

109TH CONGRESS
1ST SESSION

H. R. 1541

To amend the Internal Revenue Code of 1986 to enhance energy infrastructure properties in the United States and to encourage the use of certain energy technologies, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 12, 2005

Mr. THOMAS 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 enhance energy infrastructure properties in the United States and to encourage the use of certain energy technologies, 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. REFERENCE; TABLE OF CONTENTS.**

4 (a) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference

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

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

Sec. 1. Reference; table of contents.

TITLE I—ENERGY INFRASTRUCTURE TAX INCENTIVES

Sec. 101. Natural gas gathering lines treated as 7-year property.

Sec. 102. Natural gas distribution lines treated as 15-year property.

Sec. 103. Electric transmission property treated as 15-year property.

Sec. 104. Expansion of amortization for certain atmospheric pollution control
 facilities in connection with plants first placed in service after
 1975.

Sec. 105. Modification of credit for producing fuel from a nonconventional
 source.

Sec. 106. Modifications to special rules for nuclear decommissioning costs.

Sec. 107. Arbitrage rules not to apply to prepayments for natural gas.

Sec. 108. Determination of small refiner exception to oil depletion deduction.

TITLE II—MISCELLANEOUS ENERGY TAX INCENTIVES

Sec. 201. Credit for residential energy efficient property.

Sec. 202. Credit for business installation of qualified fuel cells.

Sec. 203. Reduced motor fuel excise tax on certain mixtures of diesel fuel.

Sec. 204. Amortization of delay rental payments.

Sec. 205. Amortization of geological and geophysical expenditures.

Sec. 206. Advanced lean burn technology motor vehicle credit.

Sec. 207. Credit for energy efficiency improvements to existing homes.

TITLE III—ALTERNATIVE MINIMUM TAX RELIEF

Sec. 301. New nonrefundable personal credits allowed against regular and min-
 imum taxes.

Sec. 302. Certain business energy credits allowed against regular and minimum
 taxes.

5 **TITLE I—ENERGY INFRASTRUC-** 6 **TURE TAX INCENTIVES**

7 **SEC. 101. NATURAL GAS GATHERING LINES TREATED AS 7-** 8 **YEAR PROPERTY.**

9 (a) IN GENERAL.—Subparagraph (C) of section
 10 168(e)(3) (relating to classification of certain property) is
 11 amended by striking “and” at the end of clause (iii), by

1 redesignating clause (iv) as clause (v), and by inserting
2 after clause (iii) the following new clause:

3 “(iv) any natural gas gathering line,
4 and”.

5 (b) NATURAL GAS GATHERING LINE.—Subsection (i)
6 of section 168 is amended by inserting after paragraph
7 (16) the following new paragraph:

8 “(17) NATURAL GAS GATHERING LINE.—The
9 term ‘natural gas gathering line’ means—

10 “(A) the pipe, equipment, and appur-
11 tenances determined to be a gathering line by
12 the Federal Energy Regulatory Commission,
13 and

14 “(B) the pipe, equipment, and appur-
15 tenances used to deliver natural gas from the
16 wellhead or a commonpoint to the point at
17 which such gas first reaches—

18 “(i) a gas processing plant,

19 “(ii) an interconnection with a trans-
20 mission pipeline for which a certificate as
21 an interstate transmission pipeline has
22 been issued by the Federal Energy Regu-
23 latory Commission,

24 “(iii) an interconnection with an
25 intrastate transmission pipeline, or

1 “(iv) a direct interconnection with a
2 local distribution company, a gas storage
3 facility, or an industrial consumer.”.

4 (c) ALTERNATIVE SYSTEM.—The table contained in
5 section 168(g)(3)(B) is amended by inserting after the
6 item relating to subparagraph (C)(iii) the following:

“ (C) (iv) 14”.

7 (d) ALTERNATIVE MINIMUM TAX EXCEPTION.—Sub-
8 paragraph (B) of section 56(a)(1) is amended by inserting
9 before the period the following: “, or in section
10 168(e)(3)(C)(iv)”.

11 (e) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to property placed in service after
13 April 11, 2005.

14 **SEC. 102. NATURAL GAS DISTRIBUTION LINES TREATED AS**
15 **15-YEAR PROPERTY.**

16 (a) IN GENERAL.—Subparagraph (E) of section
17 168(e)(3) (relating to classification of certain property) is
18 amended by striking “and” at the end of clause (v), by
19 striking the period at the end of clause (vi) and inserting
20 “, and”, and by adding at the end the following new
21 clause:

22 “(vii) any natural gas distribution
23 line.”.

1 (b) ALTERNATIVE SYSTEM.—The table contained in
 2 section 168(g)(3)(B) is amended by inserting after the
 3 item relating to subparagraph (E)(vi) the following:

“(E) (vii) 35”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to property placed in service after
 6 April 11, 2005.

7 **SEC. 103. ELECTRIC TRANSMISSION PROPERTY TREATED**
 8 **AS 15-YEAR PROPERTY.**

9 (a) IN GENERAL.—Subparagraph (E) of section
 10 168(e)(3) (relating to classification of certain property),
 11 as amended by section 102 of this Act, is amended by
 12 striking “and” at the end of clause (vi), by striking the
 13 period at the end of clause (vii) and inserting “, and”,
 14 and by adding at the end the following new clause:

15 “(viii) any section 1245 property (as
 16 defined in section 1245(a)(3)) used in the
 17 transmission at 69 or more kilovolts of
 18 electricity for sale and the original use of
 19 which commences with the taxpayer after
 20 April 11, 2005.”.

21 (b) ALTERNATIVE SYSTEM.—The table contained in
 22 section 168(g)(3)(B) is amended by inserting after the
 23 item relating to subparagraph (E)(vii) the following:

“(E) (viii) 30”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to property placed in service after
3 April 11, 2005.

4 **SEC. 104. EXPANSION OF AMORTIZATION FOR CERTAIN AT-**
5 **MOSPHERIC POLLUTION CONTROL FACILI-**
6 **TIES IN CONNECTION WITH PLANTS FIRST**
7 **PLACED IN SERVICE AFTER 1975.**

8 (a) ELIGIBILITY OF POST-1975 POLLUTION CON-
9 TROL FACILITIES.—Subsection (d) of section 169 (relat-
10 ing to definitions) is amended by adding at the end the
11 following:

12 “(5) SPECIAL RULE RELATING TO CERTAIN AT-
13 MOSPHERIC POLLUTION CONTROL FACILITIES.—In
14 the case of any atmospheric pollution control facility
15 which is placed in service after April 11, 2005, and
16 used in connection with an electric generation plant
17 or other property which is primarily coal fired, para-
18 graph (1) shall be applied without regard to the
19 phrase ‘in operation before January 1, 1976’.”.

20 (b) TECHNICAL AMENDMENT.—Section 169(d)(3) is
21 amended by striking “Health, Education, and Welfare”
22 and inserting “Health and Human Services”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to facilities placed in service after
25 April 11, 2005.

1 **SEC. 105. MODIFICATION OF CREDIT FOR PRODUCING**
2 **FUEL FROM A NONCONVENTIONAL SOURCE.**

3 (a) TREATMENT AS BUSINESS CREDIT.—

4 (1) CREDIT MOVED TO SUBPART RELATING TO
5 BUSINESS RELATED CREDITS.—The Internal Rev-
6 enue Code of 1986 is amended by redesignating sec-
7 tion 29 as section 45J and by moving section 45J
8 (as so redesignated) from subpart B of part IV of
9 subchapter A of chapter 1 to the end of subpart D
10 of part IV of subchapter A of chapter 1.

11 (2) CREDIT TREATED AS BUSINESS CREDIT.—

12 Section 38(b) is amended by striking “plus” at the
13 end of paragraph (18), by striking the period at the
14 end of paragraph (19) and inserting “, plus”, and
15 by adding at the end the following:

16 “(20) the nonconventional source production
17 credit determined under section 45J(a).”.

18 (3) CONFORMING AMENDMENTS.—

19 (A) Section 30(b)(3)(A) is amended by
20 striking “sections 27 and 29” and inserting
21 “section 27”.

22 (B) Sections 43(b)(2), 45I(b)(2)(C)(i), and
23 613A(e)(6)(C) are each amended by striking
24 “section 29(d)(2)(C)” and inserting “section
25 45J(d)(2)(C)”.

26 (C) Section 45(e)(9) is amended—

1 (i) by striking “section 29” and in-
2 serting “section 45J”, and

3 (ii) by inserting “(or under section 29,
4 as in effect on the day before the date of
5 enactment of this parenthetical, for any
6 prior taxable year)” before the period at
7 the end thereof.

8 (D) Section 45I is amended—

9 (i) in subsection (c)(2)(A) by striking
10 “section 29(d)(5))” and inserting “section
11 45J(d)(5))”, and

12 (ii) in subsection (d)(3) by striking
13 “section 29” both places it appears and in-
14 serting “section 45J”.

15 (E) Section 45J(a), as redesignated by
16 paragraph (1), is amended by striking “There
17 shall be allowed as a credit against the tax im-
18 posed by this chapter for the taxable year” and
19 inserting “For purposes of section 38, if the
20 taxpayer elects to have this section apply, the
21 nonconventional source production credit deter-
22 mined under this section for the taxable year
23 is”.

24 (F) Section 45J(b), as so redesignated, is
25 amended by striking paragraph (6).

1 (G) Section 53(d)(1)(B)(iii) is amended by
2 striking “under section 29” and all that follows
3 through “or not allowed”.

4 (H) Section 55(c)(3) is amended by strik-
5 ing “29(b)(6),”.

6 (I) Subsection (a) of section 772 is amend-
7 ed by inserting “and” at the end of paragraph
8 (9), by striking paragraph (10), and by redesignig-
9 nating paragraph (11) as paragraph (10).

10 (J) Paragraph (5) of section 772(d) is
11 amended by striking “the foreign tax credit,
12 and the credit allowable under section 29” and
13 inserting “and the foreign tax credit”.

14 (K) The table of sections for subpart B of
15 part IV of subchapter A of chapter 1 is amend-
16 ed by striking the item relating to section 29.

17 (L) The table of sections for subpart D of
18 part IV of subchapter A of chapter 1 is amend-
19 ed by inserting after the item relating to section
20 45I the following new item:

“Sec. 45J. Credit for producing fuel from a nonconventional source.”.

21 (b) AMENDMENTS CONFORMING TO THE REPEAL OF
22 THE NATURAL GAS POLICY ACT OF 1978.—

23 (1) IN GENERAL.—Section 29(c)(2)(A) (before
24 redesignation under subsection (a)) is amended—

1 (A) by inserting “(as in effect before the
2 repeal of such section)” after “1978”, and

3 (B) by striking subsection (e) and redesignating subsections (f) and (g) as subsections (e) and (f), respectively.

6 (2) CONFORMING AMENDMENTS.—Section
7 29(g)(1)(before redesignation under subsection (a)
8 and paragraph (1) of this subsection) is amended—

9 (A) in subparagraph (A) by striking “sub-
10 section (f)(1)(B)” and inserting “subsection
11 (e)(1)(B)”, and

12 (B) in subparagraph (B) by striking “sub-
13 section (f)” and inserting “subsection (e)”.

14 (c) EFFECTIVE DATES.—

15 (1) IN GENERAL.—Except as provided in para-
16 graph (2), the amendments made by this section
17 shall apply to credits determined under the Internal
18 Revenue Code of 1986 for taxable years ending after
19 December 31, 2005.

20 (2) SUBSECTION (b).—The amendments made
21 by subsection (b) shall take effect on the date of the
22 enactment of this Act.

1 **SEC. 106. MODIFICATIONS TO SPECIAL RULES FOR NU-**
2 **CLEAR DECOMMISSIONING COSTS.**

3 (a) REPEAL OF LIMITATION ON DEPOSITS INTO
4 FUND BASED ON COST OF SERVICE; CONTRIBUTIONS
5 AFTER FUNDING PERIOD.—Subsection (b) of section
6 468A (relating to special rules for nuclear decommis-
7 sioning costs) is amended to read as follows:

8 “(b) LIMITATION ON AMOUNTS PAID INTO FUND.—
9 The amount which a taxpayer may pay into the Fund for
10 any taxable year shall not exceed the ruling amount appli-
11 cable to such taxable year.”.

12 (b) TREATMENT OF CERTAIN DECOMMISSIONING
13 COSTS.—

14 (1) IN GENERAL.—Section 468A is amended by
15 redesignating subsections (f) and (g) as subsections
16 (g) and (h), respectively, and by inserting after sub-
17 section (e) the following new subsection:

18 “(f) TRANSFERS INTO QUALIFIED FUNDS.—

19 “(1) IN GENERAL.—Notwithstanding subsection
20 (b), any taxpayer maintaining a Fund to which this
21 section applies with respect to a nuclear power plant
22 may transfer into such Fund not more than an
23 amount equal to the present value of the portion of
24 the total nuclear decommissioning costs with respect
25 to such nuclear power plant previously excluded for
26 such nuclear power plant under subsection (d)(2)(A)

1 as in effect immediately before the date of the enact-
2 ment of this subsection.

3 “(2) DEDUCTION FOR AMOUNTS TRANS-
4 FERRED.—

5 “(A) IN GENERAL.—Except as provided in
6 subparagraph (C), the deduction allowed by
7 subsection (a) for any transfer permitted by
8 this subsection shall be allowed ratably over the
9 remaining estimated useful life (within the
10 meaning of subsection (d)(2)(A)) of the nuclear
11 power plant beginning with the taxable year
12 during which the transfer is made.

13 “(B) DENIAL OF DEDUCTION FOR PRE-
14 VIOUSLY DEDUCTED AMOUNTS.—No deduction
15 shall be allowed for any transfer under this sub-
16 section of an amount for which a deduction was
17 previously allowed to the taxpayer (or a prede-
18 cessor) or a corresponding amount was not in-
19 cluded in gross income of the taxpayer (or a
20 predecessor). For purposes of the preceding
21 sentence, a ratable portion of each transfer
22 shall be treated as being from previously de-
23 ducted or excluded amounts to the extent there-
24 of.

1 “(C) TRANSFERS OF QUALIFIED FUNDS.—

2 If—

3 “(i) any transfer permitted by this
4 subsection is made to any Fund to which
5 this section applies, and

6 “(ii) such Fund is transferred there-
7 after,

8 any deduction under this subsection for taxable
9 years ending after the date that such Fund is
10 transferred shall be allowed to the transferor
11 for the taxable year which includes such date.

12 “(D) SPECIAL RULES.—

13 “(i) GAIN OR LOSS NOT RECOGNIZED
14 ON TRANSFERS TO FUND.—No gain or loss
15 shall be recognized on any transfer de-
16 scribed in paragraph (1).

17 “(ii) TRANSFERS OF APPRECIATED
18 PROPERTY TO FUND.—If appreciated prop-
19 erty is transferred in a transfer described
20 in paragraph (1), the amount of the deduc-
21 tion shall not exceed the adjusted basis of
22 such property.

23 “(3) NEW RULING AMOUNT REQUIRED.—Para-
24 graph (1) shall not apply to any transfer unless the

1 taxpayer requests from the Secretary a new schedule
2 of ruling amounts in connection with such transfer.

3 “(4) NO BASIS IN QUALIFIED FUNDS.—Not-
4 withstanding any other provision of law, the tax-
5 payer’s basis in any Fund to which this section ap-
6 plies shall not be increased by reason of any transfer
7 permitted by this subsection.”.

8 (2) NEW RULING AMOUNT TO TAKE INTO AC-
9 COUNT TOTAL COSTS.—Subparagraph (A) of section
10 468A(d)(2) (defining ruling amount) is amended to
11 read as follows:

12 “(A) fund the total nuclear decommis-
13 sioning costs with respect to such power plant
14 over the estimated useful life of such power
15 plant, and”.

16 (c) TECHNICAL AMENDMENTS.—Section 468A(e)(2)
17 (relating to taxation of Fund) is amended—

18 (1) by striking “rate set forth in subparagraph
19 (B)” in subparagraph (A) and inserting “rate of 20
20 percent”,

21 (2) by striking subparagraph (B), and

22 (3) by redesignating subparagraphs (C) and
23 (D) as subparagraphs (B) and (C), respectively.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2005.

4 **SEC. 107. ARBITRAGE RULES NOT TO APPLY TO PREPAY-**
5 **MENTS FOR NATURAL GAS.**

6 (a) IN GENERAL.—Subsection (b) of section 148 (re-
7 lating to higher yielding investments) is amended by add-
8 ing at the end the following new paragraph:

9 “(4) SAFE HARBOR FOR PREPAID NATURAL
10 GAS.—

11 “(A) IN GENERAL.—The term ‘investment-
12 type property’ does not include a prepayment
13 under a qualified natural gas supply contract.

14 “(B) QUALIFIED NATURAL GAS SUPPLY
15 CONTRACT.—For purposes of this paragraph,
16 the term ‘qualified natural gas supply contract’
17 means any contract to acquire natural gas for
18 resale by a utility owned by a governmental
19 unit if the amount of gas permitted to be ac-
20 quired under the contract by the utility during
21 any year does not exceed the sum of—

22 “(i) the annual average amount dur-
23 ing the testing period of natural gas pur-
24 chased (other than for resale) by cus-

1 tomers of such utility who are located
2 within the service area of such utility, and

3 “(ii) the amount of natural gas to be
4 used to transport the prepaid natural gas
5 to the utility during such year.

6 “(C) NATURAL GAS USED TO GENERATE
7 ELECTRICITY.—Natural gas used to generate
8 electricity shall be taken into account in deter-
9 mining the average under subparagraph
10 (B)(i)—

11 “(i) only if the electricity is generated
12 by a utility owned by a governmental unit,
13 and

14 “(ii) only to the extent that the elec-
15 tricity is sold (other than for resale) to
16 customers of such utility who are located
17 within the service area of such utility.

18 “(D) ADJUSTMENTS FOR CHANGES IN
19 CUSTOMER BASE.—

20 “(i) NEW BUSINESS CUSTOMERS.—
21 If—

22 “(I) after the close of the testing
23 period and before the date of issuance
24 of the issue, the utility owned by a
25 governmental unit enters into a con-

1 tract to supply natural gas (other
2 than for resale) for a business use at
3 a property within the service area of
4 such utility, and

5 “(II) the utility did not supply
6 natural gas to such property during
7 the testing period or the ratable
8 amount of natural gas to be supplied
9 under the contract is significantly
10 greater than the ratable amount of
11 gas supplied to such property during
12 the testing period,

13 then a contract shall not fail to be treated
14 as a qualified natural gas supply contract
15 by reason of supplying the additional nat-
16 ural gas under the contract referred to in
17 subclause (I).

18 “(ii) LOST CUSTOMERS.—The average
19 under subparagraph (B)(i) shall not exceed
20 the annual amount of natural gas reason-
21 ably expected to be purchased (other than
22 for resale) by persons who are located
23 within the service area of such utility and
24 who, as of the date of issuance of the
25 issue, are customers of such utility.

1 “(E) RULING REQUESTS.—The Secretary
2 may increase the average under subparagraph
3 (B)(i) for any period if the utility owned by the
4 governmental unit establishes to the satisfaction
5 of the Secretary that, based on objective evi-
6 dence of growth in natural gas consumption or
7 population, such average would otherwise be in-
8 sufficient for such period.

9 “(F) ADJUSTMENT FOR NATURAL GAS
10 OTHERWISE ON HAND.—

11 “(i) IN GENERAL.—The amount oth-
12 erwise permitted to be acquired under the
13 contract for any period shall be reduced
14 by—

15 “(I) the applicable share of nat-
16 ural gas held by the utility on the
17 date of issuance of the issue, and

18 “(II) the natural gas (not taken
19 into account under subclause (I))
20 which the utility has a right to ac-
21 quire during such period (determined
22 as of the date of issuance of the
23 issue).

24 “(ii) APPLICABLE SHARE.—For pur-
25 poses of the clause (i), the term ‘applicable

1 share' means, with respect to any period,
2 the natural gas allocable to such period if
3 the gas were allocated ratably over the pe-
4 riod to which the prepayment relates.

5 “(G) INTENTIONAL ACTS.—Subparagraph
6 (A) shall cease to apply to any issue if the util-
7 ity owned by the governmental unit engages in
8 any intentional act to render the volume of nat-
9 ural gas acquired by such prepayment to be in
10 excess of the sum of—

11 “(i) the amount of natural gas needed
12 (other than for resale) by customers of
13 such utility who are located within the
14 service area of such utility, and

15 “(ii) the amount of natural gas used
16 to transport such natural gas to the utility.

17 “(H) TESTING PERIOD.—For purposes of
18 this paragraph, the term ‘testing period’ means,
19 with respect to an issue, the most recent 5 cal-
20 endar years ending before the date of issuance
21 of the issue.

22 “(I) SERVICE AREA.—For purposes of this
23 paragraph, the service area of a utility owned
24 by a governmental unit shall be comprised of—

1 “(i) any area throughout which such
2 utility provided at all times during the
3 testing period—

4 “(I) in the case of a natural gas
5 utility, natural gas transmission or
6 distribution services, and

7 “(II) in the case of an electric
8 utility, electricity distribution services,

9 “(ii) any area within a county contig-
10 uous to the area described in clause (i) in
11 which retail customers of such utility are
12 located if such area is not also served by
13 another utility providing natural gas or
14 electricity services, as the case may be, and

15 “(iii) any area recognized as the serv-
16 ice area of such utility under State or Fed-
17 eral law.”.

18 (b) PRIVATE LOAN FINANCING TEST NOT TO APPLY
19 TO PREPAYMENTS FOR NATURAL GAS.—Paragraph (2) of
20 section 141(c) (providing exceptions to the private loan fi-
21 nancing test) is amended by striking “or” at the end of
22 subparagraph (A), by striking the period at the end of
23 subparagraph (B) and inserting “, or”, and by adding at
24 the end the following new subparagraph:

1 “(C) is a qualified natural gas supply con-
2 tract (as defined in section 148(b)(4)).”.

3 (c) EXCEPTION FOR QUALIFIED ELECTRIC AND NAT-
4 URAL GAS SUPPLY CONTRACTS.—Section 141(d) is
5 amended by adding at the end the following new para-
6 graph:

7 “(7) EXCEPTION FOR QUALIFIED ELECTRIC
8 AND NATURAL GAS SUPPLY CONTRACTS.—The term
9 ‘nongovernmental output property’ shall not include
10 any contract for the prepayment of electricity or nat-
11 ural gas which is not investment property under sec-
12 tion 148(b)(2).”.

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

16 **SEC. 108. DETERMINATION OF SMALL REFINER EXCEPTION**
17 **TO OIL DEPLETION DEDUCTION.**

18 (a) IN GENERAL.—Paragraph (4) of section 613A(d)
19 (relating to limitations on application of subsection (c))
20 is amended to read as follows:

21 “(4) CERTAIN REFINERS EXCLUDED.—If the
22 taxpayer or 1 or more related persons engages in the
23 refining of crude oil, subsection (c) shall not apply
24 to the taxpayer for a taxable year if the average
25 daily refinery runs of the taxpayer and such persons

1 for the taxable year exceed 75,000 barrels. For pur-
2 poses of this paragraph, the average daily refinery
3 runs for any taxable year shall be determined by di-
4 viding the aggregate refinery runs for the taxable
5 year by the number of days in the taxable year.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to taxable years ending after the
8 date of the enactment of this Act.

9 **TITLE II—MISCELLANEOUS**
10 **ENERGY TAX INCENTIVES**

11 **SEC. 201. CREDIT FOR RESIDENTIAL ENERGY EFFICIENT**
12 **PROPERTY.**

13 (a) IN GENERAL.—Subpart A of part IV of sub-
14 chapter A of chapter 1 (relating to nonrefundable personal
15 credits) is amended by inserting after section 25B the fol-
16 lowing new section:

17 **“SEC. 25C. RESIDENTIAL ENERGY EFFICIENT PROPERTY.**

18 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
19 dividual, there shall be allowed as a credit against the tax
20 imposed by this chapter for the taxable year an amount
21 equal to the sum of—

22 “(1) 15 percent of the qualified solar water
23 heating property expenditures made by the taxpayer
24 during such year,

1 “(2) 15 percent of the qualified photovoltaic
2 property expenditures made by the taxpayer during
3 such year, and

4 “(3) 15 percent of the qualified fuel cell prop-
5 erty expenditures made by the taxpayer during such
6 year.

7 “(b) LIMITATIONS.—

8 “(1) MAXIMUM CREDIT.—

9 “(A) IN GENERAL.—The credit allowed
10 under subsection (a) shall not exceed—

11 “(i) \$2,000 for solar water heating
12 property described in subsection (c)(1),

13 “(ii) \$2,000 for photovoltaic property
14 described in subsection (c)(2), and

15 “(iii) \$500 for each 0.5 kilowatt of ca-
16 pacity of property described in subsection
17 (c)(3).

18 “(B) PRIOR EXPENDITURES BY TAXPAYER
19 ON SAME RESIDENCE TAKEN INTO ACCOUNT.—

20 In determining the amount of the credit allowed
21 to a taxpayer with respect to any dwelling unit
22 under this section, the dollar amounts under
23 clauses (i) and (ii) of subparagraph (A) with re-
24 spect to each type of property described in such
25 clauses shall be reduced by the credit allowed to

1 the taxpayer under this section with respect to
2 such type of property for all preceding taxable
3 years with respect to such dwelling unit.

4 “(2) PROPERTY STANDARDS.—No credit shall
5 be allowed under this section for an item of property
6 unless—

7 “(A) the original use of such property com-
8 mences with the taxpayer,

9 “(B) such property can be reasonably ex-
10 pected to remain in use for at least 5 years,

11 “(C) such property is installed on or in
12 connection with a dwelling unit located in the
13 United States and used as a residence by the
14 taxpayer,

15 “(D) in the case of solar water heating
16 property, such property is certified for perform-
17 ance by the non-profit Solar Rating and Certifi-
18 cation Corporation or a comparable entity en-
19 dorsed by the government of the State in which
20 such property is installed, and

21 “(E) in the case of fuel cell property, such
22 property meets the performance and quality
23 standards (if any) which have been prescribed
24 by the Secretary by regulations (after consulta-
25 tion with the Secretary of Energy).

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

2 “(1) QUALIFIED SOLAR WATER HEATING PROP-
3 ERTY EXPENDITURE.—The term ‘qualified solar
4 water heating property expenditure’ means an ex-
5 penditure for property which uses solar energy to
6 heat water for use in a dwelling unit.

7 “(2) QUALIFIED PHOTOVOLTAIC PROPERTY EX-
8 PENDITURE.—The term ‘qualified photovoltaic prop-
9 erty expenditure’ means an expenditure for property
10 which uses solar energy to generate electricity for
11 use in a dwelling unit and which is not described in
12 paragraph (1).

13 “(3) QUALIFIED FUEL CELL PROPERTY EX-
14 PENDITURE.—The term ‘qualified fuel cell property
15 expenditure’ means an expenditure for any qualified
16 fuel cell property (as defined in section 48(b)(1)).

17 “(d) SPECIAL RULES.—For purposes of this sec-
18 tion—

19 “(1) SOLAR PANELS.—No expenditure relating
20 to a solar panel or other property installed as a roof
21 (or portion thereof) shall fail to be treated as prop-
22 erty described in paragraph (1) or (2) of subsection
23 (c) solely because it constitutes a structural compo-
24 nent of the structure on which it is installed.

1 “(2) SWIMMING POOLS, ETC., USED AS STOR-
2 AGE MEDIUM.—Expenditures which are properly al-
3 locable to a swimming pool, hot tub, or any other
4 energy storage medium which has a function other
5 than the function of such storage shall not be taken
6 into account for purposes of this section.

7 “(3) DOLLAR AMOUNTS IN CASE OF JOINT OC-
8 CUPANCY.—In the case of any dwelling unit which is
9 jointly occupied and used during any calendar year
10 as a residence by 2 or more individuals, the fol-
11 lowing rules shall apply:

12 “(A) The amount of the credit allowable
13 under subsection (a) by reason of expenditures
14 made during such calendar year by any of such
15 individuals with respect to such dwelling unit
16 shall be determined by treating all of such indi-
17 viduals as 1 taxpayer whose taxable year is
18 such calendar year.

19 “(B) There shall be allowable, with respect
20 to such expenditures to each of such individ-
21 uals, a credit under subsection (a) for the tax-
22 able year in which such calendar year ends in
23 an amount which bears the same ratio to the
24 amount determined under subparagraph (A) as
25 the amount of such expenditures made by such

1 individual during such calendar year bears to
2 the aggregate of such expenditures made by all
3 of such individuals during such calendar year.

4 “(C) Subparagraphs (A) and (B) shall be
5 applied separately with respect to expenditures
6 described in paragraphs (1), (2), and (3) of
7 subsection (c).

8 “(4) TENANT-STOCKHOLDER IN COOPERATIVE
9 HOUSING CORPORATION.—In the case of an indi-
10 vidual who is a tenant-stockholder (as defined in sec-
11 tion 216) in a cooperative housing corporation (as
12 defined in such section), such individual shall be
13 treated as having made the individual’s tenant-stock-
14 holder’s proportionate share (as defined in section
15 216(b)(3)) of any expenditures of such corporation.

16 “(5) CONDOMINIUMS.—

17 “(A) IN GENERAL.—In the case of an indi-
18 vidual who is a member of a condominium man-
19 agement association with respect to a condo-
20 minium which the individual owns, such indi-
21 vidual shall be treated as having made the indi-
22 vidual’s proportionate share of any expenditures
23 of such association.

24 “(B) CONDOMINIUM MANAGEMENT ASSO-
25 CIATION.—For purposes of this paragraph, the

1 term ‘condominium management association’
2 means an organization which meets the require-
3 ments of paragraph (1) of section 528(c) (other
4 than subparagraph (E) thereof) with respect to
5 a condominium project substantially all of the
6 units of which are used as residences.

7 “(6) ALLOCATION IN CERTAIN CASES.—If less
8 than 80 percent of the use of an item is for nonbusi-
9 ness purposes, only that portion of the expenditures
10 for such item which is properly allocable to use for
11 nonbusiness purposes shall be taken into account.

12 “(7) WHEN EXPENDITURE MADE; AMOUNT OF
13 EXPENDITURE.—

14 “(A) IN GENERAL.—Except as provided in
15 subparagraph (B), an expenditure with respect
16 to an item shall be treated as made when the
17 original installation of the item is completed.

18 “(B) EXPENDITURES PART OF BUILDING
19 CONSTRUCTION.—In the case of an expenditure
20 in connection with the construction or recon-
21 struction of a structure, such expenditure shall
22 be treated as made when the original use of the
23 constructed or reconstructed structure by the
24 taxpayer begins.

1 “(C) AMOUNT.—The amount of any ex-
2 penditure shall be the cost thereof.

3 “(8) PROPERTY FINANCED BY SUBSIDIZED EN-
4 ERGY FINANCING.—For purposes of determining the
5 amount of expenditures made by any individual with
6 respect to any dwelling unit, there shall not be taken
7 into account expenditures which are made from sub-
8 sidized energy financing (as defined in section
9 48(a)(4)(C)).

10 “(e) BASIS ADJUSTMENTS.—For purposes of this
11 subtitle, if a credit is allowed under this section for any
12 expenditure with respect to any property, the increase in
13 the basis of such property which would (but for this sub-
14 section) result from such expenditure shall be reduced by
15 the amount of the credit so allowed.

16 “(f) TERMINATION.—The credit allowed under this
17 section shall not apply to taxable years beginning after
18 December 31, 2007.”.

19 (b) CONFORMING AMENDMENTS.—

20 (1) Section 1016(a) is amended by striking
21 “and” at the end of paragraph (30), by striking the
22 period at the end of paragraph (31) and inserting “,
23 and”, and by adding at the end the following new
24 paragraph:

1 “(32) to the extent provided in section 25C(e),
2 in the case of amounts with respect to which a credit
3 has been allowed under section 25C.”.

4 (2) The table of sections for subpart A of part
5 IV of subchapter A of chapter 1 is amended by in-
6 serting after the item relating to section 25B the fol-
7 lowing new item:

“Sec. 25C. Residential energy efficient property.”.

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

11 **SEC. 202. CREDIT FOR BUSINESS INSTALLATION OF QUALI-**
12 **FIED FUEL CELLS.**

13 (a) IN GENERAL.—Section 48(a)(3)(A) (defining en-
14 ergy property) is amended by striking “or” at the end of
15 clause (i), by adding “or” at the end of clause (ii), and
16 by inserting after clause (ii) the following new clause:

17 “(iii) qualified fuel cell property,”.

18 (b) ENERGY PERCENTAGE.—Subparagraph (A) of
19 section 48(a)(2) (relating to energy percentage) is amend-
20 ed to read as follows:

21 “(A) IN GENERAL.—The energy percent-
22 age is—

23 “(i) in the case of qualified fuel cell
24 property, 15 percent, and

1 “(ii) in the case of any other energy
2 property, 10 percent.”.

3 (c) QUALIFIED FUEL CELL PROPERTY.—Section 48
4 (relating to energy credit) is amended—

5 (1) by redesignating subsection (b) as para-
6 graph (5) of subsection (a),

7 (2) by striking “subsection (a)” in paragraph
8 (5) of subsection (a), as redesignated by paragraph
9 (1), and inserting “this subsection”, and

10 (3) by adding at the end the following new sub-
11 section:

12 “(b) QUALIFIED FUEL CELL PROPERTY.—For pur-
13 poses of subsection (a)(3)(A)(iii)—

14 “(1) IN GENERAL.—The term ‘qualified fuel
15 cell property’ means a fuel cell power plant which
16 generates at least 0.5 kilowatt of electricity using an
17 electrochemical process.

18 “(2) LIMITATION.—The energy credit with re-
19 spect to any qualified fuel cell property shall not ex-
20 ceed an amount equal to \$500 for each 0.5 kilowatt
21 of capacity of such property.

22 “(3) FUEL CELL POWER PLANT.—The term
23 ‘fuel cell power plant’ means an integrated system,
24 comprised of a fuel cell stack assembly and associ-

1 ated balance of plant components, which converts a
2 fuel into electricity using electrochemical means.

3 “(4) TERMINATION.—The term ‘qualified fuel
4 cell property’ shall not include any property placed
5 in service after December 31, 2007.”.

6 (d) CONFORMING AMENDMENT.—Section 48(a)(1) is
7 amended by inserting “except as provided in subsection
8 (b)(2),” before “the energy”.

9 (e) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to property placed in service after
11 April 11, 2005, under rules similar to the rules of section
12 48(m) of the Internal Revenue Code of 1986 (as in effect
13 on the day before the date of the enactment of the Rev-
14 enue Reconciliation Act of 1990).

15 **SEC. 203. REDUCED MOTOR FUEL EXCISE TAX ON CERTAIN**
16 **MIXTURES OF DIESEL FUEL.**

17 (a) IN GENERAL.—Paragraph (2) of section 4081(a)
18 is amended by adding at the end the following:

19 “(D) DIESEL-WATER FUEL EMULSION.—In
20 the case of diesel-water fuel emulsion at least
21 16.9 percent of which is water and with respect
22 to which the emulsion additive is registered by
23 a United States manufacturer with the Envi-
24 ronmental Protection Agency pursuant to sec-
25 tion 211 of the Clean Air Act (as in effect on

1 March 31, 2003), subparagraph (A)(iii) shall be
2 applied by substituting ‘19.7 cents’ for ‘24.3
3 cents’.”.

4 (b) SPECIAL RULES FOR DIESEL-WATER FUEL
5 EMULSIONS.—

6 (1) REFUNDS FOR TAX-PAID PURCHASES.—Sec-
7 tion 6427 is amended by redesignating subsections
8 (m) through (p) as subsections (n) through (q), re-
9 spectively, and by inserting after subsection (l) the
10 following new subsection:

11 “(m) DIESEL FUEL USED TO PRODUCE EMUL-
12 SION.—

13 “(1) IN GENERAL.—Except as provided in sub-
14 section (k), if any diesel fuel on which tax was im-
15 posed by section 4081 at the regular tax rate is used
16 by any person in producing an emulsion described in
17 section 4081(a)(2)(D) which is sold or used in such
18 person’s trade or business, the Secretary shall pay
19 (without interest) to such person an amount equal to
20 the excess of the regular tax rate over the incentive
21 tax rate with respect to such fuel.

22 “(2) DEFINITIONS.—For purposes of paragraph
23 (1)—

24 “(A) REGULAR TAX RATE.—The term ‘reg-
25 ular tax rate’ means the aggregate rate of tax

1 imposed by section 4081 determined without re-
2 gard to section 4081(a)(2)(D).

3 “(B) INCENTIVE TAX RATE.—The term
4 ‘incentive tax rate’ means the aggregate rate of
5 tax imposed by section 4081 determined with
6 regard to section 4081(a)(2)(D).”.

7 (2) LATER SEPARATION OF FUEL.—Section
8 4081 (relating to imposition of tax) is amended by
9 inserting after subsection (b) the following new sub-
10 section:

11 “(c) LATER SEPARATION OF FUEL FROM DIESEL-
12 WATER FUEL EMULSION.—If any person separates the
13 taxable fuel from a diesel-water fuel emulsion on which
14 tax was imposed under subsection (a) at a rate determined
15 under subsection (a)(2)(D) (or with respect to which a
16 credit or payment was allowed or made by reason of sec-
17 tion 6427), such person shall be treated as the refiner of
18 such taxable fuel. The amount of tax imposed on any re-
19 moval of such fuel by such person shall be reduced by the
20 amount of tax imposed (and not credited or refunded) on
21 any prior removal or entry of such fuel.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall take effect on January 1, 2006.

1 **SEC. 204. AMORTIZATION OF DELAY RENTAL PAYMENTS.**

2 (a) IN GENERAL.—Section 167 (relating to deprecia-
3 tion) is amended by redesignating subsection (h) as sub-
4 section (i) and by inserting after subsection (g) the fol-
5 lowing new subsection:

6 “(h) AMORTIZATION OF DELAY RENTAL PAYMENTS
7 FOR DOMESTIC OIL AND GAS WELLS.—

8 “(1) IN GENERAL.—Any delay rental payment
9 paid or incurred in connection with the development
10 of oil or gas wells within the United States (as de-
11 fined in section 638) shall be allowed as a deduction
12 ratably over the 24-month period beginning on the
13 date that such payment was paid or incurred.

14 “(2) HALF-YEAR CONVENTION.—For purposes
15 of paragraph (1), any payment paid or incurred dur-
16 ing the taxable year shall be treated as paid or in-
17 curred on the mid-point of such taxable year.

18 “(3) EXCLUSIVE METHOD.—Except as provided
19 in this subsection, no depreciation or amortization
20 deduction shall be allowed with respect to such pay-
21 ments.

22 “(4) TREATMENT UPON ABANDONMENT.—If
23 any property to which a delay rental payment relates
24 is retired or abandoned during the 24-month period
25 described in paragraph (1), no deduction shall be al-
26 lowed on account of such retirement or abandon-

1 ment and the amortization deduction under this sub-
2 section shall continue with respect to such payment.

3 “(5) DELAY RENTAL PAYMENTS.—For purposes
4 of this subsection, the term ‘delay rental payment’
5 means an amount paid for the privilege of deferring
6 development of an oil or gas well under an oil or gas
7 lease.”.

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to amounts paid or incurred in tax-
10 able years beginning after the date of the enactment of
11 this Act.

12 **SEC. 205. AMORTIZATION OF GEOLOGICAL AND GEO-**
13 **PHYSICAL EXPENDITURES.**

14 (a) IN GENERAL.—Section 167 (relating to deprecia-
15 tion), as amended by section 204 of this Act, is amended
16 by redesignating subsection (i) as subsection (j) and by
17 inserting after subsection (h) the following new subsection:

18 “(i) AMORTIZATION OF GEOLOGICAL AND GEO-
19 PHYSICAL EXPENDITURES.—

20 “(1) IN GENERAL.—Any geological and geo-
21 physical expenses paid or incurred in connection
22 with the exploration for, or development of, oil or
23 gas within the United States (as defined in section
24 638) shall be allowed as a deduction ratably over the

1 24-month period beginning on the date that such ex-
2 pense was paid or incurred.

3 “(2) SPECIAL RULES.—For purposes of this
4 subsection, rules similar to the rules of paragraphs
5 (2), (3), and (4) of subsection (h) shall apply.”.

6 (b) CONFORMING AMENDMENT.—Section 263A(c)(3)
7 is amended by inserting “167(h), 167(i),” after “under
8 section”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to amounts paid or incurred in tax-
11 able years beginning after the date of the enactment of
12 this Act.

13 **SEC. 206. ADVANCED LEAN BURN TECHNOLOGY MOTOR VE-**
14 **HICLE CREDIT.**

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

18 **“SEC. 30B. ADVANCED LEAN BURN TECHNOLOGY MOTOR**
19 **VEHICLE CREDIT.**

20 “(a) ALLOWANCE OF CREDIT.—There shall be al-
21 lowed as a credit against the tax imposed by this chapter
22 for the taxable year an amount equal to the sum of the
23 credit amounts determined under subsection (b) with re-
24 spect to each qualified advanced lean burn technology

1 motor vehicle placed in service by the taxpayer during the
2 taxable year.

3 “(b) CREDIT AMOUNT.—For purposes of subsection
4 (a)—

5 “(1) FUEL EFFICIENCY.—The credit amount
6 with respect to any vehicle shall be—

7 “(A) \$500, if the city fuel economy of such
8 vehicle is at least 125 percent but less than 150
9 percent of the 2000 model year city fuel econ-
10 omy for a vehicle in the same inertia weight
11 class,

12 “(B) \$1,000, if the city fuel economy of
13 such vehicle is at least 150 percent but less
14 than 175 percent of the 2000 model year city
15 fuel economy for a vehicle in the same inertia
16 weight class,

17 “(C) \$1,500, if the city fuel economy of
18 such vehicle is at least 175 percent but less
19 than 200 percent of the 2000 model year city
20 fuel economy for a vehicle in the same inertia
21 weight class,

22 “(D) \$2,000, if the city fuel economy of
23 such vehicle is at least 200 percent but less
24 than 225 percent of the 2000 model year city

1 fuel economy for a vehicle in the same inertia
2 weight class,

3 “(E) \$2,500, if the city fuel economy of
4 such vehicle is at least 225 percent but less
5 than 250 percent of the 2000 model year city
6 fuel economy for a vehicle in the same inertia
7 weight class, and

8 “(F) \$3,000, if the city fuel economy of
9 such vehicle is at least 250 percent of the 2000
10 model year city fuel economy for a vehicle in
11 the same inertia weight class.

12 “(2) CONSERVATION.—The credit amount de-
13 termined under paragraph (1) with respect to any
14 vehicle shall be increased by—

15 “(A) \$250, if the lifetime fuel savings of
16 such vehicle is at least 1,500 gallons of motor
17 fuel but less than 2,500 gallons of motor fuel,
18 and

19 “(B) \$500, if the lifetime fuel savings of
20 such vehicle is at least 2,500 gallons of motor
21 fuel.

22 “(c) LIMITATION BASED ON AMOUNT OF TAX.—The
23 credit allowed under subsection (a) for the taxable year
24 shall not exceed the excess of—

1 “(1) the sum of the regular tax liability (as de-
2 fined in section 26(b)) plus the tax imposed by sec-
3 tion 55, over

4 “(2) the sum of the credits allowable under sub-
5 part A and sections 27 and 30A for the taxable
6 year.

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

8 “(1) QUALIFIED ADVANCED LEAN BURN TECH-
9 NOLOGY MOTOR VEHICLE.—The term ‘qualified ad-
10 vanced lean burn technology motor vehicle’ means a
11 motor vehicle—

12 “(A) the original use of which commences
13 with the taxpayer,

14 “(B) powered by an internal combustion
15 engine that—

16 “(i) is designed to operate primarily
17 using more air than is necessary for com-
18 plete combustion of the fuel, and

19 “(ii) incorporates direct injection,

20 “(C) that only uses diesel fuel (as defined
21 in section 4083(a)(3)),

22 “(D) the city fuel economy of which is at
23 least 125 percent of the 2000 model year city
24 fuel economy for a vehicle in the same inertia
25 weight class, and

1 “(E) that has received a certificate that
 2 such vehicle meets or exceeds the Bin 8 Tier II
 3 emission level established in regulations pre-
 4 scribed by the Administrator of the Environ-
 5 mental Protection Agency under section 202(i)
 6 of the Clean Air Act.

7 “(2) LIFETIME FUEL SAVINGS.—The term ‘life-
 8 time fuel savings’ means, with respect to a qualified
 9 advanced lean burn technology motor vehicle, an
 10 amount equal to the excess (if any) of—

11 “(A) 120,000 divided by the 2000 model
 12 year city fuel economy for the vehicle inertia
 13 weight class, over

14 “(B) 120,000 divided by the city fuel econ-
 15 omy for such vehicle.

16 “(3) 2000 MODEL YEAR CITY FUEL ECON-
 17 OMY.—The 2000 model year city fuel economy with
 18 respect to a vehicle shall be determined in accord-
 19 ance with the following tables:

20 “(A) In the case of a passenger auto-
 21 mobile:

“If vehicle inertia weight	The 2000 model year city fuel
class is:	economy is:
1,500 or 1,750 lbs	43.7 mpg
2,000 lbs	38.3 mpg
2,250 lbs	34.1 mpg
2,500 lbs	30.7 mpg
2,750 lbs	27.9 mpg
3,000 lbs	25.6 mpg
3,500 lbs	22.0 mpg

“If vehicle inertia weight	The 2000 model year city fuel
class is:	economy is:
4,000 lbs	19.3 mpg
4,500 lbs	17.2 mpg
5,000 lbs	15.5 mpg
5,500 lbs	14.1 mpg
6,000 lbs	12.9 mpg
6,500 lbs	11.9 mpg
7,000 or 8,500 lbs	11.1 mpg.

1 “(B) In the case of a light truck:

“If vehicle inertia weight	The 2000 model year city fuel
class is:	economy is:
1,500 or 1,750 lbs	37.6 mpg
2,000 lbs	33.7 mpg
2,250 lbs	30.6 mpg
2,500 lbs	28.0 mpg
2,750 lbs	25.9 mpg
3,000 lbs	24.1 mpg
3,500 lbs	21.3 mpg
4,000 lbs	19.0 mpg
4,500 lbs	17.3 mpg
5,000 lbs	15.8 mpg
5,500 lbs	14.6 mpg
6,000 lbs	13.6 mpg
6,500 lbs	12.8 mpg
7,000 or 8,500 lbs	12.0 mpg.

2 “(4) MOTOR VEHICLE.—The term ‘motor vehi-

3 cle’ has the meaning given such term by section

4 30(c)(2).

5 “(5) CITY FUEL ECONOMY.—City fuel economy

6 with respect to any vehicle shall be measured in ac-

7 cordance with testing and calculation procedures es-

8 tablished by the Administrator of the Environmental

9 Protection Agency by regulations in effect on April

10 11, 2005.

11 “(6) OTHER TERMS.—The terms ‘passenger

12 automobile’, ‘light truck’, and ‘manufacturer’ shall

13 have the meanings given such terms in regulations

1 prescribed by the Administrator of the Environ-
2 mental Protection Agency for purposes of the admin-
3 istration of title II of the Clean Air Act (42 U.S.C.
4 7521 et seq.).

5 “(e) CARRYFORWARD ALLOWED.—

6 “(1) IN GENERAL.—If the credit amount allow-
7 able under subsection (a) for a taxable year exceeds
8 the amount of the limitation under subsection (c) for
9 such taxable year (referred to as the ‘unused credit
10 year’ in this paragraph), such excess shall be allowed
11 as a credit carryforward for each of the 20 taxable
12 years following the unused credit year.

13 “(2) RULES.—Rules similar to the rules of sec-
14 tion 39 shall apply with respect to the credit
15 carryforward under paragraph (1).

16 “(f) SPECIAL RULES.—For purposes of this sec-
17 tion—

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

22 “(2) NO DOUBLE BENEFIT.—The amount of
23 any deduction or credit allowable under this chapter
24 (other than the credit allowable under subsection
25 (a)), with respect to any vehicle shall be reduced by

1 the amount of credit allowed under subsection (a)
2 (determined without regard to subsection (c)) for
3 such vehicle for the taxable year.

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

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

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

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

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

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

15 “(g) REGULATIONS.—

16 “(1) IN GENERAL.—The Secretary shall pro-
17 mulgate such regulations as necessary to carry out
18 this section, including regulations to prevent the
19 avoidance of the purposes of this section through
20 disposal of any motor vehicle or leasing of any motor
21 vehicle for a lease period of less than the economic
22 life of such vehicle.

23 “(2) DETERMINATION OF MOTOR VEHICLE ELI-
24 GIBILITY.—The Secretary, in coordination with the
25 Secretary of Transportation and the Administrator

1 of the Environmental Protection Agency, shall pre-
2 scribe such regulations as necessary to determine
3 whether a motor vehicle meets the requirements to
4 be eligible for a credit under this section.

5 “(h) TERMINATION.—This section shall not apply to
6 any property placed in service after December 31, 2007.”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 1016(a), as amended by section 201
9 of this Act, is amended by striking “and” at the end
10 of paragraph (31), by striking the period at the end
11 of paragraph (32) and inserting “, and”, and by
12 adding at the end the following:

13 “(33) to the extent provided in section
14 30B(f)(1).”.

15 (2) Section 6501(m) is amended by inserting
16 “30B(f)(6),” after “30(d)(4),”.

17 (3) The table of sections for subpart B of part
18 IV of subchapter A of chapter 1 is amended by in-
19 serting after the item relating to section 30A the fol-
20 lowing:

“Sec. 30B. Advanced lean burn technology motor vehicle credit.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to property placed in service after
23 the date of the enactment of this Act in taxable years end-
24 ing after such date.

1 **SEC. 207. CREDIT FOR ENERGY EFFICIENCY IMPROVE-**
2 **MENTS TO EXISTING HOMES.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-
4 chapter A of chapter 1 (relating to nonrefundable personal
5 credits), as amended by section 201, is amended by insert-
6 ing after section 25C the following new section:

7 **“SEC. 25D. ENERGY EFFICIENCY IMPROVEMENTS TO EXIST-**
8 **ING HOMES.**

9 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
10 dividual, there shall be allowed as a credit against the tax
11 imposed by this chapter for the taxable year an amount
12 equal to 20 percent of the amount paid or incurred by
13 the taxpayer for qualified energy efficiency improvements
14 installed during such taxable year.

15 “(b) LIMITATIONS.—

16 “(1) MAXIMUM CREDIT.—The credit allowed by
17 this section with respect to a dwelling unit shall not
18 exceed \$2,000.

19 “(2) PRIOR CREDIT AMOUNTS FOR TAXPAYER
20 ON SAME DWELLING TAKEN INTO ACCOUNT.—If a
21 credit was allowed to the taxpayer under subsection
22 (a) with respect to a dwelling unit in 1 or more prior
23 taxable years, the amount of the credit otherwise al-
24 lowable for the taxable year with respect to that
25 dwelling unit shall be reduced by the sum of the
26 credits allowed under subsection (a) to the taxpayer

1 with respect to the dwelling unit for all prior taxable
2 years.

3 “(c) QUALIFIED ENERGY EFFICIENCY IMPROVE-
4 MENTS.—For purposes of this section, the term ‘qualified
5 energy efficiency improvements’ means any energy effi-
6 cient building envelope component which meets the pre-
7 scriptive criteria for such component established by the
8 2000 International Energy Conservation Code, as such
9 Code (including supplements) is in effect on the date of
10 the enactment of this section (or, in the case of a metal
11 roof with appropriate pigmented coatings which meet the
12 Energy Star program requirements), if—

13 “(1) such component is installed in or on a
14 dwelling unit located in the United States and
15 owned and used by the taxpayer as the taxpayer’s
16 principal residence (within the meaning of section
17 121),

18 “(2) the original use of such component com-
19 mences with the taxpayer, and

20 “(3) such component reasonably can be ex-
21 pected to remain in use for at least 5 years.

22 If the aggregate cost of such components with respect to
23 any dwelling unit exceeds \$1,000, such components shall
24 be treated as qualified energy efficiency improvements

1 only if such components are also certified in accordance
2 with subsection (d) as meeting such prescriptive criteria.

3 “(d) CERTIFICATION.—The certification described in
4 subsection (c) shall be—

5 “(1) determined on the basis of the technical
6 specifications or applicable ratings (including prod-
7 uct labeling requirements) for the measurement of
8 energy efficiency (based upon energy use or building
9 envelope component performance) for the energy ef-
10 ficient building envelope component,

11 “(2) provided by a local building regulatory au-
12 thority, a utility, a manufactured home production
13 inspection primary inspection agency (IPIA), or an
14 accredited home energy rating system provider who
15 is accredited by or otherwise authorized to use ap-
16 proved energy performance measurement methods by
17 the Residential Energy Services Network
18 (RESNET), and

19 “(3) made in writing in a manner which speci-
20 fies in readily verifiable fashion the energy efficient
21 building envelope components installed and their re-
22 spective energy efficiency levels.

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

1 “(1) BUILDING ENVELOPE COMPONENT.—The
2 term ‘building envelope component’ means—

3 “(A) any insulation material or system
4 which is specifically and primarily designed to
5 reduce the heat loss or gain of a dwelling unit
6 when installed in or on such dwelling unit,

7 “(B) exterior windows (including sky-
8 lights),

9 “(C) exterior doors, and

10 “(D) any metal roof installed on a dwelling
11 unit, but only if such roof has appropriate pig-
12 mented coatings which are specifically and pri-
13 marily designed to reduce the heat gain of such
14 dwelling unit.

15 “(2) MANUFACTURED HOMES INCLUDED.—The
16 term ‘dwelling unit’ includes a manufactured home
17 which conforms to Federal Manufactured Home
18 Construction and Safety Standards (section 3280 of
19 title 24, Code of Federal Regulations).

20 “(3) APPLICATION OF RULES.—Rules similar to
21 the rules under paragraphs (3), (4), and (5) of sec-
22 tion 25C(d) shall apply.

23 “(f) BASIS ADJUSTMENT.—For purposes of this sub-
24 title, if a credit is allowed under this section for any ex-
25 penditure with respect to any property, the increase in the

1 basis of such property which would (but for this sub-
2 section) result from such expenditure shall be reduced by
3 the amount of the credit so allowed.

4 “(g) APPLICATION OF SECTION.—This section shall
5 apply to qualified energy efficiency improvements installed
6 after the date of the enactment of this section, and before
7 January 1, 2008.”.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Subsection (a) of section 1016, as amended
10 by section 206 of this Act, is amended by striking
11 “and” at the end of paragraph (32), by striking the
12 period at the end of paragraph (33) and inserting “,
13 and”, and by adding at the end the following new
14 paragraph:

15 “(34) to the extent provided in section 25D(f),
16 in the case of amounts with respect to which a credit
17 has been allowed under section 25D.”.

18 (2) The table of sections for subpart A of part
19 IV of subchapter A of chapter 1, as amended by sec-
20 tion 201, is amended by inserting after the item re-
21 lating to section 25C the following new item:

“Sec. 25D. Energy efficiency improvements to existing homes.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to improvements installed after the
24 date of the enactment of this Act in taxable years ending
25 after such date.

1 **TITLE III—ALTERNATIVE**
2 **MINIMUM TAX RELIEF**

3 **SEC. 301. NEW NONREFUNDABLE PERSONAL CREDITS AL-**
4 **LOWED AGAINST REGULAR AND MINIMUM**
5 **TAXES.**

6 (a) IN GENERAL.—

7 (1) SECTION 25C.—Section 25C(b), as added by
8 section 201 of this Act, is amended by adding at the
9 end the following new paragraph:

10 “(3) LIMITATION BASED ON AMOUNT OF
11 TAX.—The credit allowed under subsection (a) for
12 the taxable year shall not exceed the excess of—

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

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

19 (2) SECTION 25D.—Section 25D(b), as added
20 by section 207 of this Act, is amended by adding at
21 the end the following new paragraph:

22 “(3) LIMITATION BASED ON AMOUNT OF
23 TAX.—The credit allowed under subsection (a) for
24 the taxable year shall not exceed the excess of—

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

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

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 23(b)(4)(B) is amended by inserting
9 “and sections 25C and 25D” after “this section”.

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

12 (3) Section 25(e)(1)(C) is amended by inserting
13 “25C, and 25D” after “25B,”.

14 (4) Section 25B(g)(2) is amended by striking
15 “section 23” and inserting “sections 23, 25C, and
16 25D”.

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

19 (6) Section 904(h) is amended by striking “and
20 25B” and inserting “25B, 25C, and 25D”.

21 (7) Section 1400C(d) is amended by striking
22 “and 25B” and inserting “25B, 25C, and 25D”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to taxable years beginning after
25 December 31, 2005.

1 **SEC. 302. CERTAIN BUSINESS ENERGY CREDITS ALLOWED**
2 **AGAINST REGULAR AND MINIMUM TAXES.**

3 (a) IN GENERAL.—Subparagraph (B) of section
4 38(c)(4) (relating to specified credits) is amended by re-
5 designating clause (ii) as clause (iv) and by striking clause
6 (i) and inserting the following new clauses:

7 “(i) the credits determined under sec-
8 tions 40, 45H, and 45I,

9 “(ii) so much of the credit determined
10 under section 46 as is attributable to sec-
11 tion 48(a)(3)(A)(iii),

12 “(iii) for taxable years beginning after
13 December 31, 2005, and before January 1,
14 2008, the credit determined under section
15 43, and”.

16 (b) EFFECTIVE DATES.—

17 (1) IN GENERAL.—Except as provided by para-
18 graph (2), the amendment made by subsection (a)
19 shall apply to credits determined under the Internal
20 Revenue Code of 1986 for taxable years beginning
21 after December 31, 2005.

22 (2) FUEL CELLS.—Clause (ii) of section
23 38(c)(4)(B) of the Internal Revenue Code of 1986,
24 as amended by subsection (a) of this section, shall
25 apply to credits determined under the Internal Rev-

1 enue Code of 1986 for taxable years ending after
2 April 11, 2005.

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