

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 2993

To amend the Internal Revenue Code of 1986 to impose a temporary oil profit fee and to use the proceeds of the fee collected to provide a Strategic Energy Fund and expand certain energy tax incentives, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MAY 23, 2006

Mrs. CLINTON introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to impose a temporary oil profit fee and to use the proceeds of the fee collected to provide a Strategic Energy Fund and expand certain energy tax incentives, 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.**

4 This Act may be cited as the “Strategic Energy Fund  
5 Act of 2006”.

1     **TITLE I—STRATEGIC ENERGY**  
 2                     **FUND**

3             **Subtitle A—Establishment of**  
 4                     **Strategic Energy Fund**

5     **SEC. 101. STRATEGIC ENERGY FUND.**

6             (a) IN GENERAL.—Subchapter A of chapter 98 of the  
 7 Internal Revenue Code of 1986 (relating to trust fund  
 8 code) is amended by adding at the end the following new  
 9 section:

10    **“SEC. 9511. STRATEGIC ENERGY FUND.**

11             “(a) ESTABLISHMENT.—There is established in the  
 12 Treasury of the United States a trust fund to be known  
 13 as the ‘Strategic Energy Fund’, consisting of such  
 14 amounts as may be appropriated or credited to such Fund  
 15 as provided in this section or section 9602(b).

16             “(b) TRANSFERS TO FUND.—

17                     “(1) IN GENERAL.—There are hereby appro-  
 18 priated to the Strategic Energy Fund amounts  
 19 equivalent to the taxes received in the Treasury  
 20 under section 5896.

21                     “(2) LIMITATION.—The aggregate amount ap-  
 22 propriated under this subsection shall not exceed—

23                             “(A) for purposes described in subsection

24                             (c)(1)(A)—

1 “(i) \$1,000,000,000 during fiscal year  
2 2007, and

3 “(ii) \$2,000,000,000 during each of  
4 fiscal years 2008 through 2011, and

5 “(B) for purposes described in subsection  
6 (c)(1)(B), \$350,000,000 for fiscal years 2007  
7 through 2016.

8 “(c) EXPENDITURES.—

9 “(1) IN GENERAL.—Amounts in the Strategic  
10 Energy Fund shall be available, without further ap-  
11 propriation, to carry out—

12 “(A) the purposes authorized under section  
13 161 of the Strategic Energy Fund Act of 2006;  
14 and

15 “(B) projects under section 1510 of the  
16 Energy Policy Act of 2005 (42 U.S.C. 16501)  
17 and section 212 of the Clean Air Act (42  
18 U.S.C. 7546) that have a design capacity to  
19 produce, in the aggregate, 1,000,000,000 gal-  
20 lons of cellulosic biomass, without regard to sec-  
21 tion 1510(l) of the Energy Policy Act of 2005  
22 (42 U.S.C. 16501(l)) .

23 “(2) UNEXPENDED FUNDS.—Any funds that  
24 have not been expended by September 30, 2016,

1 shall be credited back to the general fund as mis-  
 2 cellaneous tax receipts.”.

3 (b) CLERICAL AMENDMENT.—The table of sections  
 4 for such subchapter is amended by adding at the end the  
 5 following new item:

“Sec. 9511. Strategic Energy Fund.”.

6 (c) EFFECTIVE DATE.—The amendments made by  
 7 this section shall take effect on the date of the enactment  
 8 of this Act.

9 **Subtitle B—Incentives to**  
 10 **Accelerate Biofuels Availability**

11 **SEC. 111. MODIFICATION OF ALTERNATIVE FUEL VEHICLE**  
 12 **REFUELING PROPERTY CREDIT.**

13 (a) INCREASE IN CREDIT AMOUNT.—Section 30C of  
 14 the Internal Revenue Code of 1986 (relating to alternative  
 15 fuel vehicle refueling property credit) is amended—

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

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

20 (b) CREDIT ALLOWED FOR ELECTRIC DRIVE TRANS-  
 21 PORTATION PROPERTY.—Paragraph (1) of section 30C(c)  
 22 of the Internal Revenue Code of 1986 (relating to quali-  
 23 fied alternative fuel vehicle refueling property) is amended  
 24 by striking “, but only with respect to any fuel” and in-

1 serting “, except that in the case of property described  
2 in paragraph (3)(A) thereof, only with respect to fuels”.

3 (c) EXTENSION OF CREDIT.—Subsection (g) section  
4 30C of the Internal Revenue Code of 1986 (relating to  
5 termination) is amended to read as follows:

6 “(g) TERMINATION OF AVAILABILITY OF CREDIT.—  
7 This section shall not apply to property placed in service  
8 after the earlier of December 31, 2014, or the date after  
9 which more than 20,000 alternative refueling properties  
10 have been installed through use of this credit.”.

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

15 **SEC. 112. EXTENSION OF BIODIESEL INCOME AND EXCISE**  
16 **TAX CREDITS.**

17 (a) IN GENERAL.—Sections 40A(g), 6426(e)(6), and  
18 6427(e)(5)(B) of the Internal Revenue Code of 1986 are  
19 each amended by striking “2008” and inserting “2014”.

20 (b) EFFECTIVE DATE.—The amendments made by  
21 this section shall take effect on January 1, 2009.

1 **SEC. 113. SMALL ETHANOL PRODUCER CREDIT EXPANDED**  
 2 **FOR PRODUCERS OF SUCROSE AND CEL-**  
 3 **LULOSIC ETHANOL.**

4 (a) IN GENERAL.—Subparagraph (C) of section  
 5 40(b)(4) of the Internal Revenue Code of 1986 (relating  
 6 to small ethanol producer credit) is amended by inserting  
 7 “(30,000,000 gallons for any sucrose or cellulosic ethanol  
 8 producer)” after “15,000,000 gallons”.

9 (b) SUCROSE OR CELLULOSIC ETHANOL PRO-  
 10 DUCER.—Section 40(b)(4) of the Internal Revenue Code  
 11 of 1986 is amended by adding at the end the following  
 12 new subparagraph:

13 “(E) SUCROSE OR CELLULOSIC ETHANOL  
 14 PRODUCER.—

15 “(i) IN GENERAL.—For purposes of  
 16 this paragraph, the term ‘sucrose or cel-  
 17 lulosic ethanol producer’ means a producer  
 18 of ethanol using sucrose feedstock or cel-  
 19 lulosic feedstock.

20 “(ii) SUCROSE FEEDSTOCK.—For pur-  
 21 poses of clause (i), the term ‘sucrose feed-  
 22 stock’ means any raw sugar, refined sugar,  
 23 or sugar equivalents (including juice and  
 24 extract). Such term does not include any  
 25 molasses, beet thick juice, or other similar  
 26 products as determined by the Secretary.”.

1 (c) CONFORMING AMENDMENTS.—

2 (1) Section 40(g)(2) of the Internal Revenue  
3 Code of 1986 is amended by striking “15,000,000  
4 gallon limitation” and inserting “15,000,000 and  
5 30,000,000 gallon limitations”.

6 (2) Section 40(g)(5)(B) of such Code is amend-  
7 ed by striking “15,000,000 gallons” and inserting  
8 “the gallon limitation under subsection (b)(4)(C)”.

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

12 **Subtitle C—Incentives to Deploy-**  
13 **ment of Fuel-Efficient Vehicles**

14 **SEC. 121. CREDIT FOR PRODUCTION OF QUALIFIED FLEXI-**  
15 **BLE FUEL VEHICLES.**

16 (a) IN GENERAL.—Subpart D of part IV of sub-  
17 chapter A of chapter 1 of the Internal Revenue Code of  
18 1986 (relating to business related credits) is amended by  
19 adding at the end the following new section:

20 **“SEC. 45N. PRODUCTION OF QUALIFIED FLEXIBLE FUEL**  
21 **MOTOR VEHICLES.**

22 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-  
23 tion 38, in the case of a manufacturer, the qualified flexi-  
24 ble fuel motor vehicle production credit determined under  
25 this section for any taxable year is an amount equal to

1 the incremental flexible fuel motor vehicle cost for each  
 2 qualified flexible fuel motor vehicle produced in the United  
 3 States by the manufacturer during the taxable year.

4 “(b) INCREMENTAL FLEXIBLE FUEL MOTOR VEHI-  
 5 CLE COST.—With respect to any qualified flexible fuel  
 6 motor vehicle, the incremental flexible fuel motor vehicle  
 7 cost is an amount equal to the lesser of—

8 “(1) the excess of—

9 “(A) the cost of producing such qualified  
 10 flexible fuel motor vehicle, over

11 “(B) the cost of producing such motor ve-  
 12 hicle if such motor vehicle was not a qualified  
 13 flexible fuel motor vehicle, or

14 “(2) \$150.

15 “(c) QUALIFIED FLEXIBLE FUEL MOTOR VEHI-  
 16 CLE.—For purposes of this section, the term ‘qualified  
 17 flexible fuel motor vehicle’ means a motor vehicle (as de-  
 18 fined under section 30(c)(2))—

19 “(1) the production of which is not required for  
 20 the manufacturer to meet—

21 “(A) the maximum credit allowable for ve-  
 22 hicles described in paragraph (2) in determining  
 23 the fleet average fuel economy requirements (as  
 24 determined under section 32904 of title 49,



1 United States Code) of the manufacturer for  
2 the model year ending in the taxable year, or

3 “(B) the requirements of any other provi-  
4 sion of Federal law, and

5 “(2) which is designed so that the vehicle is  
6 propelled by an engine which can use as a fuel a pe-  
7 troleum mixture of which 85 percent (or another  
8 percentage of not less than 70 percent, as the Sec-  
9 retary may determine, by rule, to provide for re-  
10 quirements relating to cold start, safety, or vehicle  
11 functions) of the volume of consists of ethanol or  
12 biodiesel.

13 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—  
14 For purposes of this section—

15 “(1) MANUFACTURER.—The term ‘manufac-  
16 turer’ has the meaning given such term in regula-  
17 tions prescribed by the Administrator of the Envi-  
18 ronmental Protection Agency for purposes of the ad-  
19 ministration of title II of the Clean Air Act (42  
20 U.S.C. 7521 et seq.).

21 “(2) REDUCTION IN BASIS.—For purposes of  
22 this subtitle, if a credit is allowed under this section  
23 for any expenditure with respect to any property, the  
24 increase in the basis of such property which would  
25 (but for this paragraph) result from such expendi-

1        ture shall be reduced by the amount of the credit so  
2        allowed.

3            “(3) NO DOUBLE BENEFIT.—The amount of  
4        any deduction or credit allowable under this chapter  
5        (other than the credits allowable under this section  
6        and section 30B) shall be reduced by the amount of  
7        credit allowed under subsection (a) for such vehicle  
8        for the taxable year.

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

13          “(e) CROSS REFERENCE.—For an election to claim  
14       certain minimum tax credits in lieu of the credit deter-  
15       mined under this section, see section 53(e).”.

16          (b) CREDIT ALLOWED AGAINST THE ALTERNATIVE  
17       MINIMUM TAX.—Section 38(c)(4)(B) of the Internal Rev-  
18       enue Code of 1986 (defining specified credits) is amended  
19       by striking the period at the end of clause (ii)(II) and in-  
20       serting “, and”, and by adding at the end the following  
21       new clause:

22                            “(iii) the credit determined under sec-  
23                            tion 45N.”.

24          (c) ELECTION TO USE ADDITIONAL AMT CREDIT.—  
25       Section 53 of the Internal Revenue Code of 1986 (relating

1 to credit for prior year minimum tax liability) is amended  
2 by adding at the end the following new subsection:

3 “(e) ADDITIONAL CREDIT IN LIEU OF FLEXIBLE  
4 FUEL MOTOR VEHICLE CREDIT.—

5 “(1) IN GENERAL.—In the case of a taxpayer  
6 making an election under this subsection for a tax-  
7 able year, the limitation under subsection (c) for  
8 such taxable year shall be increased by the amount  
9 of the credit determined under section 45N for such  
10 taxable year.

11 “(2) ELECTION.—A taxpayer may make an  
12 election under this subsection for any taxable year  
13 only if the taxpayer elects not to take the credit  
14 under section 45N for such taxable year pursuant to  
15 section 45N(c)(4). Any election under this sub-  
16 section may not be revoked except with the consent  
17 of the Secretary.

18 “(3) CREDIT REFUNDABLE.—The aggregate in-  
19 crease in the credit under this section for any tax-  
20 able year by reason of this subsection shall for pur-  
21 poses of this title (other than subsection (b)(2) of  
22 this section) be treated as a credit allowed to the  
23 taxpayer under subpart C.”.

24 (d) CONFORMING AMENDMENTS.—

1           (1) Section 38(b) of the Internal Revenue Code  
2 of 1986 is amended by striking “and” at the end of  
3 paragraph (29), by striking the period at the end of  
4 paragraph (30) and inserting “, plus”, and by add-  
5 ing at the end the following new paragraph:

6           “(31) the qualified flexible fuel motor vehicle  
7 production credit determined under section  
8 45N(a).”.

9           (2) Section 1016(a) of such Code is amended  
10 by striking “and” at the end of paragraph (36), by  
11 striking the period at the end of paragraph (37) and  
12 inserting “, and”, and by adding at the end the fol-  
13 lowing:

14           “(38) in the case of a facility with respect to  
15 which a credit was allowed under section 45N, to the  
16 extent provided in section 45N(d)(2).”.

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

“Sec. 45N. Production of qualified flexible fuel motor vehicles.”.

21           (f) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to motor vehicles produced in  
23 model years ending after the date of the enactment of this  
24 Act.

1 **SEC. 122. TAX CREDIT FOR FUEL-EFFICIENT FLEETS.**

2 (a) IN GENERAL.—Subpart E of part IV of sub-  
3 chapter A of chapter 1 of the Internal Revenue Code of  
4 1986 is amended by inserting after section 48B the fol-  
5 lowing new section:

6 **“SEC. 48C. FUEL-EFFICIENT FLEET CREDIT.**

7 “(a) GENERAL RULE.—For purposes of section 46,  
8 the fuel-efficient fleet credit for any taxable year is 15 per-  
9 cent of the qualified fuel-efficient vehicle investment  
10 amount of an eligible taxpayer for such taxable year.

11 “(b) VEHICLE PURCHASE REQUIREMENT.—In the  
12 case of any eligible taxpayer which places less than 10  
13 qualified fuel-efficient vehicles in service during the tax-  
14 able year, the qualified fuel-efficient vehicle investment  
15 amount shall be zero.

16 “(c) QUALIFIED FUEL-EFFICIENT VEHICLE INVEST-  
17 MENT AMOUNT.—For purposes of this section—

18 “(1) IN GENERAL.—The term ‘qualified fuel-ef-  
19 ficient vehicle investment amount’ means the basis  
20 of any qualified fuel-efficient vehicle placed in serv-  
21 ice by an eligible taxpayer during the taxable year.

22 “(2) QUALIFIED FUEL-EFFICIENT VEHICLE.—

23 “(A) IN GENERAL.—The term ‘qualified  
24 fuel-efficient vehicle’ means an vehicle which  
25 has a fuel economy which is at least 150 per-  
26 cent greater than the average fuel economy

1 standard for an vehicle of the same class and  
2 model year.

3 “(B) CERTAIN VEHICLES EXCLUDED.—  
4 Such term shall not include any vehicle for  
5 which a credit is allowed to the eligible taxpayer  
6 under section 30 or 30B.

7 “(3) OTHER TERMS.—The terms ‘vehicle’, ‘av-  
8 erage fuel economy standard’, ‘fuel economy’, and  
9 ‘model year’ have the meanings given to such terms  
10 under section 32901 of title 49, United States Code.

11 “(d) ELIGIBLE TAXPAYER.—The term ‘eligible tax-  
12 payer’ means, with respect to any taxable year, a taxpayer  
13 who owns a fleet of 100 or more vehicles which are used  
14 in the trade or business of the taxpayer on the first day  
15 of such taxable year.

16 “(e) TERMINATION.—This section shall not apply to  
17 any vehicle placed in service after December 31, 2010.”.

18 (b) CREDIT TREATED AS PART OF INVESTMENT  
19 CREDIT.—Section 46 of the Internal Revenue Code of  
20 1986 is amended by striking “and” at the end of para-  
21 graph (3), by striking the period at the end of paragraph  
22 (4) and inserting “, and,” and by adding at the end the  
23 following new paragraph:

24 “(5) the fuel-efficient fleet credit.”.

25 (c) CONFORMING AMENDMENTS.—

1           (1) Section 49(a)(1)(C) of the Internal Revenue  
 2           Code of 1986 is amended by striking “and” at the  
 3           end of clause (iii), by striking the period at the end  
 4           of clause (iv) and inserting “, and,” and by adding  
 5           at the end the following new clause:

6                           “(v) the basis of any qualified fuel-ef-  
 7                           ficient vehicle which is taken into account  
 8                           under section 48C.”.

9           (2) The table of sections for subpart E of part  
 10           IV of subchapter A of chapter 1 of such Code is  
 11           amended by inserting after the item relating to sec-  
 12           tion 48 the following new item:

“Sec. 48C. Fuel-efficient fleet credit.”.

13           (d) **EFFECTIVE DATE.**—The amendments made by  
 14           this section shall apply to periods after December 31,  
 15           2005, in taxable years ending after such date, under rules  
 16           similar to the rules of section 48(m) of the Internal Rev-  
 17           enue Code of 1986 (as in effect on the day before the date  
 18           of the enactment of the Revenue Reconciliation Act of  
 19           1990).

20           **SEC. 123. ADVANCED TECHNOLOGY MOTOR VEHICLES MAN-**  
 21                           **UFACTURING CREDIT.**

22           (a) **IN GENERAL.**—Subpart B of part IV of sub-  
 23           chapter A of chapter 1 of the Internal Revenue Code of  
 24           1986 (relating to foreign tax credit, etc.) is amended by  
 25           adding at the end the following new section:

1 **“SEC. 30D. ADVANCED TECHNOLOGY MOTOR VEHICLES**  
2 **MANUFACTURING CREDIT.**

3 “(a) CREDIT ALLOWED.—There shall be allowed as  
4 a credit against the tax imposed by this chapter for the  
5 taxable year an amount equal to 35 percent of the quali-  
6 fied investment of an eligible taxpayer for such taxable  
7 year.

8 “(b) QUALIFIED INVESTMENT.—For purposes of this  
9 section—

10 “(1) IN GENERAL.—The term ‘qualified invest-  
11 ment’ means, with respect to any taxable year, the  
12 sum of—

13 “(A) the costs paid or incurred by the eli-  
14 gible taxpayer during such taxable year—

15 “(i) to re-equip, expand, or establish  
16 any manufacturing facility of the eligible  
17 taxpayer to produce advanced technology  
18 motor vehicles or to produce eligible com-  
19 ponents, and

20 “(ii) for qualified research (as defined  
21 in section 41(d)) related to advanced tech-  
22 nology motor vehicles and eligible compo-  
23 nents, and

24 “(B) qualified engineering integration  
25 costs.



1           “(2) **ATTRIBUTION RULES.**—For purposes of  
2 paragraph (1)(A)(i), in the case of a manufacturing  
3 facility of the eligible taxpayer which produces both  
4 advanced technology motor vehicles and other motor  
5 vehicles, or eligible components and other compo-  
6 nents, only the amount paid or incurred for the pro-  
7 duction of advanced technology motor vehicles and  
8 eligible components shall be taken into account.

9           “(c) **ELIGIBLE TAXPAYER.**—For purposes of this sec-  
10 tion, the term ‘eligible taxpayer’ means any taxpayer if  
11 more than 50 percent of its gross receipts for the taxable  
12 year is derived from the manufacture of motor vehicles  
13 or any component parts of such vehicles.

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

15           “(1) **ADVANCED TECHNOLOGY MOTOR VEHI-**  
16 **CLE.**—The term ‘advanced technology motor vehicle’  
17 means—

18           “(A) any new qualified fuel cell motor vehi-  
19 cle (as defined in section 30B(b)(3)),

20           “(B) any new advanced lean burn tech-  
21 nology motor vehicle (as defined in section  
22 30B(c)(3)),

23           “(C) any new qualified hybrid motor vehi-  
24 cle (as defined in section 30B(d)(3)(A) and de-

1           terminated without regard to any gross vehicle  
2           weight rating), and

3                   “(D) any new qualified alternative motor  
4           fuel vehicle (as defined in section 30B(e)(4)).

5           “(2) ELIGIBLE COMPONENTS.—The term ‘eligi-  
6           ble component’ means any component inherent to  
7           any advanced technology motor vehicle but not in-  
8           herent to a motor vehicle which is not an advanced  
9           technology motor vehicle, including—

10                   “(A) with respect to any gasoline or diesel-  
11           electric new qualified hybrid motor vehicle,  
12           any—

13                           “(i) electric motor or generator,

14                           “(ii) power split device,

15                           “(iii) power control unit,

16                           “(iv) power controls,

17                           “(v) integrated starter generator, or

18                           “(vi) battery,

19                   “(B) with respect to any hydraulic new  
20           qualified hybrid motor vehicle, any—

21                           “(i) hydraulic accumulator vessel,

22                           “(ii) hydraulic pump, or

23                           “(iii) hydraulic pump-motor assembly,

24                   “(C) with respect to any new advanced  
25           lean burn technology motor vehicle, any—

1 “(i) diesel engine,  
2 “(ii) turbocharger,  
3 “(iii) fuel injection system, or  
4 “(iv) after-treatment system, such as  
5 a particle filter or NOx absorber, and

6 “(D) with respect to any advanced tech-  
7 nology motor vehicle, any other component sub-  
8 mitted for approval by the Secretary.

9 “(3) QUALIFIED ENGINEERING INTEGRATION  
10 COSTS.—For purposes of subsection (b)(1)(B), the  
11 term ‘qualified engineering integration costs’ means,  
12 with respect to any advanced technology motor vehi-  
13 cle, costs incurred prior to the market introduction  
14 of such motor vehicle for engineering tasks related  
15 to—

16 “(A) establishing functional, structural,  
17 and performance requirements for components  
18 and subsystems to meet overall vehicle objec-  
19 tives for a specific application,

20 “(B) designing interfaces for components  
21 and subsystems with mating systems within a  
22 specific vehicle application,

23 “(C) designing cost effective, efficient, and  
24 reliable manufacturing processes to produce

1 components and subsystems for a specific vehi-  
2 cle application, and

3 “(D) validating functionality and perform-  
4 ance of components and subsystems for a spe-  
5 cific vehicle application.

6 “(4) MOTOR VEHICLE.—The term ‘motor vehi-  
7 cle’ has the meaning given such term by section  
8 30(c)(2).

9 “(e) LIMITATION BASED ON AMOUNT OF TAX.—

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

13 “(A) the taxpayer’s regular tax liability (as  
14 defined in section 26(b)) for the taxable year,  
15 plus

16 “(B) the tax imposed under section 55 for  
17 the taxable year.

18 “(2) CARRYOVER OF UNUSED CREDIT  
19 AMOUNTS.—

20 “(A) IN GENERAL.—If the credit allowable  
21 under subsection (a) for a taxable year exceeds  
22 the limitation under paragraph (1) for such tax-  
23 able year, such excess shall be allowed—

1                   “(i) as a credit carryback to each of  
2                   the 13 taxable years preceding such year,  
3                   and

4                   “(ii) as a credit carryforward to each  
5                   of the 20 taxable years following such year.

6                   “(B) AMOUNT CARRIED TO EACH YEAR.—

7                   For purposes of this paragraph, rules similar to  
8                   the rules of section 39(a)(2) shall apply.

9                   “(f) SPECIAL RULES.—

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

17                   “(2) INVESTMENTS AND PROPERTY OUTSIDE  
18                   THE UNITED STATES.—No credit shall be allowed  
19                   under subsection (a) with respect to—

20                   “(A) any manufacturing facility which is  
21                   located outside the United States, and

22                   “(B) any engineering integration or re-  
23                   search and development conducted outside the  
24                   United States.

1           “(3) AGGREGATION OF EXPENDITURES; ALLO-  
2           CATIONS.—For purposes of this section, rules simi-  
3           lar to the rules of paragraphs (1) and (2) of section  
4           41(f) shall apply.

5           “(4) RECAPTURE.—The Secretary shall, by reg-  
6           ulation, provide for recapturing the benefit of any  
7           credit allowable under subsection (a) with respect to  
8           any manufacturing facility which ceases to produce  
9           advanced technology motor vehicles or eligible com-  
10          ponents.

11          “(5) PUBLIC STATEMENT.—

12           “(A) IN GENERAL.—No credit shall be al-  
13           lowed under subsection (a) for any taxable year  
14           unless the eligible taxpayer makes publicly  
15           available a statement describing the activities of  
16           the eligible taxpayer for which the credit is al-  
17           lowed and the public benefits of such activities,  
18           including the estimated amount of any reduc-  
19           tion in national oil consumption in future years  
20           as a result of such activities.

21           “(B) TIME FOR PUBLICATION.—The state-  
22           ment required under subparagraph (A) shall be  
23           made available not later than 90 days after the  
24           end of the taxable year for which the credit

1 under subsection (a) is allowed and shall be in  
2 such form as the Secretary shall prescribe.

3 “(6) NO DOUBLE BENEFIT.—

4 “(A) COORDINATION WITH OTHER DEDUC-  
5 TIONS AND CREDITS.—Except as provided in  
6 subparagraph (B), the amount of any deduction  
7 or other credit allowable under this chapter for  
8 any cost taken into account in determining the  
9 amount of the credit under subsection (a) shall  
10 be reduced by the amount of such credit attrib-  
11 utable to such cost.

12 “(B) RESEARCH AND DEVELOPMENT  
13 COSTS.—

14 “(i) IN GENERAL.—Except as pro-  
15 vided in clause (ii), any amount described  
16 in subsection (b)(1)(A)(ii) taken into ac-  
17 count in determining the amount of the  
18 credit under subsection (a) for any taxable  
19 year shall not be taken into account for  
20 purposes of determining the credit under  
21 section 41 for such taxable year.

22 “(ii) COSTS TAKEN INTO ACCOUNT IN  
23 DETERMINING BASE PERIOD RESEARCH  
24 EXPENSES.—Any amounts described in  
25 subsection (b)(1)(A)(ii) taken into account

1           in determining the amount of the credit  
2           under subsection (a) for any taxable year  
3           which are qualified research expenses  
4           (within the meaning of section 41(b)) shall  
5           be taken into account in determining base  
6           period research expenses for purposes of  
7           applying section 41 to subsequent taxable  
8           years.

9           “(g) ELECTION NOT TO TAKE CREDIT.—No credit  
10          shall be allowed under subsection (a) for any property if  
11          the taxpayer elects not to have this section apply to such  
12          property.

13          “(h) REGULATIONS.—The Secretary shall prescribe  
14          such regulations as necessary to carry out the provisions  
15          of this section.”.

16          (b) CONFORMING AMENDMENTS.—

17                 (1) Section 1016(a) of the Internal Revenue  
18                 Code of 1986, as amended by this Act, is amended  
19                 by striking “and” at the end of paragraph (37), by  
20                 striking the period at the end of paragraph (38) and  
21                 inserting “, and”, and by adding at the end the fol-  
22                 lowing new paragraph:

23                         “(39) to the extent provided in section  
24                         30D(f)(1).”.



1 (2) Section 6501(m) of such Code is amended  
2 by inserting “30D(g),” after “30C(e)(5),”.

3 (3) The table of sections for subpart B of part  
4 IV of subchapter A of chapter 1 of such Code is  
5 amended by inserting after the item relating to sec-  
6 tion 30C the following new item:

“Sec. 30D. Advanced technology motor vehicles manufacturing credit.”.

7 (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to amounts incurred in taxable  
9 years beginning after December 31, 1993.

## 10 **Subtitle D—Incentives for Clean** 11 **Power**

### 12 **SEC. 131. EXTENSION OF PRODUCTION TAX CREDIT FOR** 13 **ELECTRICITY PRODUCED FROM CERTAIN RE-** 14 **NEWABLE RESOURCES.**

15 Section 45(d) of the Internal Revenue Code of 1986  
16 (relating to qualified facilities) is amended by striking  
17 “2008” each place it appears and inserting “2018”.

### 18 **SEC. 132. EXTENSION AND MODIFICATION OF INVESTMENT** 19 **TAX CREDIT WITH RESPECT TO SOLAR EN-** 20 **ERGY PROPERTY AND QUALIFIED FUEL CELL** 21 **PROPERTY.**

22 (a) SOLAR ENERGY PROPERTY.—Paragraphs  
23 (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) of the Internal  
24 Revenue Code of 1986 are each amended by striking  
25 “2008” and inserting “2015”.

1 (b) ELIGIBLE FUEL CELL PROPERTY.—Paragraph  
2 (1)(E) of section 48(c) of the Internal Revenue Code of  
3 1986 is amended by striking “2007” and inserting  
4 “2014”.

5 (c) CREDITS ALLOWED AGAINST THE ALTERNATIVE  
6 MINIMUM TAX.—

7 (1) IN GENERAL.—Section 38(c)(4)(B) of the  
8 Internal Revenue Code of 1986 (defining specified  
9 credits), as amended by this Act, is amended by  
10 striking the period at the end of clause (iii) and in-  
11 sserting “, and,” and by adding at the end the fol-  
12 lowing new clause:

13 “(iv) the portion of the investment  
14 credit under section 46(2) as determined  
15 under section 48(a)(2)(A)(i).”.

16 (2) EFFECTIVE DATE.—The amendments made  
17 by this subsection shall apply to taxable years begin-  
18 ning after December 31, 2005.

19 (d) SOLAR INVESTMENT CREDIT ALLOWED FOR  
20 PUBLIC UTILITY PROPERTY.—

21 (1) IN GENERAL.—The second sentence of sec-  
22 tion 48(a)(3) of the Internal Revenue Code of 1986  
23 is amended by inserting “(other than property de-  
24 scribed in clause (i) or (ii) of subparagraph (A))”  
25 before “shall not”.

1           (2) **EFFECTIVE DATE.**—The amendments made  
2 by this subsection shall apply to periods after the  
3 date of the enactment of this Act, in taxable years  
4 ending after such date, under rules similar to the  
5 rules of section 48(m) of the Internal Revenue Code  
6 of 1986 (as in effect on the day before the date of  
7 the enactment of the Revenue Reconciliation Act of  
8 1990).

9 **SEC. 133. CREDIT FOR WIND ENERGY SYSTEMS.**

10 (a) **RESIDENTIAL.**—

11           (1) **IN GENERAL.**—Section 25D(a) of the Inter-  
12 nal Revenue Code of 1986 is amended by striking  
13 “and” at the end of paragraph (2), by striking the  
14 period at the end of paragraph (3) and inserting “,  
15 and”, and by adding at the end the following new  
16 paragraph:

17           “(4) 30 percent of the qualified small wind en-  
18 ergy property expenditures made by the taxpayer  
19 during such year.”.

20           (2) **LIMITATION.**—Section 25D(b)(1) of the In-  
21 ternal Revenue Code of 1986 is amended by striking  
22 “and” at the end of subparagraph (B), by striking  
23 the period at the end of subparagraph (A) and in-  
24 serting “, and”, and by adding at the end the fol-  
25 lowing new subparagraph:

1           “(D) \$500 with respect to each half kilo-  
2 watt of capacity (not to exceed \$2,000) of  
3 qualifying wind turbines for which qualified  
4 small wind energy property expenditures are  
5 made.”.

6           (3) QUALIFIED SMALL WIND ENERGY PROP-  
7 ERTY EXPENDITURES.—Section 25D(d) of the Inter-  
8 nal Revenue Code of 1986 is amended by adding at  
9 the end the following new paragraph:

10           “(4) QUALIFIED SMALL WIND ENERGY PROP-  
11 ERTY EXPENDITURE.—

12           “(A) IN GENERAL.—The term ‘qualified  
13 wind energy property expenditure’ means an ex-  
14 penditure for property which uses a qualifying  
15 wind turbine to generate electricity for use in  
16 connection with a dwelling unit located in the  
17 United States and used as a residence by the  
18 taxpayer.

19           “(B) QUALIFYING WIND TURBINE.—The  
20 term ‘qualifying wind turbine’ means a wind  
21 turbine of 100 kilowatts of rated capacity or  
22 less which meets the latest performance rating  
23 standards published by the American Wind En-  
24 ergy Association and which is used to generate  
25 electricity and carries at least a 5-year limited

1           warranty covering defects in design, material,  
2           or workmanship, and, for property that is not  
3           installed by the taxpayer, at least a 5-year lim-  
4           ited warranty covering defects in installation.”.

5           (b) BUSINESS.—Section 48(a)(3)(A) of the Internal  
6 Revenue Code of 1986 (defining energy property) is  
7 amended by striking “or” at the end of clause (iii), by  
8 adding “or” at the end of clause (iv), and by inserting  
9 after clause (iv) the following new clause:

10                           “(v) qualifying wind turbine (as de-  
11                           fined in section 25D(d)(B)),”.

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

16 **Subtitle E—Incentives to Increase**  
17 **Oil Recovery Using Carbon Se-**  
18 **questration**

19 **SEC. 141. TAX CREDIT FOR CARBON DIOXIDE CAPTURED**  
20 **FROM INDUSTRIAL SOURCES AND USED IN**  
21 **ENHANCED OIL AND NATURAL GAS RECOV-**  
22 **ERY.**

23           (a) IN GENERAL.—Subpart D of part IV of sub-  
24 chapter A of chapter 1 of the Internal Revenue Code of  
25 1986 (relating to business credits), as amended by this

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

3 **“SEC. 450. CREDIT FOR CARBON DIOXIDE CAPTURED FROM**  
4 **INDUSTRIAL SOURCES AND USED AS A TER-**  
5 **TIARY INJECTANT IN ENHANCED OIL AND**  
6 **NATURAL GAS RECOVERY.**

7 “(a) GENERAL RULE.—For purposes of section 38,  
8 the captured carbon dioxide tertiary injectant credit for  
9 any taxable year is an amount equal to the product of—

10 “(1) the credit amount, and

11 “(2) the qualified carbon dioxide captured from  
12 industrial sources and used as a tertiary injectant in  
13 qualified enhanced oil and natural gas recovery  
14 which is attributable to the taxpayer.

15 “(b) CREDIT AMOUNT.—For purposes of this sec-  
16 tion—

17 “(1) IN GENERAL.—The credit amount is \$0.75  
18 per 1,000 standard cubic feet.

19 “(2) INFLATION ADJUSTMENT.—In the case of  
20 any taxable year beginning in a calendar year after  
21 2007, there shall be substituted for the \$0.75  
22 amount under paragraph (1) an amount equal to the  
23 product of—

24 “(A) \$0.75, multiplied by

1           “(B) the inflation adjustment factor for  
2           such calendar year determined under section  
3           43(b)(3)(B) for such calendar year, determined  
4           by substituting ‘2006’ for ‘1990’.

5           “(c) QUALIFIED CARBON DIOXIDE.—For purposes of  
6 this section—

7           “(1) IN GENERAL.—The term ‘qualified carbon  
8           dioxide’ means carbon dioxide captured from an an-  
9           thropogenic source that—

10           “(A) would otherwise be released into the  
11           atmosphere as industrial emission of green-  
12           house gas,

13           “(B) is measurable at the source of cap-  
14           ture,

15           “(C) is compressed, treated, and trans-  
16           ported via pipeline,

17           “(D) is sold as a tertiary injectant in  
18           qualified enhanced oil and natural gas recovery,  
19           and

20           “(E) is permanently sequestered in geologi-  
21           cal formations as a result of the enhanced oil  
22           and natural gas recovery process.

23           “(2) ANTHROPOGENIC SOURCE.—An anthropo-  
24           genic source of carbon dioxide is an industrial

1 source, including any of the following types of  
2 plants, and facilities related to such plant—

3 “(A) a coal and natural gas fired electrical  
4 generating power station,

5 “(B) a natural gas processing and treating  
6 plant,

7 “(C) an ethanol plant,

8 “(D) a fertilizer plant, and

9 “(E) a chemical plant.

10 “(3) DEFINITIONS.—

11 “(A) QUALIFIED ENHANCED OIL AND NAT-  
12 URAL GAS RECOVERY.—The term ‘qualified en-  
13 hanced oil and natural gas recovery’ has the  
14 meaning given such term by section 43(c)(2).

15 “(B) TERTIARY INJECTANT.—The term  
16 ‘tertiary injectant’ has the same meaning as  
17 when used within section 193(b)(1).

18 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—

19 For purposes of this section—

20 “(1) ONLY CARBON DIOXIDE CAPTURED WITH-  
21 IN THE UNITED STATES TAKEN INTO ACCOUNT.—

22 Sales shall be taken into account under this section  
23 only with respect to qualified carbon dioxide of  
24 which is within—



1           “(A) the United States (within the mean-  
2           ing of section 638(1)), or

3           “(B) a possession of the United States  
4           (within the meaning of section 638(2)).

5           “(2) RECYCLED CARBON DIOXIDE.—The term  
6           ‘qualified carbon dioxide’ includes the initial deposit  
7           of captured carbon dioxide used as a tertiary  
8           injectant. Such term does not include carbon dioxide  
9           that is re-captured, recycled, and re-injected as part  
10          of the enhanced oil and natural gas recovery process.

11          “(3) CREDIT ATTRIBUTABLE TO TAXPAYER.—  
12          Any credit under this section shall be attributable to  
13          the person that captures, treats, compresses, trans-  
14          ports and sells the carbon dioxide for use as a ter-  
15          tiary injectant in enhanced oil and natural gas re-  
16          covery, except to the extent provided in regulations  
17          prescribed by the Secretary.”.

18          (b) CONFORMING AMENDMENT.—Section 38(b) of  
19          the Internal Revenue Code of 1986 (relating to general  
20          business credit), as amended by this Act, is amended by  
21          striking “plus” at the end of paragraph (30), by striking  
22          the period at the end of paragraph (31) and inserting “,  
23          plus”, and by adding at the end of following new para-  
24          graph:

1           “(32) the captured carbon dioxide tertiary  
2           injectant credit determined under section 450(a).”.

3           (c) CLERICAL AMENDMENT.—The table of sections  
4 for subpart B of part IV of subchapter A of chapter 1  
5 of the Internal Revenue Code of 1986 (relating to other  
6 credits), as amended by this Act, is amended by adding  
7 at the end the following new section:

“Sec. 450. Credit for carbon dioxide captured from industrial sources and used  
as a tertiary injectant in enhanced oil and natural gas recovery.”.

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

## 11       **Subtitle F—Incentives for Energy** 12                               **Efficient Buildings**

### 13       **SEC. 151. EXTENSION OF ENERGY EFFICIENT COMMERCIAL** 14                               **BUILDINGS DEDUCTION.**

15           Section 179D(h) of the Internal Revenue Code of  
16 1986 (relating to termination) is amended by striking  
17 “2007” and inserting “2014”.

### 18       **SEC. 152. EXTENSION AND EXPANSION OF NEW ENERGY EF-** 19                               **FICIENT HOME CREDIT.**

20           (a) EXTENSION.—Section 45L(g) of the Internal  
21 Revenue Code of 1986 (relating to termination) is amend-  
22 ed by striking “2007” and inserting “2014”.

23           (b) INCLUSION OF 30 PERCENT HOMES.—

1           (1) IN GENERAL.—Section 45L(c) of the Inter-  
2           nal Revenue Code of 1986 (relating to energy saving  
3           requirements) is amended—

4                   (A) by striking “or” at the end of para-  
5                   graph (2);

6                   (B) by redesignating paragraph (3) as  
7                   paragraph (4); and

8                   (C) by inserting after paragraph (2) the  
9                   following new paragraph:

10                   “(3) certified—

11                           “(A) to have a level of annual heating and  
12                           cooling energy consumption which is at least 30  
13                           percent below the annual level described in  
14                           paragraph (1), and

15                           “(B) to have building envelope component  
16                           improvements account for at least 1/3 of such  
17                           30 percent, or.”.

18           (2) APPLICABLE AMOUNT OF CREDIT.—Section  
19           45L(a)(2) is amended by striking “paragraph (3)”  
20           and inserting “paragraph (3) or (4)”.

21           (3) EFFECTIVE DATE.—The amendments made  
22           by this subsection shall apply to qualified new en-  
23           ergy efficient homes acquired after the date of the  
24           enactment of this Act.

1 **Subtitle G—Clean Energy Research**

2 **SEC. 161. ASSISTANT SECRETARY FOR ADVANCED ENERGY**  
3 **RESEARCH, TECHNOLOGY DEVELOPMENT,**  
4 **AND DEPLOYMENT.**

5 (a) ESTABLISHMENT.—

6 (1) IN GENERAL.—The Secretary of Energy  
7 shall establish in the Department of Energy the po-  
8 sition of Assistant Secretary for Advanced Energy  
9 Research, Technology Development, and Deployment  
10 (referred to in this section as the “Assistant Sec-  
11 retary”), to be headed by, and to report to, the Sec-  
12 retary.

13 (2) QUALIFICATIONS.—The Assistant Secretary  
14 shall be an individual with—

15 (A) an advanced education degree in en-  
16 ergy technology; and

17 (B) substantial commercial research and  
18 technology development and deployment experi-  
19 ence.

20 (b) MISSION.—The mission of the Assistant Sec-  
21 retary is—

22 (1) to implement an innovative energy research,  
23 technology development, and deployment program  
24 to—

1           (A) increase national security by signifi-  
2           cantly reducing petroleum and imported fuels  
3           consumption;

4           (B) significantly improve the efficiency of  
5           electricity use and the reliability of the elec-  
6           tricity system; and

7           (C) significantly reduce greenhouse gas  
8           emissions; and

9           (2) to sponsor a diverse portfolio of cutting-  
10          edge, high-payoff research, development, and deploy-  
11          ment projects to carry out the program.

12          (c) EXPERIMENTAL PERSONNEL AUTHORITY.—The  
13          Assistant Secretary may staff the office of the Assistant  
14          Secretary primarily using a program of experimental use  
15          of special personnel management authority in order to fa-  
16          cilitate recruitment of eminent experts in science or engi-  
17          neering for management of research and development  
18          projects and programs administered by the Assistant Sec-  
19          retary under similar terms and conditions as the authority  
20          is exercised under section 1101 of the Strom Thurmond  
21          National Defense Authorization Act for Fiscal Year 1999  
22          (Public Law 105–261; 5 U.S.C. 3104 note), as determined  
23          by the Assistant Secretary.

24          (d) TRANSACTIONS OTHER THAN CONTRACTS AND  
25          GRANTS.—To carry out projects under this section, the

1 Assistant Secretary may enter into transactions to carry  
2 out advanced research projects under this subsection  
3 under similar terms and conditions as the authority is ex-  
4 ercised under section 646(g) of the Department of Energy  
5 Organization Act (42 U.S.C. 7256(g)).

6 (e) PRIZES FOR ADVANCED TECHNOLOGY ACHIEVE-  
7 MENTS.—

8 (1) IN GENERAL.—Subject to paragraphs (2)  
9 through (4), the Assistant Secretary may carry out  
10 a program to award cash prizes in recognition of  
11 outstanding achievements in basic, advanced, and  
12 applied research, technology development, and proto-  
13 type development that have the potential to advance  
14 the mission described in subsection (b) under similar  
15 terms and conditions as the authority is exercised  
16 under section 1008 of the Energy Policy Act of  
17 2005 (42 U.S.C. 16396).

18 (2) COMPETITION REQUIREMENTS.—In car-  
19 rying out this subsection, the Assistant Secretary  
20 shall—

21 (A) use a competitive process for the selec-  
22 tion of recipients of cash prizes; and

23 (B) conduct widely-advertised solicitation  
24 of submissions of research results, technology  
25 developments, and prototypes.

1           (3) MAXIMUM AMOUNT FOR ALL CASH  
2 PRIZES.—The total amount of all cash prizes award-  
3 ed for a fiscal year under this subsection may not  
4 exceed \$50,000,000.

5           (4) MAXIMUM AMOUNT OF INDIVIDUAL CASH  
6 PRIZES.—The amount of an individual cash prize  
7 awarded under this subsection may not exceed  
8 \$10,000,000 unless the amount of the award is ap-  
9 proved by the Secretary of Energy.

10          (f) COMMERCIALIZATION OF CELLULOSIC BIOMASS  
11 ETHANOL.—Of the amounts that are made available to  
12 carry out this section, the Assistant Secretary shall use  
13 not less than \$1,000,000,000 to conduct research and de-  
14 velopment to increase yields, reduce production costs, and  
15 take other steps to accelerate the commercialization of cel-  
16 lulosic biomass ethanol (as defined in section 211(o)(1)  
17 of the Clean Air Act (42 U.S.C. 7545(o)(1))).

18          (g) ANNUAL REPORTS.—As soon as practicable after  
19 the end of each fiscal year for which the Assistant Sec-  
20 retary receives funds under subsection (h), the Assistant  
21 Secretary shall submit to the Committee on Energy and  
22 Natural Resources of the Senate and the Committee on  
23 Energy and Commerce, and the Committee on Science, of  
24 the House of Representatives a report on the progress,

1 challenges, future milestones, and strategic plan of the As-  
2 sistant Secretary, including—

3 (1) a description of, and rationale for, any  
4 changes in the strategic plan;

5 (2) the adequacy of human and financial re-  
6 sources necessary to achieve the mission described in  
7 subsection (b); and

8 (3) in the case of cash prizes awarded under  
9 subsection (e), a description of—

10 (A) the applications of the research, tech-  
11 nology, or prototypes for which prizes were  
12 awarded;

13 (B) the total amount of the prizes that  
14 were awarded;

15 (C) the methods used for solicitation and  
16 evaluation of submissions and an assessment of  
17 the effectiveness of those methods; and

18 (D) recommendations to improve the prize  
19 program.

20 (h) RELATIONSHIP TO OTHER AUTHORITY.—The  
21 program under this section may be carried out in conjunc-  
22 tion with, or in addition to, the exercise of any other au-  
23 thority of the Assistant Secretary to acquire, support, or  
24 stimulate basic, advanced, and applied research, tech-  
25 nology development, or prototype projects.



1           **TITLE II—REALIGNING OIL**  
 2                   **COMPANY INCENTIVES**  
 3           **Subtitle A—Excess Oil Profits**

4   **SEC. 201. TEMPORARY OIL PROFIT FEE.**

5           (a) IN GENERAL.—Subtitle E of the Internal Rev-  
 6   enue Code of 1986 (relating to alcohol, tobacco, and cer-  
 7   tain other excise taxes) is amended by adding at the end  
 8   the following new chapter:

9                   **“CHAPTER 56—TEMPORARY FEE ON**  
 10                           **EXCESS OIL PROFIT**

“Sec. 5896. Imposition of fee.

“Sec. 5897. Excess profit; etc.

“Sec. 5898. Special rules and definitions.

11   **“SEC. 5896. IMPOSITION OF FEE.**

12           “(a) IN GENERAL.—In addition to any other tax im-  
 13   posed under this title, there is hereby imposed on any ap-  
 14   plicable taxpayer an excise fee in an amount equal to 50  
 15   percent of the excess profit of such taxpayer for any tax-  
 16   able year beginning during 2006 or 2007.

17           “(b) APPLICABLE TAXPAYER.—For purposes of this  
 18   chapter, the term ‘applicable taxpayer’ means, with re-  
 19   spect to operations in the United States—

20                   “(1) any integrated oil company (as defined in  
 21                   section 291(b)(4)), and

22                   “(2) any other producer or refiner of crude oil  
 23                   with gross receipts from the sale of such crude oil

1 or refined oil products for the taxable year exceeding  
2 \$100,000,000.

3 **“SEC. 5897. EXCESS PROFIT; ETC.**

4 “(a) GENERAL RULE.—For purposes of this chapter,  
5 the term ‘excess profit’ means the excess of the adjusted  
6 taxable income of the applicable taxpayer for the taxable  
7 year over the reasonably inflated average profit for such  
8 taxable year.

9 “(b) ADJUSTED TAXABLE INCOME.—For purposes of  
10 this chapter, with respect to any applicable taxpayer, the  
11 adjusted taxable income for any taxable year is equal to  
12 the taxable income for such taxable year (within the mean-  
13 ing of section 63 and determined without regard to this  
14 subsection)—

15 “(1) increased by any interest expense deduc-  
16 tion, charitable contribution deduction, and any net  
17 operating loss deduction carried forward from any  
18 prior taxable year, and

19 “(2) reduced by—

20 “(A) any interest income, dividend income,  
21 and net operating losses to the extent such  
22 losses exceed taxable income for the taxable  
23 year, and

24 “(B) any qualified domestic energy invest-  
25 ment for such taxable year.

1 In the case of any applicable taxpayer which is a foreign  
2 corporation, the adjusted taxable income shall be deter-  
3 mined with respect to such income which is effectively con-  
4 nected with the conduct of a trade or business in the  
5 United States.

6 “(c) REASONABLY INFLATED AVERAGE PROFIT.—  
7 For purposes of this chapter, with respect to any applica-  
8 ble taxpayer, the reasonably inflated average profit for any  
9 taxable year is an amount equal to the average of the ad-  
10 justed taxable income of such taxpayer for taxable years  
11 beginning during the 2000–2004 taxable year period (de-  
12 termined without regard to the taxable year with the high-  
13 est adjusted taxable income in such period) plus 10 per-  
14 cent of such average.

15 “(d) QUALIFIED DOMESTIC ENERGY INVESTMENT.—  
16 For purposes of this chapter, the term ‘qualified domestic  
17 energy investment’ means any amount paid or incurred  
18 with respect to—

19 “(1) qualified refinery property (as defined in  
20 section 179C(e) and determined without regard to  
21 any termination date),

22 “(2) any qualified facility described in para-  
23 graph (1), (2), (3), or (4) of section 45(d) (deter-  
24 mined without regard to any placed in service date),  
25 and

1           “(3) any facility for the production of alcohol  
2           used as a fuel (within the meaning of section 40) or  
3           biodiesel or agri-biodiesel used as a fuel (within the  
4           meaning of section 40A).

5   **“SEC. 5898. SPECIAL RULES AND DEFINITIONS.**

6           “(a) WITHHOLDING AND DEPOSIT OF FEE.—The  
7           Secretary shall provide such rules as are necessary for the  
8           withholding and deposit of the fee imposed under section  
9           5896.

10          “(b) RECORDS AND INFORMATION.—Each taxpayer  
11          liable for the fee under section 5896 shall keep such  
12          records, make such returns, and furnish such information  
13          as the Secretary may by regulations prescribe.

14          “(c) RETURN OF FEE.—The Secretary shall provide  
15          for the filing and the time of such filing of the return of  
16          the fee imposed under section 5896.

17          “(d) CRUDE OIL.—The term ‘crude oil’ includes  
18          crude oil condensates and natural gasoline.

19          “(e) BUSINESSES UNDER COMMON CONTROL.—For  
20          purposes of this chapter, all members of the same con-  
21          trolled group of corporations (within the meaning of sec-  
22          tion 267(f)) and all persons under common control (within  
23          the meaning of section 52(b) but determined by treating  
24          an interest of more than 50 percent as a controlling inter-  
25          est) shall be treated as 1 person.

1       “(f) REGULATIONS.—The Secretary shall prescribe  
2 such regulations as may be necessary or appropriate to  
3 carry out the purposes of this chapter.”.

4       (b) CLERICAL AMENDMENT.—The table of chapters  
5 for subtitle E of the Internal Revenue Code of 1986 is  
6 amended by adding at the end the following new item:

“CHAPTER 56. TEMPORARY FEE ON EXCESS OIL PROFIT.”.

7       (c) DEDUCTIBILITY OF FEE.—The first sentence of  
8 section 164(a) of the Internal Revenue Code of 1986 (re-  
9 lating to deduction for taxes) is amended by inserting  
10 after paragraph (5) the following new paragraph:

11               “(6) The fee imposed by section 5896.”.

12       **Subtitle B—Energy Fairness for**  
13                               **America**

14       **SEC. 211. ELIMINATION OF DEDUCTION FOR INTANGIBLE**  
15                               **DRILLING AND DEVELOPMENT COSTS FOR**  
16                               **MAJOR OIL COMPANIES.**

17       (a) IN GENERAL.—Section 263(c) of the Internal  
18 Revenue Code of 1986 is amended by adding at the end  
19 the following new sentences: “This subsection shall not  
20 apply during any taxable year with respect to an applica-  
21 ble taxpayer (as defined in section 5896(b)) if during the  
22 preceding taxable year for the production of oil, the aver-  
23 age price of crude oil in the United States is greater than  
24 \$34.71 per barrel, and for the production of natural gas,  
25 the average wellhead price of natural gas in the United

1 States is greater than \$4.34 per 1,000 cubic feet. For pur-  
2 poses of the preceding sentence, the Secretary shall deter-  
3 mine average prices, taking into consideration the most  
4 recent data reported by the Energy Information Adminis-  
5 tration. For taxable years beginning after December 31,  
6 2007, each dollar amount specified in this subsection shall  
7 be adjusted to reflect changes for the 12-month period  
8 ending the preceding September 30 in the Consumer Price  
9 Index for All Urban Consumers published by the Bureau  
10 of Labor Statistics of the Department of Labor.”

11 (b) EFFECTIVE DATE.—The amendment made by  
12 this section shall apply to taxable years beginning after  
13 the date of the enactment of this Act.

14 **SEC. 212. OIL AND GAS ROYALTY-RELATED AMENDMENTS.**

15 (a) REPEAL.—Sections 344 through 346 of the En-  
16 ergy Policy Act of 2005 (42 U.S.C. 15902 et seq.) are  
17 repealed.

18 (b) TERMINATION OF ALASKA OFFSHORE ROYALTY  
19 SUSPENSION.—Section 8(a)(3)(B) of the Outer Conti-  
20 nental Shelf Lands Act (43 U.S.C. 1337(a)(3)(B)) is  
21 amended by striking “and in the Planning Areas offshore  
22 Alaska”.

23 **SEC. 213. EXTENSION OF ELECTION TO EXPENSE CERTAIN**  
24 **REFINERIES.**

25 (a) EXTENSION.—

1           (1) IN GENERAL.—Section 179C(c)(1) of the  
2 Internal Revenue Code of 1986 (defining qualified  
3 refinery property) is amended—

4           (A) by striking “and before January 1,  
5 2012” in subparagraph (B) and inserting “and,  
6 in the case of any qualified refinery described in  
7 subsection (d)(1), before January 1, 2012”, and

8           (B) by inserting “if described in subsection  
9 (d)(1)” after “of which” in subparagraph  
10 (F)(i).

11           (2) CONFORMING AMENDMENT.—Subsection (d)  
12 of section 179C of the Internal Revenue Code of  
13 1986 is amended to read as follows:

14           “(d) QUALIFIED REFINERY.—For purposes of this  
15 section, the term ‘qualified refinery’ means any refinery  
16 located in the United States which is designed to serve  
17 the primary purpose of processing liquid fuel from—

18           “(1) crude oil, or

19           “(2) qualified fuels (as defined in section  
20 45K(c)).”.

21           (3) EFFECTIVE DATE.—The amendments made  
22 by this subsection shall take effect as if included in  
23 the amendment made by section 1323(a) of the En-  
24 ergy Policy Act of 2005.

1 (b) NONAPPLICATION FOR MAJOR OIL COMPA-  
2 NIES.—

3 (1) IN GENERAL.—Section 179C of the Internal  
4 Revenue Code of 1986 is amended by adding at the  
5 end the following new subsection:

6 “(i) NONAPPLICATION OF SECTION.—This section  
7 shall not apply during any taxable year with respect to  
8 an applicable taxpayer (as defined in section 5896(b)) if  
9 during the preceding taxable year for the production of  
10 oil, the average price of crude oil in the United States is  
11 greater than \$34.71 per barrel. For purposes of the pre-  
12 ceding sentence, the Secretary shall determine average  
13 prices, taking into consideration the most recent data re-  
14 ported by the Energy Information Administration. For  
15 taxable years beginning after December 31, 2007, the dol-  
16 lar amount specified in this paragraph shall be adjusted  
17 to reflect changes for the 12-month period ending the pre-  
18 ceding September 30 in the Consumer Price Index for All  
19 Urban Consumers published by the Bureau of Labor Sta-  
20 tistics of the Department of Labor.”.

21 (2) EFFECTIVE DATE.—The amendment made  
22 by this subsection shall apply to taxable years begin-  
23 ning after the date of the enactment of this Act.



1 **SEC. 214. ELIMINATION OF AMORTIZATION OF GEOLOGI-**  
2 **CAL AND GEOPHYSICAL EXPENDITURES FOR**  
3 **MAJOR OIL COMPANIES.**

4 (a) IN GENERAL.—Section 167(h) of the Internal  
5 Revenue Code of 1986 is amended by adding at the end  
6 the following new paragraph:

7 “(5) NONAPPLICATION OF SECTION.—This sub-  
8 section shall not apply during any taxable year with  
9 respect to an applicable taxpayer (as defined in sec-  
10 tion 5896(b)) if during the preceding taxable year  
11 for the production of oil, the average price of crude  
12 oil in the United States is greater than \$34.71 per  
13 barrel, and for the production of natural gas, the av-  
14 erage wellhead price of natural gas in the United  
15 States is greater than \$4.34 per 1,000 cubic feet.  
16 For purposes of the preceding sentence, the Sec-  
17 retary shall determine average prices, taking into  
18 consideration the most recent data reported by the  
19 Energy Information Administration. For taxable  
20 years beginning after December 31, 2007, each dol-  
21 lar amount specified in this subparagraph shall be  
22 adjusted to reflect changes for the 12-month period  
23 ending the preceding September 30 in the Consumer  
24 Price Index for All Urban Consumers published by  
25 the Bureau of Labor Statistics of the Department of  
26 Labor.”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on and after the date of the  
3 enactment of this Act.

4 **SEC. 215. REVALUATION OF LIFO INVENTORIES OF MAJOR**  
5 **OIL COMPANIES.**

6 (a) GENERAL RULE.—Notwithstanding any other  
7 provision of law, if a taxpayer is an applicable taxpayer  
8 (as defined in section 5896(b)) for its last taxable year  
9 ending in calendar year 2005, the taxpayer shall—

10 (1) increase, effective as of the close of such  
11 taxable year, the value of each historic LIFO layer  
12 of inventories of crude oil, natural gas, or any other  
13 petroleum product (within the meaning of section  
14 4611) by the layer adjustment amount, and

15 (2) decrease its cost of goods sold for such tax-  
16 able year by the aggregate amount of the increases  
17 under paragraph (1).

18 If the aggregate amount of the increases under paragraph  
19 (1) exceed the taxpayer's cost of goods sold for such tax-  
20 able year, the taxpayer's gross income for such taxable  
21 year shall be increased by the amount of such excess.

22 (b) LAYER ADJUSTMENT AMOUNT.—For purposes of  
23 this section—

1           (1) IN GENERAL.—The term “layer adjustment  
2 amount” means, with respect to any historic LIFO  
3 layer, the product of—

4                   (A) \$18.75, and

5                   (B) the number of barrels of crude oil (or  
6 in the case of natural gas or other petroleum  
7 products, the number of barrel-of-oil equiva-  
8 lents) represented by the layer.

9           (2) BARREL-OF-OIL EQUIVALENT.—The term  
10 “barrel-of-oil equivalent” has the meaning given  
11 such term by section 29(d)(5) (as in effect before its  
12 redesignation by the Energy Tax Incentives Act of  
13 2005).

14           (c) APPLICATION OF REQUIREMENT.—

15                   (1) NO CHANGE IN METHOD OF ACCOUNTING.—  
16 Any adjustment required by this section shall not be  
17 treated as a change in method of accounting.

18                   (2) UNDERPAYMENTS OF ESTIMATED TAX.—No  
19 addition to the tax shall be made under section 6655  
20 of the Internal Revenue Code of 1986 (relating to  
21 failure by corporation to pay estimated tax) with re-  
22 spect to any underpayment of an installment re-  
23 quired to be paid with respect to the taxable year  
24 described in subsection (a) to the extent such under-  
25 payment was created or increased by this section.

1 **SEC. 216. MODIFICATIONS OF FOREIGN TAX CREDIT RULES**  
2 **APPLICABLE TO MAJOR OIL COMPANIES**  
3 **WHICH ARE DUAL CAPACITY TAXPAYERS.**

4 (a) IN GENERAL.—Section 901 of the Internal Rev-  
5 enue Code of 1986 (relating to credit for taxes of foreign  
6 countries and of possessions of the United States) is  
7 amended by redesignating subsection (m) as (n) and by  
8 inserting after subsection (l) the following new subsection:

9 “(m) SPECIAL RULES RELATING TO MAJOR OIL  
10 COMPANIES WHICH ARE DUAL CAPACITY TAXPAYERS.—

11 “(1) GENERAL RULE.—Notwithstanding any  
12 other provision of this chapter, any amount paid or  
13 accrued by a dual capacity taxpayer which is an ap-  
14 plicable taxpayer (as defined in section 5896(b)) to  
15 a foreign country or possession of the United States  
16 for any period shall not be considered a tax—

17 “(A) if, for such period, the foreign coun-  
18 try or possession does not impose a generally  
19 applicable income tax, or

20 “(B) to the extent such amount exceeds  
21 the amount (determined in accordance with reg-  
22 ulations) which—

23 “(i) is paid by such dual capacity tax-  
24 payer pursuant to the generally applicable  
25 income tax imposed by the country or pos-  
26 session, or

1                   “(ii) would be paid if the generally ap-  
2                   plicable income tax imposed by the country  
3                   or possession were applicable to such dual  
4                   capacity taxpayer.

5                   Nothing in this paragraph shall be construed to  
6                   imply the proper treatment of any such amount  
7                   not in excess of the amount determined under  
8                   subparagraph (B).

9                   “(2) DUAL CAPACITY TAXPAYER.—For pur-  
10                  poses of this subsection, the term ‘dual capacity tax-  
11                  payer’ means, with respect to any foreign country or  
12                  possession of the United States, a person who—

13                         “(A) is subject to a levy of such country or  
14                         possession, and

15                         “(B) receives (or will receive) directly or  
16                         indirectly a specific economic benefit (as deter-  
17                         mined in accordance with regulations) from  
18                         such country or possession.

19                   “(3) GENERALLY APPLICABLE INCOME TAX.—  
20                  For purposes of this subsection—

21                         “(A) IN GENERAL.—The term ‘generally  
22                         applicable income tax’ means an income tax (or  
23                         a series of income taxes) which is generally im-  
24                         posed under the laws of a foreign country or  
25                         possession on income derived from the conduct

1 of a trade or business within such country or  
2 possession.

3 “(B) EXCEPTIONS.—Such term shall not  
4 include a tax unless it has substantial applica-  
5 tion, by its terms and in practice, to—

6 “(i) persons who are not dual capacity  
7 taxpayers, and

8 “(ii) persons who are citizens or resi-  
9 dents of the foreign country or posses-  
10 sion.”.

11 (b) EFFECTIVE DATE.—

12 (1) IN GENERAL.—The amendments made by  
13 this section shall apply to taxes paid or accrued in  
14 taxable years beginning after the date of the enact-  
15 ment of this Act.

16 (2) CONTRARY TREATY OBLIGATIONS  
17 UPHOLD.—The amendments made by this section  
18 shall not apply to the extent contrary to any treaty  
19 obligation of the United States.

20 **SEC. 217. DENIAL OF DEDUCTION FOR INCOME ATTRIB-**  
21 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**  
22 **NATURAL GAS, OR PRIMARY PRODUCTS**  
23 **THEREOF.**

24 (a) IN GENERAL.—Subparagraph (B) of section  
25 199(c)(4) of the Internal Revenue Code of 1986 (relating

1 to exceptions) is amended by striking “or” at the end of  
2 clause (ii), by striking the period at the end of clause (iii)  
3 and inserting “, or”, and by inserting after clause (iii) the  
4 following new clause:

5 “(iv) in the case of any applicable tax-  
6 payer (as defined in section 5896(b)), the  
7 production, refining, processing, transpor-  
8 tation, or distribution of oil, natural gas,  
9 or any primary product thereof during any  
10 taxable year described in section  
11 167(h)(5)(A).”.

12 (b) CONFORMING AMENDMENTS.—Section 199(c)(4)  
13 of the Internal Revenue Code of 1986 is amended—

14 (1) in subparagraph (A)(i)(III) by striking  
15 “electricity, natural gas,” and inserting “electricity”,  
16 and

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

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

22 **SEC. 218. RULES RELATING TO FOREIGN OIL AND GAS IN-**  
23 **COME.**

24 (a) SEPARATE BASKET FOR FOREIGN TAX CRED-  
25 IT.—

1           (1) YEARS BEFORE 2007.—Paragraph (1) of  
2 section 904(d) of the Internal Revenue Code of 1986  
3 (relating to separate application of section with re-  
4 spect to certain categories of income), as in effect  
5 for years beginning before 2007, is amended by  
6 striking ‘and’ at the end of subparagraph (H), by  
7 redesignating subparagraph (I) as subparagraph (J),  
8 and by inserting after subparagraph (H) the fol-  
9 lowing new subparagraph:

10                   “(I) foreign oil and gas income, and”.

11           (2) 2007 AND AFTER.—Paragraph (1) of sec-  
12 tion 904(d) of such Code, as in effect for years be-  
13 ginning after 2006, is amended by striking “and” at  
14 the end of subparagraph (A), by striking the period  
15 at the end of subparagraph (B) and inserting “,  
16 and”, and by adding at the end the following:

17                   “(C) foreign oil and gas income.”.

18           (b) DEFINITION.—

19           (1) YEARS BEFORE 2007.—Paragraph (2) of  
20 section 904(d) of the Internal Revenue Code of  
21 1986, as in effect for years beginning before 2007,  
22 is amended by redesignating subparagraphs (H) and  
23 (I) as subparagraphs (I) and (J), respectively, and  
24 by inserting after subparagraph (G) the following  
25 new subparagraph:



1           “(H) FOREIGN OIL AND GAS INCOME.—  
2           The term ‘foreign oil and gas income’ has the  
3           meaning given such term by section 954(g).”.

4           (2) 2007 AND AFTER.—Section 904(d)(2) of  
5           such Code, as in effect for years after 2006, is  
6           amended by redesignating subparagraphs (J) and  
7           (K) as subparagraphs (K) and (L) and by inserting  
8           after subparagraph (I) the following:

9           “(J) FOREIGN OIL AND GAS INCOME.—For  
10           purposes of this section—

11           “(i) IN GENERAL.—The term ‘foreign  
12           oil and gas income’ has the meaning given  
13           such term by section 954(g).

14           “(ii) COORDINATION.—Passive cat-  
15           egory income and general category income  
16           shall not include foreign oil and gas income  
17           (as so defined).”.

18           (c) CONFORMING AMENDMENTS.—

19           (1) Section 904(d)(3)(F)(i) of the Internal Rev-  
20           enue Code of 1986 is amended by striking “or (E)”  
21           and inserting “(E), or (I)”.

22           (2) Section 907(a) of such Code is hereby re-  
23           pealed.

24           (3) Section 907(c)(4) of such Code is hereby re-  
25           pealed.

1           (4) Section 907(f) of such Code is hereby re-  
2           pealed.

3           (d) EFFECTIVE DATES.—

4           (1) IN GENERAL.—The amendments made by  
5           this section shall apply to taxable years beginning  
6           after the date of the enactment of this Act.

7           (2) YEARS AFTER 2006.—The amendments  
8           made by paragraphs (1)(B) and (2)(B) shall apply  
9           to taxable years beginning after December 31, 2006.

10          (3) TRANSITIONAL RULES.—

11           (A) SEPARATE BASKET TREATMENT.—Any  
12           taxes paid or accrued in a taxable year begin-  
13           ning on or before the date of the enactment of  
14           this Act, with respect to income which was de-  
15           scribed in subparagraph (I) of section  
16           904(d)(1) of such Code (as in effect on the day  
17           before the date of the enactment of this Act),  
18           shall be treated as taxes paid or accrued with  
19           respect to foreign oil and gas income to the ex-  
20           tent the taxpayer establishes to the satisfaction  
21           of the Secretary of the Treasury that such  
22           taxes were paid or accrued with respect to for-  
23           eign oil and gas income.

24           (B) CARRYOVERS.—Any unused oil and  
25           gas extraction taxes which under section 907(f)

1 of such Code (as so in effect) would have been  
2 allowable as a carryover to the taxpayer's first  
3 taxable year beginning after the date of the en-  
4 actment of this Act (without regard to the limi-  
5 tation of paragraph (2) of such section 907(f)  
6 for first taxable year) shall be allowed as  
7 carryovers under section 904(c) of such Code in  
8 the same manner as if such taxes were unused  
9 taxes under such section 904(c) with respect to  
10 foreign oil and gas extraction income.

11 (C) LOSSES.—The amendment made by  
12 subsection (c)(3) shall not apply to foreign oil  
13 and gas extraction losses arising in taxable  
14 years beginning on or before the date of the en-  
15 actment of this Act.

16 **SEC. 219. ELIMINATION OF DEFERRAL FOR FOREIGN OIL**  
17 **AND GAS EXTRACTION INCOME.**

18 (a) GENERAL RULE.—Paragraph (1) of section  
19 954(g) of the Internal Revenue Code of 1986 (defining  
20 foreign base company oil related income) is amended to  
21 read as follows:

22 “(1) IN GENERAL.—Except as otherwise pro-  
23 vided in this subsection, the term ‘foreign oil and  
24 gas income’ means, in the case of any applicable tax-  
25 payer (as defined in section 5896(b)) during any

1 taxable year described in section 167(h)(5)(A), any  
2 income of a kind which would be taken into account  
3 in determining the amount of—

4 “(A) foreign oil and gas extraction income  
5 (as defined in section 907(c)), or

6 “(B) foreign oil related income (as defined  
7 in section 907(c)).”.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Subsections (a)(5), (b)(5), and (b)(6) of  
10 section 954, and section 952(c)(1)(B)(ii)(I) of the  
11 Internal Revenue Code of 1986, are each amended  
12 by striking “base company oil related income” each  
13 place it appears (including in the heading of sub-  
14 section (b)(8)) and inserting “oil and gas income”.

15 (2) Subsection (b)(4) of section 954 of such  
16 Code is amended by striking “base company oil-re-  
17 lated income” and inserting “oil and gas income”.

18 (3) The subsection heading for subsection (g) of  
19 section 954 of such Code is amended by striking  
20 “FOREIGN BASE COMPANY OIL RELATED INCOME”  
21 and inserting “FOREIGN OIL AND GAS INCOME”.

22 (4) Subparagraph (A) of section 954(g)(2) of  
23 such Code is amended by striking “foreign base  
24 company oil related income” and inserting “foreign  
25 oil and gas income”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years of foreign corpora-  
3 tions beginning after the date of the enactment of this  
4 Act, and to taxable years of United States shareholders  
5 ending with or within such taxable years of foreign cor-  
6 porations.

7 **Subtitle C—Protection and Reten-**  
8 **tion of Value of Publicly-Owned**  
9 **Energy Resources**

10 **SEC. 221. SUSPENSION OF ROYALTY RELIEF.**

11 (a) REQUIREMENT.—Subject to subsection (b), the  
12 Secretary of the Interior (referred to in this subtitle as  
13 the “Secretary”) shall suspend the application of any pro-  
14 vision of Federal law under which a person would other-  
15 wise be provided relief from a requirement to pay a royalty  
16 for the production of oil or natural gas from Federal land  
17 (including submerged land) occurring after the date of en-  
18 actment of this Act during a period in which—

19 (1) for the production of oil, the average price  
20 of crude oil in the United States during the 4-week  
21 period immediately preceding the suspension is  
22 greater than \$34.71 per barrel; and

23 (2) for the production of natural gas, the aver-  
24 age wellhead price of natural gas in the United  
25 States during the 4-week period immediately pre-

1 ceding the suspension is greater than \$4.34 per  
2 1,000 cubic feet.

3 (b) DETERMINATION OF AVERAGE PRICES.—

4 (1) DATA.—For purposes of subsection (a), the  
5 Secretary shall determine average prices, taking into  
6 consideration the most recent data reported by the  
7 Energy Information Administration.

8 (2) ADJUSTMENT.—For fiscal year 2008 and  
9 each subsequent fiscal year, each dollar amount  
10 specified in subsection (a) shall be adjusted to re-  
11 flect changes for the 12-month period ending the  
12 preceding November 30 in the Consumer Price  
13 Index for All Urban Consumers published by the  
14 Bureau of Labor Statistics of the Department of  
15 Labor.

16 **SEC. 222. RENEGOTIATION OF EXISTING LEASES.**

17 (a) IN GENERAL.—Not later than 90 days after the  
18 date of enactment of this Act, the Secretary shall make  
19 a determination regarding the ability of the Secretary to  
20 renegotiate leases that—

21 (1) are in effect prior to the date of enactment  
22 of this Act;

23 (2) authorize the production of oil or natural  
24 gas on Federal land; and

1           (3) do not contain terms at least equal to the  
2     royalty relief price thresholds described in section  
3     591.

4     (b) AFFIRMATIVE DETERMINATION.—

5           (1) IN GENERAL.—If the Secretary determines  
6     that the Secretary has the authority to renegotiate  
7     leases described in subsection (a), the Secretary  
8     shall immediately offer to renegotiate the terms of  
9     those leases to include the royalty relief price thresh-  
10    olds described in section 591.

11          (2) FAILURE TO RENEGOTIATE.—If a lessee  
12    fails to renegotiate under paragraph (1), the Sec-  
13    retary shall preclude that lessee from—

14           (A) entering into new leases; or

15           (B) obtaining other existing leases or inter-  
16    ests in leases.

17     (c) NEGATIVE DETERMINATION.—If the Secretary  
18    determines that the Secretary does not have the authority  
19    to renegotiate leases described in subsection (a), the Sec-  
20    retary shall immediately submit to Congress recommenda-  
21    tions for changes to law that will—

22           (1) provide the authority necessary; or

23           (2) produce the same level of revenue from  
24    leases for the production of oil and gas from Federal  
25    land that will otherwise be lost due to the failure of

1 lessees to renegotiate and modify the terms of exist-  
 2 ing leases as described in subsection (b)(1).

3 **Subtitle D—Reduction in**  
 4 **Incentives to Guzzle Gas**

5 **SEC. 231. REDUCING INCENTIVES TO GUZZLE GAS.**

6 (a) INCLUSION OF HEAVY VEHICLES IN LIMITATION  
 7 ON DEPRECIATION OF CERTAIN LUXURY AUTO-  
 8 MOBILES.—

9 (1) IN GENERAL.—Section 280F(d)(5)(A) of  
 10 the Internal Revenue Code of 1986 (defining pas-  
 11 senger automobile) is amended—

12 (A) by striking clause (ii) and inserting the  
 13 following new clause:

14 “(ii)(I) which is rated at 6,000  
 15 pounds unloaded gross vehicle weight or  
 16 less, or

17 “(II) which is rated at more than  
 18 6,000 pounds but not more than 14,000  
 19 pounds gross vehicle weight.”, and

20 (B) by striking “clause (ii)” in the second  
 21 sentence and inserting “clause (ii)(I)”.

22 (2) EXCEPTION FOR VEHICLES USED IN FARM-  
 23 ING BUSINESS.—Section 280F(d)(5)(B) of such  
 24 Code (relating to exception for certain vehicles) is  
 25 amended by striking “and” at the end of clause (ii),



1 by redesignating clause (iii) as clause (iv), and by in-  
 2 serting after clause (ii) the following new clause:

3 “(iii) any vehicle used in a farming  
 4 business (as defined in section 263A(e)(4),  
 5 and”.

6 (3) EFFECTIVE DATE.—The amendments made  
 7 by this subsection shall apply to property placed in  
 8 service after the date of the enactment of this Act.

9 (b) UPDATED DEPRECIATION DEDUCTION LIMITS.—

10 (1) IN GENERAL.—Subparagraph (A) of section  
 11 280F(a)(1) of the Internal Revenue Code of 1986  
 12 (relating to limitation on amount of depreciation for  
 13 luxury automobiles) is amended to read as follows:

14 “(I) LIMITATION.—The amount of the de-  
 15 preciation deduction for any taxable year shall  
 16 not exceed for any passenger automobile—

17 “(i) for the 1st taxable year in the re-  
 18 covery period—

19 “(I) described in subsection  
 20 (d)(5)(A)(ii)(I), \$4,000,

21 “(II) described in the second sen-  
 22 tence of subsection (d)(5)(A), \$5,000,  
 23 and

24 “(III) described in subsection  
 25 (d)(5)(A)(ii)(II), \$6,000,

1 “(ii) for the 2nd taxable year in the  
2 recovery period—

3 “(I) described in subsection  
4 (d)(5)(A)(ii)(I), \$6,400,

5 “(II) described in the second sen-  
6 tence of subsection (d)(5)(A), \$8,000,  
7 and

8 “(III) described in subsection  
9 (d)(5)(A)(ii)(II), \$9,600,

10 “(iii) for the 3rd taxable year in the  
11 recovery period—

12 “(I) described in subsection  
13 (d)(5)(A)(ii)(I), \$3,850,

14 “(II) described in the second sen-  
15 tence of subsection (d)(5)(A), \$4,800,  
16 and

17 “(III) described in subsection  
18 (d)(5)(A)(ii)(II), \$5,775, and

19 “(iv) for each succeeding taxable year  
20 in the recovery period—

21 “(I) described in subsection  
22 (d)(5)(A)(ii)(I), \$2,325,

23 “(II) described in the second sen-  
24 tence of subsection (d)(5)(A), \$2,900,  
25 and

1                   “(III) described in subsection  
2                   (d)(5)(A)(ii)(II), \$3,475.”.

3                   (2) YEARS AFTER RECOVERY PERIOD.—Section  
4                   280F(a)(1)(B)(ii) of such Code is amended to read  
5                   as follows:

6                   “(ii) LIMITATION.—The amount treat-  
7                   ed as an expense under clause (i) for any  
8                   taxable year shall not exceed for any pas-  
9                   senger automobile—

10                   “(I) described in subsection  
11                   (d)(5)(A)(ii)(I), \$2,325,

12                   “(II) described in the second sen-  
13                   tence of subsection (d)(5)(A), \$2,900,  
14                   and

15                   “(III) described in subsection  
16                   (d)(5)(A)(ii)(II), \$3,475.”.

17                   (3) INFLATION ADJUSTMENT.—Section  
18                   280F(d)(7) of such Code (relating to automobile  
19                   price inflation adjustment) is amended—

20                   (A) by striking “after 1988” in subpara-  
21                   graph (A) and inserting “after 2006”, and

22                   (B) by striking subparagraph (B) and in-  
23                   serting the following new subparagraph:

24                   “(B) AUTOMOBILE PRICE INFLATION AD-  
25                   JUSTMENT.—For purposes of this paragraph—

1                   “(i) IN GENERAL.—The automobile  
2                   price inflation adjustment for any calendar  
3                   year is the percentage (if any) by which—

4                                 “(I) the average wage index for  
5                                 the preceding calendar year, exceeds

6                                 “(II) the average wage index for  
7                                 2005.

8                   “(ii) AVERAGE WAGE INDEX.—The  
9                   term ‘average wage index’ means the aver-  
10                  age wage index published by the Social Se-  
11                  curity Administration.”.

12                  (4) EFFECTIVE DATE.—The amendments made  
13                  by this subsection shall apply to property placed in  
14                  service after the date of the enactment of this Act.

15                  (c) EXPENSING LIMITATION FOR FARM VEHICLES.—

16                         (1) IN GENERAL.—Paragraph (6) of section  
17                         179(b) of the Internal Revenue Code of 1986 (relat-  
18                         ing to limitations) is amended to read as follows:

19                                 “(6) LIMITATION ON COST TAKEN INTO AC-  
20                                 COUNT FOR FARM VEHICLES.—The cost of any vehi-  
21                                 cle described in section 280F(d)(5)(B)(iii) for any  
22                                 taxable year which may be taken into account under  
23                                 this section shall not exceed \$30,000.”.

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

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