 **SEC. 701. CREDIT FOR INVESTMENT IN COAL-TO-LIQUID**
23 **FUELS PROJECTS.**

24 (a) IN GENERAL.—Section 46 (relating to amount of
25 credit) is amended by striking “and” at the end of para-

1 graph (3), by striking the period at the end of paragraph
2 (4) and inserting “, and”, and by adding at the end the
3 following new paragraph:

4 “(5) the qualifying coal-to-liquid fuels project
5 credit.”.

6 (b) AMOUNT OF CREDIT.—Subpart E of part IV of
7 subchapter A of chapter 1 (relating to rules for computing
8 investment credit) is amended by inserting after section
9 48D the following new section:

10 **“SEC. 48E. QUALIFYING COAL-TO-LIQUID FUELS PROJECT**
11 **CREDIT.**

12 “(a) IN GENERAL.—For purposes of section 46, the
13 qualifying coal-to-liquid fuels project credit for any taxable
14 year is an amount equal to 20 percent of the qualified
15 investment for such taxable year.

16 “(b) QUALIFIED INVESTMENT.—

17 “(1) IN GENERAL.—For purposes of subsection
18 (a), the qualified investment for any taxable year is
19 the basis of property placed in service by the tax-
20 payer during such taxable year which is part of a
21 qualifying coal-to-liquid fuels project—

22 “(A)(i) the construction, reconstruction, or
23 erection of which is completed by the taxpayer,
24 or

1 “(ii) which is acquired by the taxpayer if
2 the original use of such property commences
3 with the taxpayer, and

4 “(B) with respect to which depreciation (or
5 amortization in lieu of depreciation) is allow-
6 able.

7 “(2) APPLICABLE RULES.—For purposes of this
8 section, rules similar to the rules of subsection
9 (a)(4) and (b) of section 48 shall apply.

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

11 “(1) QUALIFYING COAL-TO-LIQUID FUELS
12 PROJECT.—The term ‘qualifying coal-to-liquid fuels
13 project’ means any domestic project which—

14 “(A) employs the class of reactions known
15 as Fischer-Tropsch to produce at least 10,000
16 barrels per day of transportation grade liquid
17 fuels from a feedstock that is primarily domes-
18 tic coal (including any property which allows for
19 the capture, transportation, or sequestration of
20 by-products resulting from such process, includ-
21 ing carbon emissions), and

22 “(B) any portion of the qualified invest-
23 ment in which is certified under the qualifying
24 coal-to-liquid program as eligible for credit

1 under this section in an amount (not to exceed
2 \$200,000,000) determined by the Secretary.

3 “(2) COAL.—The term ‘coal’ means any carbon-
4 ized or semicarbonized matter, including peat.

5 “(d) QUALIFYING COAL-TO-LIQUID FUELS PROJECT
6 PROGRAM.—

7 “(1) IN GENERAL.—The Secretary, in consulta-
8 tion with the Secretary of Energy, shall establish a
9 qualifying coal-to-liquid fuels project program to
10 consider and award certifications for qualified in-
11 vestment eligible for credits under this section to 10
12 qualifying coal-to-liquid fuels project sponsors under
13 this section. The total qualified investment which
14 may be awarded eligibility for credit under the pro-
15 gram shall not exceed \$2,000,000,000.

16 “(2) PERIOD OF ISSUANCE.—A certificate of
17 eligibility under paragraph (1) may be issued only
18 during the 10-fiscal year period beginning on Octo-
19 ber 1, 2007.

20 “(3) SELECTION CRITERIA.—The Secretary
21 shall not make a competitive certification award for
22 qualified investment for credit eligibility under this
23 section unless the recipient has documented to the
24 satisfaction of the Secretary that—

1 “(A) the proposal of the award recipient is
2 financially viable,

3 “(B) the recipient will provide sufficient
4 information to the Secretary for the Secretary
5 to ensure that the qualified investment is spent
6 efficiently and effectively,

7 “(C) the fuels identified with respect to the
8 gasification technology for such project will
9 comprise at least 90 percent of the fuels re-
10 quired by the project for the production of
11 transportation grade liquid fuels,

12 “(D) the award recipient’s project team is
13 competent in the planning and construction of
14 coal gasification facilities and familiar with op-
15 eration of the Fischer-Tropsch process, with
16 preference given to those recipients with experi-
17 ence which demonstrates successful and reliable
18 operations of such process, and

19 “(E) the award recipient has met other cri-
20 teria established and published by the Sec-
21 retary.

22 “(e) DENIAL OF DOUBLE BENEFIT.—No deduction
23 or other credit shall be allowed with respect to the basis
24 of any property taken into account in determining the
25 credit allowed under this section.”.

1 (c) CONFORMING AMENDMENTS.—

2 (1) Section 49(a)(1)(C) is amended by striking
3 “and” at the end of clause (v), by striking the pe-
4 riod at the end of clause (vi) and inserting “, and”,
5 and by adding after clause (vi) the following new
6 clause:

7 “(vii) the basis of any property which
8 is part of a qualifying coal-to-liquid fuels
9 project under section 48E.”.

10 (2) The table of sections for subpart E of part
11 IV of subchapter A of chapter 1 is amended by in-
12 serting after the item relating to section 48D the
13 following new item:

“Sec. 48E. Qualifying coal-to-liquid fuels project credit.”.

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

20 **SEC. 702. TEMPORARY EXPENSING FOR EQUIPMENT USED**
21 **IN COAL-TO-LIQUID FUELS PROCESS.**

22 (a) IN GENERAL.—Part VI of subchapter B of chap-
23 ter 1 is amended by inserting after section 179F the fol-
24 lowing new section:

1 **“SEC. 179G. ELECTION TO EXPENSE CERTAIN COAL-TO-LIQ-**
2 **UID FUELS FACILITIES.**

3 “(a) TREATMENT AS EXPENSES.—A taxpayer may
4 elect to treat the cost of any qualified coal-to-liquid fuels
5 process property as an expense which is not chargeable
6 to capital account. Any cost so treated shall be allowed
7 as a deduction for the taxable year in which the expense
8 is incurred.

9 “(b) ELECTION.—

10 “(1) IN GENERAL.—An election under this sec-
11 tion for any taxable year shall be made on the tax-
12 payer’s return of the tax imposed by this chapter for
13 the taxable year. Such election shall be made in such
14 manner as the Secretary may by regulations pre-
15 scribe.

16 “(2) ELECTION IRREVOCABLE.—Any election
17 made under this section may not be revoked except
18 with the consent of the Secretary.

19 “(c) QUALIFIED COAL-TO-LIQUID FUELS PROCESS
20 PROPERTY.—The term ‘qualified coal-to-liquid fuels proc-
21 ess property’ means any property located in the United
22 States—

23 “(1) which employs the Fischer-Tropsch process
24 to produce transportation grade liquid fuels from a
25 feedstock that is primarily domestic coal (including
26 any property which allows for the capture, transpor-

1 tation, or sequestration of by-products resulting
2 from such process, including carbon emissions),

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

5 “(3) the construction of which—

6 “(A) except as provided in subparagraph
7 (B), is subject to a binding construction con-
8 tract entered into after the date of the enact-
9 ment of this section and before January 1,
10 2011, but only if there was no written binding
11 construction contract entered into on or before
12 such date of enactment, or

13 “(B) in the case of self-constructed prop-
14 erty, began after the date of the enactment of
15 this section and before January 1, 2011, and

16 “(4) which is placed in service by the taxpayer
17 after the date of the enactment of this section and
18 before January 1, 2016.

19 “(d) ELECTION TO ALLOCATE DEDUCTION TO COOP-
20 ERATIVE OWNER.—If—

21 “(1) a taxpayer to which subsection (a) applies
22 is an organization to which part I of subchapter T
23 applies, and

1 “(2) one or more persons directly holding an
2 ownership interest in the taxpayer are organizations
3 to which part I of subchapter T apply,
4 the taxpayer may elect to allocate all or a portion of the
5 deduction allowable under subsection (a) to such persons.
6 Such allocation shall be equal to the person’s ratable share
7 of the total amount allocated, determined on the basis of
8 the person’s ownership interest in the taxpayer. The tax-
9 able income of the taxpayer shall not be reduced under
10 section 1382 by reason of any amount to which the pre-
11 ceding sentence applies.

12 “(e) BASIS REDUCTION.—

13 “(1) IN GENERAL.—For purposes of this title,
14 if a deduction is allowed under this section with re-
15 spect to any qualified coal-to-liquid fuels process
16 property, the basis of such property shall be reduced
17 by the amount of the deduction so allowed.

18 “(2) ORDINARY INCOME RECAPTURE.—For
19 purposes of section 1245, the amount of the deduc-
20 tion allowable under subsection (a) with respect to
21 any property which is of a character subject to the
22 allowance for depreciation shall be treated as a de-
23 duction allowed for depreciation under section 167.

24 “(f) APPLICATION WITH OTHER DEDUCTIONS AND
25 CREDITS.—

1 “(1) OTHER DEDUCTIONS.—No deduction shall
2 be allowed under any other provision of this chapter
3 with respect to any expenditure with respect to
4 which a deduction is allowed under subsection (a) to
5 the taxpayer.

6 “(2) CREDITS.—No credit shall be allowed
7 under section 38 with respect to any amount for
8 which a deduction is allowed under subsection (a).

9 “(g) REPORTING.—No deduction shall be allowed
10 under subsection (a) to any taxpayer for any taxable year
11 unless such taxpayer files with the Secretary a report con-
12 taining such information with respect to the operation of
13 the property of the taxpayer as the Secretary shall re-
14 quire.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Section 1016(a) is amended by striking
17 “and” at the end of paragraph (38), by striking the
18 period at the end of paragraph (39) and inserting “,
19 and”, and by adding at the end the following new
20 paragraph:

21 “(40) to the extent provided in section
22 179G(e)(1).”.

23 (2) Section 1245(a) is amended by inserting
24 “179G,” after “179F,” both places it appears in
25 paragraphs (2)(C) and (3)(C).

1 (3) Section 263(a)(1) is amended by striking
2 “or” at the end of subparagraph (L), by striking the
3 period at the end of subparagraph (M) and inserting
4 “, or”, and by inserting after subparagraph (M) the
5 following new subparagraph:

6 “(N) expenditures for which a deduction is
7 allowed under section 179G.”.

8 (4) Section 312(k)(3)(B) is amended by strik-
9 ing “or 179G” each place it appears in the heading
10 and text and inserting “179F, or 179G”.

11 (5) The table of sections for part VI of sub-
12 chapter B of chapter 1 is amended by inserting after
13 the item relating to section 179F the following new
14 item:

 “Sec. 179G. Election to expense certain coal-to-liquid fuels facilities.”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to properties placed in service after
17 the date of the enactment of this Act.

18 **SEC. 703. EXTENSION OF ALTERNATIVE FUEL CREDIT FOR**
19 **FUEL DERIVED FROM COAL THROUGH THE**
20 **FISCHER-TROPSCH PROCESS.**

21 (a) ALTERNATIVE FUEL CREDIT.—Paragraph (4) of
22 section 6426(d) is amended to read as follows:

23 “(4) TERMINATION.—This subsection shall not
24 apply to—

1 “(A) any sale or use involving liquid fuel
2 derived from a feedstock that is primarily do-
3 mestic coal (including peat) through the Fisch-
4 er-Tropsch process for any period after Sep-
5 tember 30, 2020,

6 “(B) any sale or use involving liquified hy-
7 drogen for any period after September 30,
8 2014, and

9 “(C) any other sale or use for any period
10 after September 30, 2009.”.

11 (b) PAYMENTS.—

12 (1) IN GENERAL.—Paragraph (5) of section
13 6427(e) is amended by striking “and” and the end
14 of subparagraph (C), by striking the period at the
15 end of subparagraph (D) and inserting “, and”, and
16 by adding at the end the following new subpara-
17 graph:

18 “(E) any alternative fuel or alternative fuel
19 mixture (as so defined) involving liquid fuel de-
20 rived from coal (including peat) through the
21 Fischer-Tropsch process sold or used after Sep-
22 tember 30, 2020.”.

23 (2) CONFORMING AMENDMENT.—Section
24 6427(e)(5)(C) is amended by striking “subpara-

1 graph (D)” and inserting “subparagraphs (D) and
2 (E)”.

3 **SEC. 704. MODIFICATIONS TO ENHANCED OIL RECOVERY**

4 **CREDIT.**

5 (a) ENHANCED CREDIT FOR CARBON DIOXIDE IN-
6 JECTIONS.—Section 43 is amended by adding at the end
7 the following new subsection:

8 “(f) ENHANCED CREDIT FOR PROJECTS USING
9 QUALIFIED CARBON DIOXIDE.—

10 “(1) IN GENERAL.—For purposes of this sec-
11 tion—

12 “(A) the term ‘qualified project’ includes a
13 project described in paragraph (2), and

14 “(B) in the case of a project described in
15 paragraph (2), subsection (a) shall be applied
16 by substituting ‘50 percent’ for ‘15 percent’.

17 “(2) PROJECTS DESCRIBED.—A project is de-
18 scribed in this paragraph if it begins or is substan-
19 tially expanded after December 31, 2007, and

20 “(A) uses qualified carbon dioxide in an
21 enhanced oil, natural gas, or coalbed methane
22 recovery method, which involves flooding or in-
23 jection, or

24 “(B) enables the capture or sequestration
25 of qualified carbon dioxide.

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

3 “(A) ENHANCED OIL RECOVERY.—The
4 term ‘enhanced oil recovery’ means recovery of
5 oil by injecting or flooding with qualified carbon
6 dioxide.

7 “(B) ENHANCED NATURAL GAS RECOV-
8 ERY.—The term ‘enhanced natural gas recov-
9 ery’ means recovery of natural gas by injecting
10 or flooding with qualified carbon dioxide.

11 “(C) ENHANCED COALBED METHANE RE-
12 COVERY.—The term ‘enhanced coalbed methane
13 recovery’ means recovery of coalbed methane by
14 injecting or flooding with qualified carbon diox-
15 ide.

16 “(D) QUALIFIED CARBON DIOXIDE.—The
17 term ‘qualified carbon dioxide’ means carbon di-
18 oxide which is produced from the gasification
19 and subsequent refinement of a feedstock which
20 is primarily domestic coal, at a facility which
21 produces coal-to-liquid fuel.

22 “(E) CAPTURE OR SEQUESTRATION.—The
23 term ‘capture or sequestration’ means any
24 equipment or facility necessary to—

1 “(i) capture or separate qualified car-
2 bon dioxide from other emissions,

3 “(ii) transport qualified carbon diox-
4 ide, or

5 “(iii) process and use qualified carbon
6 dioxide in a qualified project.

7 “(4) TERMINATION.—This subsection shall not
8 apply to costs paid or incurred for any qualified
9 project after December 31, 2020.”.

10 (b) CONFORMING AMENDMENTS.—

11 (1) Section 43 is amended—

12 (A) by striking “enhanced oil recovery
13 credit” in subsection (a) and inserting “en-
14 hanced oil, natural gas, and coalbed methane
15 recovery, and capture and sequestration credit”,

16 (B) by striking “qualified enhanced oil re-
17 covery costs” each place it appears and insert-
18 ing “qualified costs”,

19 (C) by striking “qualified enhanced oil re-
20 covery project” each place it appears and in-
21 serting “qualified project”, and

22 (D) by striking the heading and inserting:

1 **“SEC. 43. ENHANCED OIL, NATURAL GAS, AND COALBED**
2 **METHANE RECOVERY, AND CAPTURE AND SE-**
3 **QUESTRATION CREDIT.”.**

4 (2) The item in the table of sections for subpart
5 D of part IV of subchapter A of chapter 1 relating
6 to section 43 is amended to read as follows:

“Sec. 43. Enhanced oil, natural gas, and coalbed methane recovery, and cap-
ture and sequestration credit.”.

7 (c) **EFFECTIVE DATE.**—The amendments made by
8 this section shall apply to costs paid or incurred in taxable
9 years ending after December 31, 2007.

10 **SEC. 705. ALLOWANCE OF ENHANCED OIL, NATURAL GAS,**
11 **AND COALBED METHANE RECOVERY, AND**
12 **CAPTURE AND SEQUESTRATION CREDIT**
13 **AGAINST THE ALTERNATIVE MINIMUM TAX.**

14 (a) **IN GENERAL.**—Subsection (c) of section 38 (re-
15 lating to limitation based on amount of tax) is amended
16 by redesignating paragraphs (4) and (5) as paragraphs
17 (5) and (6), respectively, and by inserting after paragraph
18 (3) the following new paragraph:

19 “(4) **SPECIAL RULES FOR ENHANCED OIL, NAT-**
20 **URAL GAS, AND COALBED METHANE RECOVERY, AND**
21 **CAPTURE AND SEQUESTRATION CREDIT.**—In the
22 case of the enhanced oil, natural gas, and coalbed
23 methane recovery, and capture and sequestration
24 credit determined under section 43—

1 “(A) this section and section 39 shall be
2 applied separately with respect to such credit,
3 and

4 “(B) in applying paragraph (1) to such
5 credit—

6 “(i) the tentative minimum tax shall
7 be treated as being zero, and

8 “(ii) the limitation under paragraph
9 (1) (as modified by clause (i)) shall be re-
10 duced by the credit allowed under sub-
11 section (a) for the taxable year (other than
12 the enhanced oil, natural gas, and coalbed
13 methane recovery, and capture and seques-
14 tration credit and the specified credits).”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Section 38(c)(2)(A)(ii)(II) is amended by
17 inserting “the enhanced oil, natural gas, and coalbed
18 methane recovery, and capture and sequestration
19 credit,” after “employee credit,”.

20 (2) Section 38(c)(3)(A)(ii)(II) is amended by
21 inserting “, the enhanced oil, natural gas, coalbed
22 methane recovery, capture and sequestration credit,”
23 after “employee credit”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years ending after De-
3 cember 31, 2007.

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