

110TH CONGRESS
2D SESSION

S. 3125

To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 12, 2008

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

A BILL

To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, and for other purposes.

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

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

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Energy Independence and Tax Relief Act of 2008”.

6 (b) **REFERENCE.**—Except as otherwise expressly pro-
7 vided, whenever in this Act an amendment or repeal is
8 expressed in terms of an amendment to, or repeal of, a
9 section or other provision, the reference shall be consid-

1 ered to be made to a section or other provision of the In-
 2 ternal Revenue Code of 1986.

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

Sec. 1. Short title, etc.

TITLE I—ENERGY TAX INCENTIVES

Subtitle A—Energy Production Incentives

PART I—RENEWABLE ENERGY INCENTIVES

Sec. 101. Renewable energy credit.

Sec. 102. Production credit for electricity produced from marine renewables.

Sec. 103. Energy credit.

Sec. 104. Credit for residential energy efficient property.

Sec. 105. Special rule to implement FERC and State electric restructuring pol-
 icy.

Sec. 106. New clean renewable energy bonds.

PART II—CARBON MITIGATION PROVISIONS

Sec. 111. Expansion and modification of advanced coal project investment cred-
 it.

Sec. 112. Expansion and modification of coal gasification investment credit.

Sec. 113. Temporary increase in coal excise tax.

Sec. 114. Special rules for refund of the coal excise tax to certain coal pro-
 ducers and exporters.

Sec. 115. Carbon audit of the tax code.

Subtitle B—Transportation and Domestic Fuel Security Provisions

Sec. 121. Inclusion of cellulosic biofuel in bonus depreciation for biomass eth-
 anol plant property.

Sec. 122. Credits for biodiesel and renewable diesel.

Sec. 123. Clarification that credits for fuel are designed to provide an incentive
 for United States production.

Sec. 124. Credit for new qualified plug-in electric drive motor vehicles.

Sec. 125. Exclusion from heavy truck tax for idling reduction units and ad-
 vanced insulation.

Sec. 126. Restructuring of New York Liberty Zone tax credits.

Sec. 127. Transportation fringe benefit to bicycle commuters.

Sec. 128. Alternative fuel vehicle refueling property credit.

Subtitle C—Energy Conservation and Efficiency Provisions

Sec. 141. Qualified energy conservation bonds.

Sec. 142. Credit for nonbusiness energy property.

Sec. 143. Energy efficient commercial buildings deduction.

Sec. 144. Modifications of energy efficient appliance credit for appliances pro-
 duced after 2007.

Sec. 145. Accelerated recovery period for depreciation of smart meters and
 smart grid systems.

Sec. 146. Qualified green building and sustainable design projects.

TITLE II—ONE-YEAR EXTENSION OF TEMPORARY PROVISIONS

Subtitle A—Alternative Minimum Tax

Sec. 201. Extension of alternative minimum tax relief for nonrefundable personal credits.

Sec. 202. Extension of increased alternative minimum tax exemption amount.

Sec. 203. Increase of AMT refundable credit amount for individuals with long-term unused credits for prior year minimum tax liability, etc.

Subtitle B—Extensions Primarily Affecting Individuals

Sec. 211. Deduction for State and local sales taxes.

Sec. 212. Deduction of qualified tuition and related expenses.

Sec. 213. Treatment of certain dividends of regulated investment companies.

Sec. 214. Tax-free distributions from individual retirement plans for charitable purposes.

Sec. 215. Deduction for certain expenses of elementary and secondary school teachers.

Sec. 216. Stock in RIC for purposes of determining estates of nonresidents not citizens.

Sec. 217. Qualified investment entities.

Sec. 218. Exclusion of amounts received under qualified group legal services plans.

Subtitle C—Extensions Primarily Affecting Businesses

Sec. 221. Extension and modification of research credit.

Sec. 222. Indian employment credit.

Sec. 223. New markets tax credit.

Sec. 224. Railroad track maintenance.

Sec. 225. Extension of mine rescue team training credit.

Sec. 226. Extension of 15-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant improvements; 15-year straight-line cost recovery for certain improvements to retail space.

Sec. 227. Seven-year cost recovery period for motorsports racing track facility.

Sec. 228. Accelerated depreciation for business property on Indian reservation.

Sec. 229. Extension of election to expense advanced mine safety equipment.

Sec. 230. Expensing of environmental remediation costs.

Sec. 231. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.

Sec. 232. Modification of tax treatment of certain payments to controlling exempt organizations.

Sec. 233. Qualified zone academy bonds.

Sec. 234. Tax incentives for investment in the District of Columbia.

Sec. 235. Economic development credit for American Samoa.

Sec. 236. Enhanced charitable deduction for contributions of food inventory.

Sec. 237. Enhanced charitable deduction for contributions of book inventory to public schools.

Sec. 238. Enhanced deduction for qualified computer contributions.

Sec. 239. Basis adjustment to stock of S corporations making charitable contributions of property.

Sec. 240. Work opportunity tax credit for Hurricane Katrina employees.

Sec. 241. Subpart F exception for active financing income.

- Sec. 242. Look-thru rule for related controlled foreign corporations.
- Sec. 243. Expensing for certain qualified film and television productions.
- Sec. 244. Extension and modification of duty suspension on wool products; wool research fund; wool duty refunds.

Subtitle D—Other Extensions

- Sec. 251. Authority to disclose information related to terrorist activities made permanent.
- Sec. 252. Authority for undercover operations made permanent.
- Sec. 253. Increase in limit on cover over of rum excise tax to Puerto Rico and the Virgin Islands.

TITLE III—ADDITIONAL RELIEF

Subtitle A—Individual Tax Relief

- Sec. 301. Additional standard deduction for real property taxes for non-itemizers.
- Sec. 302. \$10,000 income threshold used to calculate refundable portion of child tax credit.
- Sec. 303. Income averaging for amounts received in connection with the Exxon Valdez litigation.

Subtitle B—Business Related Provisions

- Sec. 311. Uniform treatment of attorney-advanced expenses and court costs in contingency fee cases.
- Sec. 312. Provisions related to film and television productions.
- Sec. 313. Modification of rate of excise tax on certain wooden arrows designed for use by children.

Subtitle C—Modification of Penalty on Understatement of Taxpayer's Liability by Tax Return Preparer

- Sec. 321. Modification of penalty on understatement of taxpayer's liability by tax return preparer.

Subtitle D—Extension and Expansion of Certain GO Zone Incentives

- Sec. 331. Certain GO Zone incentives.

Subtitle E—Other Provisions

- Sec. 341. Secure rural schools and community self-determination program.
- Sec. 342. Clarification of uniform definition of child.

TITLE IV—REVENUE PROVISIONS

- Sec. 401. Nonqualified deferred compensation from certain tax indifferent parties.
- Sec. 402. Delay in application of worldwide allocation of interest.
- Sec. 403. Time for payment of corporate estimated taxes.

1 **TITLE I—ENERGY TAX**
2 **INCENTIVES**
3 **Subtitle A—Energy Production**
4 **Incentives**

5 **PART I—RENEWABLE ENERGY INCENTIVES**

6 **SEC. 101. RENEWABLE ENERGY CREDIT.**

7 (a) EXTENSION OF CREDIT.—

8 (1) 1-YEAR EXTENSION FOR WIND FACILI-
9 TIES.—Paragraph (1) of section 45(d) is amended
10 by striking “January 1, 2009” and inserting “Janu-
11 ary 1, 2010”.

12 (2) 3-YEAR EXTENSION FOR CERTAIN OTHER
13 FACILITIES.—Each of the following provisions of
14 section 45(d) is amended by striking “January 1,
15 2009” and inserting “January 1, 2012”:

16 (A) Clauses (i) and (ii) of paragraph
17 (2)(A).

18 (B) Clauses (i)(I) and (ii) of paragraph
19 (3)(A).

20 (C) Paragraph (4).

21 (D) Paragraph (5).

22 (E) Paragraph (6).

23 (F) Paragraph (7).

24 (G) Subparagraphs (A) and (B) of para-
25 graph (9).

1 (b) MODIFICATION OF CREDIT PHASEOUT.—

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

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

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

7 (2) LIMITATION BASED ON INVESTMENT IN FA-
8 CILITY.—Subsection (b) of section 45 is amended by
9 inserting before paragraph (2) the following new
10 paragraph:

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

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

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

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

23 “(B) CARRYFORWARD OF UNUSED LIMITA-
24 TION AND EXCESS CREDIT.—

1 “(i) UNUSED LIMITATION.—If the
2 limitation imposed under subparagraph (A)
3 with respect to any facility for any taxable
4 year exceeds the prelimitation credit for
5 such facility for such taxable year, the lim-
6 itation imposed under subparagraph (A)
7 with respect to such facility for the suc-
8 ceeding taxable year shall be increased by
9 the amount of such excess.

10 “(ii) EXCESS CREDIT.—If the
11 prelimitation credit with respect to any fa-
12 cility for any taxable year exceeds the limi-
13 tation imposed under subparagraph (A)
14 with respect to such facility for such tax-
15 able year, the credit determined under sub-
16 section (a) with respect to such facility for
17 the succeeding taxable year (determined
18 before the application of subparagraph (A)
19 for such succeeding taxable year) shall be
20 increased by the amount of such excess.
21 With respect to any facility, no amount
22 may be carried forward under this clause
23 to any taxable year beginning after the 10-
24 year period described in subsection
25 (a)(2)(A)(ii) with respect to such facility.

1 “(iii) PRELIMINATION CREDIT.—The
2 term ‘prelimination credit’ with respect to
3 any facility for a taxable year means the
4 credit determined under subsection (a)
5 with respect to such facility for such tax-
6 able year, determined without regard to
7 subparagraph (A) and after taking into ac-
8 count any increase for such taxable year
9 under clause (ii).

10 “(C) APPLICABLE PERCENTAGE.—For
11 purposes of this paragraph—

12 “(i) IN GENERAL.—The term ‘applica-
13 ble percentage’ means, with respect to any
14 facility, the appropriate percentage pre-
15 scribed by the Secretary for the month in
16 which such facility is originally placed in
17 service.

18 “(ii) METHOD OF PRESCRIBING AP-
19 PPLICABLE PERCENTAGES.—The applicable
20 percentages prescribed by the Secretary for
21 any month under clause (i) shall be per-
22 centages which yield over a 10-year period
23 amounts of limitation under subparagraph
24 (A) which have a present value equal to 35
25 percent of the eligible basis of the facility.

1 “(iii) METHOD OF DISCOUNTING.—

2 The present value under clause (ii) shall be
3 determined—

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

7 “(II) by using a discount rate
8 equal to the greater of 110 percent of
9 the Federal long-term rate as in effect
10 under section 1274(d) for the month
11 preceding the month for which the ap-
12 plicable percentage is being pre-
13 scribed, or 4.5 percent, and

14 “(III) by taking into account the
15 limitation under subparagraph (A) for
16 any year on the last day of such year.

17 “(D) ELIGIBLE BASIS.—For purposes of
18 this paragraph—

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

22 “(I) the basis of such facility de-
23 termined as of the time that such fa-
24 cility is originally placed in service,
25 and

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

5 “(ii) RULES FOR ALLOCATION.—For
6 purposes of subclause (II) of clause (i), the
7 basis of shared qualified property shall be
8 allocated among all qualified facilities
9 which are projected to be placed in service
10 and which require utilization of such prop-
11 erty in proportion to projected generation
12 from such facilities.

13 “(iii) SHARED QUALIFIED PROP-
14 ERTY.—For purposes of this paragraph,
15 the term ‘shared qualified property’ means,
16 with respect to any facility, any property
17 described in section 168(e)(3)(B)(vi)—

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

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

23 “(iv) SPECIAL RULE RELATING TO
24 GEOTHERMAL FACILITIES.—In the case of
25 any qualified facility using geothermal en-

1 ergy to produce electricity, the basis of
2 such facility for purposes of this paragraph
3 shall be determined as though intangible
4 drilling and development costs described in
5 section 263(c) were capitalized rather than
6 expensed.

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

19 “(F) ELECTION TO TREAT ALL FACILITIES
20 PLACED IN SERVICE IN A YEAR AS 1 FACIL-
21 ITY.—At the election of the taxpayer, all quali-
22 fied facilities which are part of the same project
23 and which are placed in service during the same
24 calendar year shall be treated for purposes of
25 this section as 1 facility which is placed in serv-

1 ice at the mid-point of such year or the first
2 day of the following calendar year.”.

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

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

8 (2) by striking “COMBUSTION”.

9 (d) EXPANSION OF BIOMASS FACILITIES.—

10 (1) OPEN-LOOP BIOMASS FACILITIES.—Para-
11 graph (3) of section 45(d) is amended by redesignig-
12 nating subparagraph (B) as subparagraph (C) and
13 by inserting after subparagraph (A) the following
14 new subparagraph:

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

22 (2) CLOSED-LOOP BIOMASS FACILITIES.—Para-
23 graph (2) of section 45(d) is amended by redesignig-
24 nating subparagraph (B) as subparagraph (C) and

1 inserting after subparagraph (A) the following new
2 subparagraph:

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

10 (e) SALES OF NET ELECTRICITY TO REGULATED
11 PUBLIC UTILITIES TREATED AS SALES TO UNRELATED
12 PERSONS.—Paragraph (4) of section 45(e) is amended by
13 adding at the end the following new sentence: “The net
14 amount of electricity sold by any taxpayer to a regulated
15 public utility (as defined in section 7701(a)(33)) shall be
16 treated as sold to an unrelated person.”.

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

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

23 “(i) the hydroelectric project installed
24 on the nonhydroelectric dam is licensed by
25 the Federal Energy Regulatory Commis-

1 sion and meets all other applicable environ-
2 mental, licensing, and regulatory require-
3 ments,

4 “(ii) the nonhydroelectric dam was
5 placed in service before the date of the en-
6 actment of this paragraph and operated
7 for flood control, navigation, or water sup-
8 ply purposes and did not produce hydro-
9 electric power on the date of the enactment
10 of this paragraph, and

11 “(iii) the hydroelectric project is oper-
12 ated so that the water surface elevation at
13 any given location and time that would
14 have occurred in the absence of the hydro-
15 electric project is maintained, subject to
16 any license requirements imposed under
17 applicable law that change the water sur-
18 face elevation for the purpose of improving
19 environmental quality of the affected wa-
20 terway.

21 The Secretary, in consultation with the Federal
22 Energy Regulatory Commission, shall certify if
23 a hydroelectric project licensed at a nonhydro-
24 electric dam meets the criteria in clause (iii).
25 Nothing in this section shall affect the stand-

1 ards under which the Federal Energy Regu-
2 latory Commission issues licenses for and regu-
3 lates hydropower projects under part I of the
4 Federal Power Act.”.

5 (g) EFFECTIVE DATE.—

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

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

13 (3) LIMITATION BASED ON INVESTMENT IN FA-
14 CILITY.—The amendment made by subsection (b)(2)
15 shall apply to property originally placed in service
16 after December 31, 2009.

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

22 (5) EXPANSION OF BIOMASS FACILITIES.—The
23 amendments made by subsection (d) shall apply to
24 property placed in service after the date of the en-
25 actment of this Act.

1 **SEC. 102. PRODUCTION CREDIT FOR ELECTRICITY PRO-**
 2 **DUCE** **FROM MARINE RENEWABLES.**

3 (a) **IN GENERAL.**—Paragraph (1) of section 45(c) is
 4 amended by striking “and” at the end of subparagraph
 5 (G), by striking the period at the end of subparagraph
 6 (H) and inserting “, and”, and by adding at the end the
 7 following new subparagraph:

8 “(I) marine and hydrokinetic renewable en-
 9 ergy.”.

10 (b) **MARINE RENEWABLES.**—Subsection (c) of sec-
 11 tion 45 is amended by adding at the end the following
 12 new paragraph:

13 “(10) **MARINE AND HYDROKINETIC RENEW-**
 14 **ABLE ENERGY.**—

15 “(A) **IN GENERAL.**—The term ‘marine and
 16 hydrokinetic renewable energy’ means energy
 17 derived from—

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

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

22 “(iii) free flowing water in an irriga-
 23 tion system, canal, or other man-made
 24 channel, including projects that utilize non-
 25 mechanical structures to accelerate the

1 flow of water for electric power production
2 purposes, or

3 “(iv) differentials in ocean tempera-
4 ture (ocean thermal energy conversion).

5 “(B) EXCEPTIONS.—Such term shall not
6 include any energy which is derived from any
7 source which utilizes a dam, diversionary struc-
8 ture (except as provided in subparagraph
9 (A)(iii)), or impoundment for electric power
10 production purposes.”.

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

14 “(11) MARINE AND HYDROKINETIC RENEW-
15 ABLE ENERGY FACILITIES.—In the case of a facility
16 producing electricity from marine and hydrokinetic
17 renewable energy, the term ‘qualified facility’ means
18 any facility owned by the taxpayer—

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

21 “(B) which is originally placed in service
22 on or after the date of the enactment of this
23 paragraph and before January 1, 2012.”.

1 (d) CREDIT RATE.—Subparagraph (A) of section
2 45(b)(4) is amended by striking “or (9)” and inserting
3 “(9), or (11)”.

4 (e) COORDINATION WITH SMALL IRRIGATION
5 POWER.—Paragraph (5) of section 45(d), as amended by
6 section 101, is amended by striking “January 1, 2012”
7 and inserting “the date of the enactment of paragraph
8 (11)”.

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

13 **SEC. 103. ENERGY CREDIT.**

14 (a) EXTENSION OF CREDIT.—

15 (1) SOLAR ENERGY PROPERTY.—Paragraphs
16 (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) are each
17 amended by striking “January 1, 2009” and insert-
18 ing “January 1, 2015”.

19 (2) FUEL CELL PROPERTY.—Subparagraph (E)
20 of section 48(e)(1) is amended by striking “Decem-
21 ber 31, 2008” and inserting “December 31, 2014”.

22 (3) MICROTURBINE PROPERTY.—Subparagraph
23 (E) of section 48(e)(2) is amended by striking “De-
24 cember 31, 2008” and inserting “December 31,
25 2014”.

1 (b) ALLOWANCE OF ENERGY CREDIT AGAINST AL-
 2 TERNATIVE MINIMUM TAX.—Subparagraph (B) of section
 3 38(c)(4) is amended by striking “and” at the end of clause
 4 (iii), by redesignating clause (iv) as clause (v), and by in-
 5 serting after clause (iii) the following new clause:

6 “(iv) the credit determined under sec-
 7 tion 46 to the extent that such credit is at-
 8 tributable to the energy credit determined
 9 under section 48, and”.

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

12 (1) IN GENERAL.—Section 48(a)(3)(A) (defin-
 13 ing energy property) is amended by striking “or” at
 14 the end of clause (iii), by inserting “or” at the end
 15 of clause (iv), and by adding at the end the following
 16 new clause:

17 “(v) combined heat and power system
 18 property,”.

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

22 “(d) COMBINED HEAT AND POWER SYSTEM PROP-
 23 erty.—For purposes of subsection (a)(3)(A)(v)—

24 “(1) COMBINED HEAT AND POWER SYSTEM
 25 PROPERTY.—The term ‘combined heat and power

1 system property' means property comprising a sys-
2 tem—

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

9 “(B) which produces—

10 “(i) at least 20 percent of its total
11 useful energy in the form of thermal en-
12 ergy which is not used to produce electrical
13 or mechanical power (or combination
14 thereof), and

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

18 “(C) the energy efficiency percentage of
19 which exceeds 60 percent, and

20 “(D) which is placed in service before Jan-
21 uary 1, 2015.

22 “(2) LIMITATION.—

23 “(A) IN GENERAL.—In the case of com-
24 bined heat and power system property with an
25 electrical capacity in excess of the applicable ca-

1 capacity placed in service during the taxable year,
2 the credit under subsection (a)(1) (determined
3 without regard to this paragraph) for such year
4 shall be equal to the amount which bears the
5 same ratio to such credit as the applicable ca-
6 pacity bears to the capacity of such property.

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

13 “(C) MAXIMUM CAPACITY.—The term
14 ‘combined heat and power system property’
15 shall not include any property comprising a sys-
16 tem if such system has a capacity in excess of
17 50 megawatts or a mechanical energy capacity
18 in excess of 67,000 horsepower or an equivalent
19 combination of electrical and mechanical energy
20 capacities.

21 “(3) SPECIAL RULES.—

22 “(A) ENERGY EFFICIENCY PERCENT-
23 AGE.—For purposes of this subsection, the en-
24 ergy efficiency percentage of a system is the
25 fraction—

1 “(i) the numerator of which is the
2 total useful electrical, thermal, and me-
3 chanical power produced by the system at
4 normal operating rates, and expected to be
5 consumed in its normal application, and

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

9 “(B) DETERMINATIONS MADE ON BTU
10 BASIS.—The energy efficiency percentage and
11 the percentages under paragraph (1)(B) shall
12 be determined on a Btu basis.

13 “(C) INPUT AND OUTPUT PROPERTY NOT
14 INCLUDED.—The term ‘combined heat and
15 power system property’ does not include prop-
16 erty used to transport the energy source to the
17 facility or to distribute energy produced by the
18 facility.

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

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

1 “(B) the amount of credit determined
2 under subsection (a) with respect to such sys-
3 tem shall not exceed the amount which bears
4 the same ratio to such amount of credit (deter-
5 mined without regard to this paragraph) as the
6 energy efficiency percentage of such system
7 bears to 60 percent.”.

8 (d) INCREASE OF CREDIT LIMITATION FOR FUEL
9 CELL PROPERTY.—Subparagraph (B) of section 48(c)(1)
10 is amended by striking “\$500” and inserting “\$1,500”.

11 (e) PUBLIC UTILITY PROPERTY TAKEN INTO AC-
12 COUNT.—

13 (1) IN GENERAL.—Paragraph (3) of section
14 48(a) is amended by striking the second sentence
15 thereof.

16 (2) CONFORMING AMENDMENTS.—

17 (A) Paragraph (1) of section 48(c) is
18 amended by striking subparagraph (D) and re-
19 designating subparagraph (E) as subparagraph
20 (D).

21 (B) Paragraph (2) of section 48(c) is
22 amended by striking subparagraph (D) and re-
23 designating subparagraph (E) as subparagraph
24 (D).

25 (f) EFFECTIVE DATE.—

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

5 (2) ALLOWANCE AGAINST ALTERNATIVE MIN-
6 IMUM TAX.—The amendments made by subsection
7 (b) shall apply to credits determined under section
8 46 of the Internal Revenue Code of 1986 in taxable
9 years beginning after the date of the enactment of
10 this Act and to carrybacks of such credits.

11 (3) COMBINED HEAT AND POWER AND FUEL
12 CELL PROPERTY.—The amendments made by sub-
13 sections (c) and (d) shall apply to periods after the
14 date of the enactment of this Act, in taxable years
15 ending after such date, under rules similar to the
16 rules of section 48(m) of the Internal Revenue Code
17 of 1986 (as in effect on the day before the date of
18 the enactment of the Revenue Reconciliation Act of
19 1990).

20 (4) PUBLIC UTILITY PROPERTY.—The amend-
21 ments made by subsection (e) shall apply to periods
22 after February 13, 2008, in taxable years ending
23 after such date, under rules similar to the rules of
24 section 48(m) of the Internal Revenue Code of 1986

1 (as in effect on the day before the date of the enact-
2 ment of the Revenue Reconciliation Act of 1990).

3 **SEC. 104. CREDIT FOR RESIDENTIAL ENERGY EFFICIENT**
4 **PROPERTY.**

5 (a) EXTENSION.—Section 25D(g) is amended by
6 striking “December 31, 2008” and inserting “December
7 31, 2014”.

8 (b) MAXIMUM CREDIT FOR SOLAR ELECTRIC PROP-
9 erty.—

10 (1) IN GENERAL.—Section 25D(b)(1)(A) is
11 amended by striking “\$2,000” and inserting
12 “\$4,000”.

13 (2) CONFORMING AMENDMENT.—Section
14 25D(e)(4)(A)(i) is amended by striking “\$6,667”
15 and inserting “\$13,333”.

16 (c) CREDIT FOR RESIDENTIAL WIND PROPERTY.—

17 (1) IN GENERAL.—Section 25D(a) is amended
18 by striking “and” at the end of paragraph (2), by
19 striking the period at the end of paragraph (3) and
20 inserting “, and”, and by adding at the end the fol-
21 lowing new paragraph:

22 “(4) 30 percent of the qualified small wind en-
23 ergy property expenditures made by the taxpayer
24 during such year.”.

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

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

10 (3) QUALIFIED SMALL WIND ENERGY PROP-
11 ERTY EXPENDITURES.—

12 (A) IN GENERAL.—Section 25D(d) is
13 amended by adding at the end the following
14 new paragraph:

15 “(4) QUALIFIED SMALL WIND ENERGY PROP-
16 ERTY EXPENDITURE.—The term ‘qualified small
17 wind energy property expenditure’ means an expend-
18 iture for property which uses a wind turbine to gen-
19 erate electricity for use in connection with a dwelling
20 unit located in the United States and used as a resi-
21 dence by the taxpayer.”.

22 (B) NO DOUBLE BENEFIT.—Section
23 45(d)(1) is amended by adding at the end the
24 following new sentence: “Such term shall not
25 include any facility with respect to which any

1 qualified small wind energy property expendi-
2 ture (as defined in subsection (d)(4) of section
3 25D) is taken into account in determining the
4 credit under such section.”.

5 (4) MAXIMUM EXPENDITURES IN CASE OF
6 JOINT OCCUPANCY.—Section 25D(e)(4)(A) is
7 amended by striking “and” at the end of clause (ii),
8 by striking the period at the end of clause (iii) and
9 inserting “, and”, and by adding at the end the fol-
10 lowing new clause:

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

16 (d) CREDIT FOR GEOTHERMAL HEAT PUMP SYS-
17 TEMS.—

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

23 “(5) 30 percent of the qualified geothermal
24 heat pump property expenditures made by the tax-
25 payer during such year.”.

1 (2) LIMITATION.—Section 25D(b)(1), as
 2 amended by subsection (c), is amended by striking
 3 “and” at the end of subparagraph (C), by striking
 4 the period at the end of subparagraph (D) and in-
 5 serting “, and”, and by adding at the end the fol-
 6 lowing new subparagraph:

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

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

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

15 “(A) IN GENERAL.—The term ‘qualified
 16 geothermal heat pump property expenditure’
 17 means an expenditure for qualified geothermal
 18 heat pump property installed on or in connec-
 19 tion with a dwelling unit located in the United
 20 States and used as a residence by the taxpayer.

21 “(B) QUALIFIED GEOTHERMAL HEAT
 22 PUMP PROPERTY.—The term ‘qualified geo-
 23 thermal heat pump property’ means any equip-
 24 ment which—

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

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

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

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

19 (e) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
20 IMUM TAX.—

21 (1) IN GENERAL.—Subsection (c) of section
22 25D is amended to read as follows:

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

1 “(1) LIMITATION BASED ON AMOUNT OF
2 TAX.—In the case of a taxable year to which section
3 26(a)(2) does not apply, the credit allowed under
4 subsection (a) for the taxable year shall not exceed
5 the excess of—

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

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

12 “(2) CARRYFORWARD OF UNUSED CREDIT.—

13 “(A) RULE FOR YEARS IN WHICH ALL
14 PERSONAL CREDITS ALLOWED AGAINST REG-
15 ULAR AND ALTERNATIVE MINIMUM TAX.—In
16 the case of a taxable year to which section
17 26(a)(2) applies, if the credit allowable under
18 subsection (a) exceeds the limitation imposed by
19 section 26(a)(2) for such taxable year reduced
20 by the sum of the credits allowable under this
21 subpart (other than this section), such excess
22 shall be carried to the succeeding taxable year
23 and added to the credit allowable under sub-
24 section (a) for such succeeding taxable year.

1 “(B) RULE FOR OTHER YEARS.—In the
2 case of a taxable year to which section 26(a)(2)
3 does not apply, if the credit allowable under
4 subsection (a) exceeds the limitation imposed by
5 paragraph (1) for such taxable year, such ex-
6 cess shall be carried to the succeeding taxable
7 year and added to the credit allowable under
8 subsection (a) for such succeeding taxable
9 year.”.

10 (2) CONFORMING AMENDMENTS.—

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

13 (B) Section 24(b)(3)(B) is amended by
14 striking “and 25B” and inserting “, 25B, and
15 25D”.

16 (C) Section 25B(g)(2) is amended by strik-
17 ing “section 23” and inserting “sections 23 and
18 25D”.

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

21 (f) EFFECTIVE DATE.—

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

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

7 **SEC. 105. SPECIAL RULE TO IMPLEMENT FERC AND STATE**
8 **ELECTRIC RESTRUCTURING POLICY.**

9 (a) EXTENSION FOR QUALIFIED ELECTRIC UTILI-
10 TIES.—

11 (1) IN GENERAL.—Paragraph (3) of section
12 451(i) is amended by inserting “(before January 1,
13 2010, in the case of a qualified electric utility)”
14 after “January 1, 2008”.

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

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

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

6 “(B) an electric utility (as defined in sec-
7 tion 3(22) of the Federal Power Act (16 U.S.C.
8 796(22))).”.

9 (b) EXTENSION OF PERIOD FOR TRANSFER OF
10 OPERATIONAL CONTROL AUTHORIZED BY FERC.—
11 Clause (ii) of section 451(i)(4)(B) is amended by striking
12 “December 31, 2007” and inserting “the date which is
13 4 years after the close of the taxable year in which the
14 transaction occurs”.

15 (c) PROPERTY LOCATED OUTSIDE THE UNITED
16 STATES NOT TREATED AS EXEMPT UTILITY PROP-
17 ERTY.—Paragraph (5) of section 451(i) is amended by
18 adding at the end the following new subparagraph:

19 “(C) EXCEPTION FOR PROPERTY LOCATED
20 OUTSIDE THE UNITED STATES.—The term ‘ex-
21 empt utility property’ shall not include any
22 property which is located outside the United
23 States.”.

24 (d) EFFECTIVE DATES.—

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

4 (2) TRANSFERS OF OPERATIONAL CONTROL.—
5 The amendment made by subsection (b) shall take
6 effect as if included in section 909 of the American
7 Jobs Creation Act of 2004.

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

12 **SEC. 106. NEW CLEAN RENEWABLE ENERGY BONDS.**

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

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

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

21 “(1) 100 percent of the available project pro-
22 ceeds of such issue are to be used for capital expend-
23 itures incurred by governmental bodies, public power
24 providers, or cooperative electric companies for one
25 or more qualified renewable energy facilities,

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

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

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

9 “(c) LIMITATION ON AMOUNT OF BONDS DES-
10 IGNATED.—

11 “(1) IN GENERAL.—The maximum aggregate
12 face amount of bonds which may be designated
13 under subsection (a) by any issuer shall not exceed
14 the limitation amount allocated under this sub-
15 section to such issuer.

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

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

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

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

7 “(3) METHOD OF ALLOCATION.—

8 “(A) ALLOCATION AMONG PUBLIC POWER
9 PROVIDERS.—After the Secretary determines
10 the qualified projects of public power providers
11 which are appropriate for receiving an alloca-
12 tion of the national new clean renewable energy
13 bond limitation, the Secretary shall, to the max-
14 imum extent practicable, make allocations
15 among such projects in such manner that the
16 amount allocated to each such project bears the
17 same ratio to the cost of such project as the
18 limitation under paragraph (2)(A) bears to the
19 cost of all such projects.

20 “(B) ALLOCATION AMONG GOVERNMENTAL
21 BODIES AND COOPERATIVE ELECTRIC COMPA-
22 NIES.—The Secretary shall make allocations of
23 the amount of the national new clean renewable
24 energy bond limitation described in paragraphs
25 (2)(B) and (2)(C) among qualified projects of

1 governmental bodies and cooperative electric
2 companies, respectively, in such manner as the
3 Secretary determines appropriate.

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

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

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

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

20 “(4) COOPERATIVE ELECTRIC COMPANY.—The
21 term ‘cooperative electric company’ means a mutual
22 or cooperative electric company described in section
23 501(c)(12) or section 1381(a)(2)(C).

24 “(5) CLEAN RENEWABLE ENERGY BOND LEND-
25 ER.—The term ‘clean renewable energy bond lender’

1 means a lender which is a cooperative which is
 2 owned by, or has outstanding loans to, 100 or more
 3 cooperative electric companies and is in existence on
 4 February 1, 2002, and shall include any affiliated
 5 entity which is controlled by such lender.

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

12 (b) CONFORMING AMENDMENTS.—

13 (1) Paragraph (1) of section 54A(d) is amended
 14 to read as follows:

15 “(1) QUALIFIED TAX CREDIT BOND.—The term
 16 ‘qualified tax credit bond’ means—

17 “(A) a qualified forestry conservation
 18 bond, or

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

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

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

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

7 “(ii) in the case of a new clean renew-
8 able energy bond, a purpose specified in
9 section 54C(a)(1).”.

10 (3) The table of sections for subpart I of part
11 IV of subchapter A of chapter 1 is amended by add-
12 ing at the end the following new item:

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

13 (c) 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 **PART II—CARBON MITIGATION PROVISIONS**

17 **SEC. 111. EXPANSION AND MODIFICATION OF ADVANCED**
18 **COAL PROJECT INVESTMENT CREDIT.**

19 (a) MODIFICATION OF CREDIT AMOUNT.—Section
20 48A(a) is amended by striking “and” at the end of para-
21 graph (1), by striking the period at the end of paragraph
22 (2) and inserting “, and”, and by adding at the end the
23 following new paragraph:

1 “(3) 30 percent of the qualified investment for
2 such taxable year in the case of projects described
3 in clause (iii) of subsection (d)(3)(B).”.

4 (b) EXPANSION OF AGGREGATE CREDITS.—Section
5 48A(d)(3)(A) is amended by striking “\$1,300,000,000”
6 and inserting “\$2,550,000,000”.

7 (c) AUTHORIZATION OF ADDITIONAL PROJECTS.—

8 (1) IN GENERAL.—Subparagraph (B) of section
9 48A(d)(3) is amended to read as follows:

10 “(B) PARTICULAR PROJECTS.—Of the dol-
11 lar amount in subparagraph (A), the Secretary
12 is authorized to certify—

13 “(i) \$800,000,000 for integrated gas-
14 fication combined cycle projects the appli-
15 cation for which is submitted during the
16 period described in paragraph (2)(A)(i),

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

22 “(iii) \$1,250,000,000 for advanced
23 coal-based generation technology projects
24 the application for which is submitted dur-

1 ing the period described in paragraph
2 (2)(A)(ii).”.

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

6 “(A) APPLICATION PERIOD.—Each appli-
7 cant for certification under this paragraph shall
8 submit an application meeting the requirements
9 of subparagraph (B). An applicant may only
10 submit an application—

11 “(i) for an allocation from the dollar
12 amount specified in clause (i) or (ii) of
13 paragraph (3)(B) during the 3-year period
14 beginning on the date the Secretary estab-
15 lishes the program under paragraph (1),
16 and

17 “(ii) for an allocation from the dollar
18 amount specified in paragraph (3)(B)(iii)
19 during the 3-year period beginning at the
20 earlier of the termination of the period de-
21 scribed in clause (i) or the date prescribed
22 by the Secretary.”.

23 (3) CAPTURE AND SEQUESTRATION OF CARBON
24 DIOXIDE EMISSIONS REQUIREMENT.—

1 (A) IN GENERAL.—Section 48A(e)(1) is
2 amended by striking “and” at the end of sub-
3 paragraph (E), by striking the period at the
4 end of subparagraph (F) and inserting “; and”,
5 and by adding at the end the following new sub-
6 paragraph:

7 “(G) in the case of any project the applica-
8 tion for which is submitted during the period
9 described in subsection (d)(2)(A)(ii), the project
10 includes equipment which separates and seques-
11 ters at least 65 percent (70 percent in the case
12 of an application for reallocated credits under
13 subsection (d)(4)) of such project’s total carbon
14 dioxide emissions.”.

15 (B) HIGHEST PRIORITY FOR PROJECTS
16 WHICH SEQUESTER CARBON DIOXIDE EMIS-
17 SIONS.—Section 48A(e)(3) is amended by strik-
18 ing “and” at the end of subparagraph (A)(iii),
19 by striking the period at the end of subpara-
20 graph (B)(iii) and inserting “, and”, and by
21 adding at the end the following new subpara-
22 graph:

23 “(C) give highest priority to projects with
24 the greatest separation and sequestration per-
25 centage of total carbon dioxide emissions.”.

1 (C) RECAPTURE OF CREDIT FOR FAILURE
2 TO SEQUESTER.—Section 48A is amended by
3 adding at the end the following new subsection:

4 “(i) RECAPTURE OF CREDIT FOR FAILURE TO SE-
5 QUESTER.—The Secretary shall provide for recapturing
6 the benefit of any credit allowable under subsection (a)
7 with respect to any project which fails to attain or main-
8 tain the separation and sequestration requirements of sub-
9 section (e)(1)(G).”.

10 (4) ADDITIONAL PRIORITY FOR RESEARCH
11 PARTNERSHIPS.—Section 48A(e)(3)(B), as amended
12 by paragraph (3)(B), is amended—

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

14 (ii),

15 (B) by redesignating clause (iii) as clause

16 (iv), and

17 (C) by inserting after clause (ii) the fol-
18 lowing new clause:

19 “(iii) applicant participants who have
20 a research partnership with an eligible edu-
21 cational institution (as defined in section
22 529(e)(5)), and”.

23 (5) CLERICAL AMENDMENT.—Section 48A(e)(3)
24 is amended by striking “INTEGRATED GASIFICATION

1 COMBINED CYCLE” in the heading and inserting
2 “CERTAIN”.

3 (d) DISCLOSURE OF ALLOCATIONS.—Section 48A(d)
4 is amended by adding at the end the following new para-
5 graph:

6 “(5) DISCLOSURE OF ALLOCATIONS.—The Sec-
7 retary shall, upon making a certification under this
8 subsection or section 48B(d), publicly disclose the
9 identity of the applicant and the amount of the cred-
10 it certified with respect to such applicant.”.

11 (e) EFFECTIVE DATES.—

12 (1) IN GENERAL.—Except as otherwise pro-
13 vided in this subsection, the amendments made by
14 this section shall apply to credits the application for
15 which is submitted during the period described in
16 section 48A(d)(2)(A)(ii) of the Internal Revenue
17 Code of 1986 and which are allocated or reallocated
18 after the date of the enactment of this Act.

19 (2) DISCLOSURE OF ALLOCATIONS.—The
20 amendment made by subsection (d) shall apply to
21 certifications made after the date of the enactment
22 of this Act.

23 (3) CLERICAL AMENDMENT.—The amendment
24 made by subsection (c)(5) shall take effect as if in-

1 cluded in the amendment made by section 1307(b)
2 of the Energy Tax Incentives Act of 2005.

3 **SEC. 112. EXPANSION AND MODIFICATION OF COAL GASIFI-**
4 **CATION INVESTMENT CREDIT.**

5 (a) MODIFICATION OF CREDIT AMOUNT.—Section
6 48B(a) is amended by inserting “(30 percent in the case
7 of credits allocated under subsection (d)(1)(B))” after “20
8 percent”.

9 (b) EXPANSION OF AGGREGATE CREDITS.—Section
10 48B(d)(1) is amended by striking “shall not exceed
11 \$350,000,000” and all that follows and inserting “shall
12 not exceed—

13 “(A) \$350,000,000, plus

14 “(B) \$250,000,000 for qualifying gasifi-
15 cation projects that include equipment which
16 separates and sequesters at least 75 percent of
17 such project’s total carbon dioxide emissions.”.

18 (c) RECAPTURE OF CREDIT FOR FAILURE TO SE-
19 QUESTER.—Section 48B is amended by adding at the end
20 the following new subsection:

21 “(f) RECAPTURE OF CREDIT FOR FAILURE TO SE-
22 QUESTER.—The Secretary shall provide for recapturing
23 the benefit of any credit allowable under subsection (a)
24 with respect to any project which fails to attain or main-

1 tain the separation and sequestration requirements for
2 such project under subsection (d)(1).”.

3 (d) SELECTION PRIORITIES.—Section 48B(d) is
4 amended by adding at the end the following new para-
5 graph:

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

9 “(A) give highest priority to projects with
10 the greatest separation and sequestration per-
11 centage of total carbon dioxide emissions, and

12 “(B) give high priority to applicant partici-
13 pants who have a research partnership with an
14 eligible educational institution (as defined in
15 section 529(e)(5)).”.

16 (e) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to credits described in section
18 48B(d)(1)(B) of the Internal Revenue Code of 1986 which
19 are allocated or reallocated after the date of the enactment
20 of this Act.

21 **SEC. 113. TEMPORARY INCREASE IN COAL EXCISE TAX.**

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

23 (1) by striking “January 1, 2014” in subpara-
24 graph (A) and inserting “December 31, 2018”, and

1 (2) by striking “January 1 after 1981” in sub-
2 paragraph (B) and inserting “December 31 after
3 2007”.

4 **SEC. 114. SPECIAL RULES FOR REFUND OF THE COAL EX-**
5 **CISE TAX TO CERTAIN COAL PRODUCERS**
6 **AND EXPORTERS.**

7 (a) REFUND.—

8 (1) COAL PRODUCERS.—

9 (A) IN GENERAL.—Notwithstanding sub-
10 sections (a)(1) and (c) of section 6416 and sec-
11 tion 6511 of the Internal Revenue Code of
12 1986, if—

13 (i) a coal producer establishes that
14 such coal producer, or a party related to
15 such coal producer, exported coal produced
16 by such coal producer to a foreign country
17 or shipped coal produced by such coal pro-
18 ducer to a possession of the United States,
19 or caused such coal to be exported or
20 shipped, the export or shipment of which
21 was other than through an exporter who
22 meets the requirements of paragraph (2),

23 (ii) such coal producer filed an excise
24 tax return on or after October 1, 1990,

1 and on or before the date of the enactment
2 of this Act, and

3 (iii) such coal producer files a claim
4 for refund with the Secretary not later
5 than the close of the 30-day period begin-
6 ning on the date of the enactment of this
7 Act,

8 then the Secretary shall pay to such coal pro-
9 ducer an amount equal to the tax paid under
10 section 4121 of such Code on such coal ex-
11 ported or shipped by the coal producer or a
12 party related to such coal producer, or caused
13 by the coal producer or a party related to such
14 coal producer to be exported or shipped.

15 (B) SPECIAL RULES FOR CERTAIN TAX-
16 PAYERS.—For purposes of this section—

17 (i) IN GENERAL.—If a coal producer
18 or a party related to a coal producer has
19 received a judgment described in clause
20 (iii), such coal producer shall be deemed to
21 have established the export of coal to a for-
22 eign country or shipment of coal to a pos-
23 session of the United States under sub-
24 paragraph (A)(i).

1 (ii) AMOUNT OF PAYMENT.—If a tax-
2 payer described in clause (i) is entitled to
3 a payment under subparagraph (A), the
4 amount of such payment shall be reduced
5 by any amount paid pursuant to the judg-
6 ment described in clause (iii).

7 (iii) JUDGMENT DESCRIBED.—A judg-
8 ment is described in this subparagraph if
9 such judgment—

10 (I) is made by a court of com-
11 petent jurisdiction within the United
12 States,

13 (II) relates to the constitu-
14 tionality of any tax paid on exported
15 coal under section 4121 of the Inter-
16 nal Revenue Code of 1986, and

17 (III) is in favor of the coal pro-
18 ducer or the party related to the coal
19 producer.

20 (2) EXPORTERS.—Notwithstanding subsections
21 (a)(1) and (c) of section 6416 and section 6511 of
22 the Internal Revenue Code of 1986, and a judgment
23 described in paragraph (1)(B)(iii) of this subsection,
24 if—

1 (A) an exporter establishes that such ex-
2 porter exported coal to a foreign country or
3 shipped coal to a possession of the United
4 States, or caused such coal to be so exported or
5 shipped,

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

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

13 then the Secretary shall pay to such exporter an
14 amount equal to \$0.825 per ton of such coal ex-
15 ported by the exporter or caused to be exported or
16 shipped, or caused to be exported or shipped, by the
17 exporter.

18 (b) LIMITATIONS.—Subsection (a) shall not apply
19 with respect to exported coal if a settlement with the Fed-
20 eral Government has been made with and accepted by, the
21 coal producer, a party related to such coal producer, or
22 the exporter, of such coal, as of the date that the claim
23 is filed under this section with respect to such exported
24 coal. For purposes of this subsection, the term “settlement
25 with the Federal Government” shall not include any settle-

1 ment or stipulation entered into as of the date of the en-
2 actment of this Act, the terms of which contemplate a
3 judgment concerning which any party has reserved the
4 right to file an appeal, or has filed an appeal.

5 (c) SUBSEQUENT REFUND PROHIBITED.—No refund
6 shall be made under this section to the extent that a credit
7 or refund of such tax on such exported or shipped coal
8 has been paid to any person.

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

10 (1) COAL PRODUCER.—The term “coal pro-
11 ducer” means the person in whom is vested owner-
12 ship of the coal immediately after the coal is severed
13 from the ground, without regard to the existence of
14 any contractual arrangement for the sale or other
15 disposition of the coal or the payment of any royalti-
16 ties between the producer and third parties. The
17 term includes any person who extracts coal from
18 coal waste refuse piles or from the silt waste product
19 which results from the wet washing (or similar proc-
20 essing) of coal.

21 (2) EXPORTER.—The term “exporter” means a
22 person, other than a coal producer, who does not
23 have a contract, fee arrangement, or any other
24 agreement with a producer or seller of such coal to

1 export or ship such coal to a third party on behalf
2 of the producer or seller of such coal and—

3 (A) is indicated in the shipper's export
4 declaration or other documentation as the ex-
5 porter of record, or

6 (B) actually exported such coal to a for-
7 eign country or shipped such coal to a posses-
8 sion of the United States, or caused such coal
9 to be so exported or shipped.

10 (3) RELATED PARTY.—The term “a party re-
11 lated to such coal producer” means a person who—

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

15 (B) is related (within the meaning of sec-
16 tion 144(a)(3) of the Internal Revenue Code of
17 1986) to such coal producer, or

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

22 (4) SECRETARY.—The term “Secretary” means
23 the Secretary of Treasury or the Secretary's des-
24 ignee.

1 (e) TIMING OF REFUND.—With respect to any claim
2 for refund filed pursuant to this section, the Secretary
3 shall determine whether the requirements of this section
4 are met not later than 180 days after such claim is filed.
5 If the Secretary determines that the requirements of this
6 section are met, the claim for refund shall be paid not
7 later than 180 days after the Secretary makes such deter-
8 mination.

9 (f) INTEREST.—Any refund paid pursuant to this
10 section shall be paid by the Secretary with interest from
11 the date of overpayment determined by using the overpay-
12 ment rate and method under section 6621 of the Internal
13 Revenue Code of 1986.

14 (g) DENIAL OF DOUBLE BENEFIT.—The payment
15 under subsection (a) with respect to any coal shall not ex-
16 ceed—

17 (1) in the case of a payment to a coal producer,
18 the amount of tax paid under section 4121 of the
19 Internal Revenue Code of 1986 with respect to such
20 coal by such coal producer or a party related to such
21 coal producer, and

22 (2) in the case of a payment to an exporter, an
23 amount equal to \$0.825 per ton with respect to such
24 coal exported by the exporter or caused to be ex-
25 ported by the exporter.

1 (h) APPLICATION OF SECTION.—This section applies
2 only to claims on coal exported or shipped on or after Oc-
3 tober 1, 1990, through the date of the enactment of this
4 Act.

5 (i) STANDING NOT CONFERRED.—

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

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

19 **SEC. 115. CARBON AUDIT OF THE TAX CODE.**

20 (a) STUDY.—The Secretary of the Treasury shall
21 enter into an agreement with the National Academy of
22 Sciences to undertake a comprehensive review of the Inter-
23 nal Revenue Code of 1986 to identify the types of and
24 specific tax provisions that have the largest effects on car-

1 bon and other greenhouse gas emissions and to estimate
2 the magnitude of those effects.

3 (b) REPORT.—Not later than 2 years after the date
4 of enactment of this Act, the National Academy of
5 Sciences shall submit to Congress a report containing the
6 results of study authorized under this section.

7 (c) AUTHORIZATION OF APPROPRIATIONS.—There is
8 authorized to be appropriated to carry out this section
9 \$1,500,000 for the period of fiscal years 2008 and 2009.

10 **Subtitle B—Transportation and** 11 **Domestic Fuel Security Provisions**

12 **SEC. 121. INCLUSION OF CELLULOSIC BIOFUEL IN BONUS** 13 **DEPRECIATION FOR BIOMASS ETHANOL** 14 **PLANT PROPERTY.**

15 (a) IN GENERAL.—Paragraph (3) of section 168(l)
16 is amended to read as follows:

17 “(3) CELLULOSIC BIOFUEL.—The term ‘cel-
18 lulosic biofuel’ means any liquid fuel which is pro-
19 duced from any lignocellulosic or hemicellulosic mat-
20 ter that is available on a renewable or recurring
21 basis.”.

22 (b) CONFORMING AMENDMENTS.—Subsection (l) of
23 section 168 is amended—

1 (1) by striking “cellulosic biomass ethanol”
2 each place it appears and inserting “cellulosic
3 biofuel”,

4 (2) by striking “CELLULOSIC BIOMASS ETH-
5 ANOL” in the heading of such subsection and insert-
6 ing “CELLULOSIC BIOFUEL”, and

7 (3) by striking “CELLULOSIC BIOMASS ETH-
8 ANOL” in the heading of paragraph (2) thereof and
9 inserting “CELLULOSIC BIOFUEL”.

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

14 **SEC. 122. CREDITS FOR BIODIESEL AND RENEWABLE DIE-**
15 **SEL.**

16 (a) IN GENERAL.—Sections 40A(g), 6426(c)(6), and
17 6427(e)(5)(B) are each amended by striking “December
18 31, 2008” and inserting “December 31, 2009”.

19 (b) INCREASE IN RATE OF CREDIT.—

20 (1) INCOME TAX CREDIT.—Paragraphs (1)(A)
21 and (2)(A) of section 40A(b) are each amended by
22 striking “50 cents” and inserting “\$1.00”.

23 (2) EXCISE TAX CREDIT.—Paragraph (2) of
24 section 6426(c) is amended to read as follows:

1 “(2) APPLICABLE AMOUNT.—For purposes of
2 this subsection, the applicable amount is \$1.00.”.

3 (3) CONFORMING AMENDMENTS.—

4 (A) Subsection (b) of section 40A is
5 amended by striking paragraph (3) and by re-
6 designating paragraphs (4) and (5) as para-
7 graphs (3) and (4), respectively.

8 (B) Paragraph (2) of section 40A(f) is
9 amended to read as follows:

10 “(2) EXCEPTION.—Subsection (b)(4) shall not
11 apply with respect to renewable diesel.”.

12 (C) Paragraphs (2) and (3) of section
13 40A(e) are each amended by striking “sub-
14 section (b)(5)(C)” and inserting “subsection
15 (b)(4)(C)”.

16 (D) Clause (ii) of section 40A(d)(3)(C) is
17 amended by striking “subsection (b)(5)(B)”
18 and inserting “subsection (b)(4)(B)”.

19 (c) UNIFORM TREATMENT OF DIESEL PRODUCED
20 FROM BIOMASS.—Paragraph (3) of section 40A(f) is
21 amended—

22 (1) by striking “diesel fuel” and inserting “liq-
23 uid fuel”,

24 (2) by striking “using a thermal
25 depolymerization process”, and

1 (3) by striking “or D396” in subparagraph (B)
2 and inserting “, D396, or other equivalent standard
3 approved by the Secretary”.

4 (d) COPRODUCTION OF RENEWABLE DIESEL WITH
5 PETROLEUM FEEDSTOCK.—

6 (1) IN GENERAL.—Paragraph (3) of section
7 40A(f) (defining renewable diesel) is amended by
8 adding at the end the following new sentence: “Such
9 term does not include any fuel derived from coproc-
10 essing biomass with a feedstock which is not bio-
11 mass. For purposes of this paragraph, the term ‘bio-
12 mass’ has the meaning given such term by section
13 45K(c)(3).”.

14 (2) CONFORMING AMENDMENT.—Paragraph (3)
15 of section 40A(f) is amended by striking “(as de-
16 fined in section 45K(c)(3))”.

17 (e) ELIGIBILITY OF CERTAIN AVIATION FUEL.—
18 Paragraph (3) of section 40A(f) (defining renewable die-
19 sel) is amended by adding at the end the following: “The
20 term ‘renewable diesel’ also means fuel derived from bio-
21 mass which meets the requirements of a Department of
22 Defense specification for military jet fuel or an American
23 Society of Testing and Materials specification for aviation
24 turbine fuel.”.

25 (f) EFFECTIVE DATE.—

1 (1) IN GENERAL.—Except as otherwise pro-
 2 vided in this subsection, the amendments made by
 3 this section shall apply to fuel produced, and sold or
 4 used, after December 31, 2008.

5 (2) COPRODUCTION OF RENEWABLE DIESEL
 6 WITH PETROLEUM FEEDSTOCK.—The amendments
 7 made by subsection (d) shall apply to fuel produced,
 8 and sold or used, after the date of the enactment of
 9 this Act.

10 **SEC. 123. CLARIFICATION THAT CREDITS FOR FUEL ARE**
 11 **DESIGNED TO PROVIDE AN INCENTIVE FOR**
 12 **UNITED STATES PRODUCTION.**

13 (a) ALCOHOL FUELS CREDIT.—Paragraph (6) of sec-
 14 tion 40(d) is amended to read as follows:

15 “(6) LIMITATION TO ALCOHOL WITH CONNEC-
 16 TION TO THE UNITED STATES.—No credit shall be
 17 determined under this section with respect to any al-
 18 cohol which is produced outside the United States
 19 for use as a fuel outside the United States. For pur-
 20 poses of this paragraph, the term ‘United States’ in-
 21 cludes any possession of the United States.”.

22 (b) BIODIESEL FUELS CREDIT.—Subsection (d) of
 23 section 40A is amended by adding at the end the following
 24 new paragraph:

1 “(5) LIMITATION TO BIODIESEL WITH CONNEC-
2 TION TO THE UNITED STATES.—No credit shall be
3 determined under this section with respect to any
4 biodiesel which is produced outside the United
5 States for use as a fuel outside the United States.
6 For purposes of this paragraph, the term ‘United
7 States’ includes any possession of the United
8 States.”.

9 (c) EXCISE TAX CREDIT.—

10 (1) IN GENERAL.—Section 6426 is amended by
11 adding at the end the following new subsection:

12 “(i) LIMITATION TO FUELS WITH CONNECTION TO
13 THE UNITED STATES.—

14 “(1) ALCOHOL.—No credit shall be determined
15 under this section with respect to any alcohol which
16 is produced outside the United States for use as a
17 fuel outside the United States.

18 “(2) BIODIESEL AND ALTERNATIVE FUELS.—
19 No credit shall be determined under this section
20 with respect to any biodiesel or alternative fuel
21 which is produced outside the United States for use
22 as a fuel outside the United States.

23 For purposes of this subsection, the term ‘United States’
24 includes any possession of the United States.”.

1 (2) CONFORMING AMENDMENT.—Subsection (e)
2 of section 6427 is amended by redesignating para-
3 graph (5) as paragraph (6) and by inserting after
4 paragraph (4) the following new paragraph:

5 “(5) LIMITATION TO FUELS WITH CONNECTION
6 TO THE UNITED STATES.—No amount shall be pay-
7 able under paragraph (1) or (2) with respect to any
8 mixture or alternative fuel if credit is not allowed
9 with respect to such mixture or alternative fuel by
10 reason of section 6426(i).”

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to claims for credit or payment
13 made on or after May 15, 2008.

14 **SEC. 124. CREDIT FOR NEW QUALIFIED PLUG-IN ELECTRIC**
15 **DRIVE MOTOR VEHICLES.**

16 (a) IN GENERAL.—Subpart B of part IV of sub-
17 chapter A of chapter 1 is amended by adding at the end
18 the following new section:

19 **“SEC. 30D. NEW QUALIFIED PLUG-IN ELECTRIC DRIVE**
20 **MOTOR VEHICLES.**

21 “(a) ALLOWANCE OF CREDIT.—There shall be al-
22 lowed as a credit against the tax imposed by this chapter
23 for the taxable year an amount equal to the sum of the
24 credit amounts determined under subsection (b) with re-
25 spect to each new qualified plug-in electric drive motor ve-

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

3 “(b) PER VEHICLE DOLLAR LIMITATION.—

4 “(1) IN GENERAL.—The amount determined
5 under this subsection with respect to any new quali-
6 fied plug-in electric drive motor vehicle is the sum
7 of the amounts determined under paragraphs (2)
8 and (3) with respect to such vehicle.

9 “(2) BASE AMOUNT.—The amount determined
10 under this paragraph is \$3,000.

11 “(3) BATTERY CAPACITY.—In the case of a ve-
12 hicle which draws propulsion energy from a battery
13 with not less than 5 kilowatt hours of capacity, the
14 amount determined under this paragraph is \$200,
15 plus \$200 for each kilowatt hour of capacity in ex-
16 cess of 5 kilowatt hours. The amount determined
17 under this paragraph shall not exceed \$2,000.

18 “(c) APPLICATION WITH OTHER CREDITS.—

19 “(1) BUSINESS CREDIT TREATED AS PART OF
20 GENERAL BUSINESS CREDIT.—So much of the credit
21 which would be allowed under subsection (a) for any
22 taxable year (determined without regard to this sub-
23 section) that is attributable to property of a char-
24 acter subject to an allowance for depreciation shall

1 be treated as a credit listed in section 38(b) for such
2 taxable year (and not allowed under subsection (a)).

3 “(2) PERSONAL CREDIT.—

4 “(A) IN GENERAL.—For purposes of this
5 title, the credit allowed under subsection (a) for
6 any taxable year (determined after application
7 of paragraph (1)) shall be treated as a credit
8 allowable under subpart A for such taxable
9 year.

10 “(B) LIMITATION BASED ON AMOUNT OF
11 TAX.—In the case of a taxable year to which
12 section 26(a)(2) does not apply, the credit al-
13 lowed under subsection (a) for any taxable year
14 (determined after application of paragraph (1))
15 shall not exceed the excess of—

16 “(i) the sum of the regular tax liabil-
17 ity (as defined in section 26(b)) plus the
18 tax imposed by section 55, over

19 “(ii) the sum of the credits allowable
20 under subpart A (other than this section
21 and sections 23 and 25D) and section 27
22 for the taxable year.

23 “(d) NEW QUALIFIED PLUG-IN ELECTRIC DRIVE
24 MOTOR VEHICLE.—For purposes of this section—

1 “(1) IN GENERAL.—The term ‘new qualified
2 plug-in electric drive motor vehicle’ means a motor
3 vehicle (as defined in section 30(c)(2))—

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

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

8 “(C) which is made by a manufacturer,

9 “(D) which has a gross vehicle weight rat-
10 ing of less than 14,000 pounds,

11 “(E) which has received a certificate of
12 conformity under the Clean Air Act and meets
13 or exceeds the Bin 5 Tier II emission standard
14 established in regulations prescribed by the Ad-
15 ministrator of the Environmental Protection
16 Agency under section 202(i) of the Clean Air
17 Act for that make and model year vehicle, and

18 “(F) which is propelled to a significant ex-
19 tent by an electric motor which draws electricity
20 from a battery which—

21 “(i) has a capacity of not less than 4
22 kilowatt hours, and

23 “(ii) is capable of being recharged
24 from an external source of electricity.

1 “(2) EXCEPTION.—The term ‘new qualified
2 plug-in electric drive motor vehicle’ shall not include
3 any vehicle which is not a passenger automobile or
4 light truck if such vehicle has a gross vehicle weight
5 rating of less than 8,500 pounds.

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

13 “(4) BATTERY CAPACITY.—The term ‘capacity’
14 means, with respect to any battery, the quantity of
15 electricity which the battery is capable of storing, ex-
16 pressed in kilowatt hours, as measured from a 100
17 percent state of charge to a 0 percent state of
18 charge.

19 “(e) LIMITATION ON NUMBER OF NEW QUALIFIED
20 PLUG-IN ELECTRIC DRIVE MOTOR VEHICLES ELIGIBLE
21 FOR CREDIT.—

22 “(1) IN GENERAL.—In the case of a new quali-
23 fied plug-in electric drive motor vehicle sold during
24 the phaseout period, only the applicable percentage

1 of the credit otherwise allowable under subsection
2 (a) shall be allowed.

3 “(2) PHASEOUT PERIOD.—For purposes of this
4 subsection, the phaseout period is the period begin-
5 ning with the second calendar quarter following the
6 calendar quarter which includes the first date on
7 which the number of new qualified plug-in electric
8 drive motor vehicles manufactured by the manufac-
9 turer of the vehicle referred to in paragraph (1) sold
10 for use in the United States after the date of the en-
11 actment of this section, is at least 60,000.

12 “(3) APPLICABLE PERCENTAGE.—For purposes
13 of paragraph (1), the applicable percentage is—

14 “(A) 50 percent for the first 2 calendar
15 quarters of the phaseout period,

16 “(B) 25 percent for the 3d and 4th cal-
17 endar quarters of the phaseout period, and

18 “(C) 0 percent for each calendar quarter
19 thereafter.

20 “(4) CONTROLLED GROUPS.—Rules similar to
21 the rules of section 30B(f)(4) shall apply for pur-
22 poses of this subsection.

23 “(f) SPECIAL RULES.—

24 “(1) BASIS REDUCTION.—The basis of any
25 property for which a credit is allowable under sub-

1 section (a) shall be reduced by the amount of such
2 credit (determined without regard to subsection (c)).

3 “(2) RECAPTURE.—The Secretary shall, by reg-
4 ulations, provide for recapturing the benefit of any
5 credit allowable under subsection (a) with respect to
6 any property which ceases to be property eligible for
7 such credit.

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

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

18 “(5) PROPERTY USED BY TAX-EXEMPT ENTITY;
19 INTERACTION WITH AIR QUALITY AND MOTOR VEHI-
20 CLE SAFETY STANDARDS.—Rules similar to the rules
21 of paragraphs (6) and (10) of section 30B(h) shall
22 apply for purposes of this section.”.

23 (b) COORDINATION WITH ALTERNATIVE MOTOR VE-
24 HICLE CREDIT.—Section 30B(d)(3) is amended by adding
25 at the end the following new subparagraph:

1 “(D) EXCLUSION OF PLUG-IN VEHICLES.—
2 Any vehicle with respect to which a credit is al-
3 lowable under section 30D (determined without
4 regard to subsection (c) thereof) shall not be
5 taken into account under this section.”.

6 (c) CREDIT MADE PART OF GENERAL BUSINESS
7 CREDIT.—Section 38(b) is amended—

8 (1) by striking “and” each place it appears at
9 the end of any paragraph,

10 (2) by striking “plus” each place it appears at
11 the end of any paragraph,

12 (3) by striking the period at the end of para-
13 graph (32) and inserting “, plus”, and

14 (4) by adding at the end the following new
15 paragraph:

16 “(33) the portion of the new qualified plug-in
17 electric drive motor vehicle credit to which section
18 30D(c)(1) applies.”.

19 (d) CONFORMING AMENDMENTS.—

20 (1)(A) Section 24(b)(3)(B), as amended by sec-
21 tion 104, is amended by striking “and 25D” and in-
22 serting “25D, and 30D”.

23 (B) Section 25(e)(1)(C)(ii) is amended by in-
24 serting “30D,” after “25D,”.

1 (C) Section 25B(g)(2), as amended by section
2 104, is amended by striking “and 25D” and insert-
3 ing “, 25D, and 30D”.

4 (D) Section 26(a)(1), as amended by section
5 104, is amended by striking “and 25D” and insert-
6 ing “25D, and 30D”.

7 (E) Section 1400C(d)(2) is amended by striking
8 “and 25D” and inserting “25D, and 30D”.

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

14 “(37) to the extent provided in section
15 30D(f)(1).”.

16 (3) Section 6501(m) is amended by inserting
17 “30D(f)(4),” after “30C(e)(5),”.

18 (4) The table of sections for subpart B of part
19 IV of subchapter A of chapter 1 is amended by add-
20 ing at the end the following new item:

“Sec. 30D. New qualified plug-in electric drive motor vehicles.”.

21 (e) TREATMENT OF ALTERNATIVE MOTOR VEHICLE
22 CREDIT AS A PERSONAL CREDIT.—

23 (1) IN GENERAL.—Paragraph (2) of section
24 30B(g) is amended to read as follows:

1 “(2) PERSONAL CREDIT.—The credit allowed
2 under subsection (a) for any taxable year (after ap-
3 plication of paragraph (1)) shall be treated as a
4 credit allowable under subpart A for such taxable
5 year.”.

6 (2) CONFORMING AMENDMENTS.—

7 (A) Subparagraph (A) of section 30C(d)(2)
8 is amended by striking “sections 27, 30, and
9 30B” and inserting “sections 27 and 30”.

10 (B) Paragraph (3) of section 55(c) is
11 amended by striking “30B(g)(2),”.

12 (f) EFFECTIVE DATE.—

13 (1) IN GENERAL.—Except as otherwise pro-
14 vided in this subsection, the amendments made by
15 this section shall apply to taxable years beginning
16 after December 31, 2008.

17 (2) TREATMENT OF ALTERNATIVE MOTOR VE-
18 HICLE CREDIT AS PERSONAL CREDIT.—The amend-
19 ments made by subsection (e) shall apply to taxable
20 years beginning after December 31, 2007.

21 (g) APPLICATION OF EGTRRA SUNSET.—The
22 amendment made by subsection (d)(1)(A) shall be subject
23 to title IX of the Economic Growth and Tax Relief Rec-
24 onciliation Act of 2001 in the same manner as the provi-
25 sion of such Act to which such amendment relates.

1 **SEC. 125. EXCLUSION FROM HEAVY TRUCK TAX FOR IDLING**
2 **REDUCTION UNITS AND ADVANCED INSULA-**
3 **TION.**

4 (a) **IN GENERAL.**—Section 4053 is amended by add-
5 ing at the end the following new paragraphs:

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

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

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

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

24 (b) **EFFECTIVE DATE.**—The amendment made by
25 this section shall apply to sales or installations after the
26 date of the enactment of this Act.

1 **SEC. 126. RESTRUCTURING OF NEW YORK LIBERTY ZONE**
 2 **TAX CREDITS.**

3 (a) IN GENERAL.—Part I of subchapter Y of chapter
 4 1 is amended by redesignating section 1400L as section
 5 1400K and by adding at the end the following new section:

6 **“SEC. 1400L. NEW YORK LIBERTY ZONE TAX CREDITS.**

7 “(a) IN GENERAL.—In the case of a New York Lib-
 8 erty Zone governmental unit, there shall be allowed as a
 9 credit against any taxes imposed for any payroll period
 10 by section 3402 for which such governmental unit is liable
 11 under section 3403 an amount equal to so much of the
 12 portion of the qualifying project expenditure amount allo-
 13 cated under subsection (b)(3) to such governmental unit
 14 for the calendar year as is allocated by such governmental
 15 unit to such period under subsection (b)(4).

16 “(b) QUALIFYING PROJECT EXPENDITURE
 17 AMOUNT.—For purposes of this section—

18 “(1) IN GENERAL.—The term ‘qualifying
 19 project expenditure amount’ means, with respect to
 20 any calendar year, the sum of—

21 “(A) the total expenditures paid or in-
 22 curred during such calendar year by all New
 23 York Liberty Zone governmental units and the
 24 Port Authority of New York and New Jersey
 25 for any portion of qualifying projects located

1 wholly within the City of New York, New York,
2 and

3 “(B) any such expenditures—

4 “(i) paid or incurred in any preceding
5 calendar year which begins after the date
6 of enactment of this section, and

7 “(ii) not previously allocated under
8 paragraph (3).

9 “(2) QUALIFYING PROJECT.—The term ‘quali-
10 fying project’ means any transportation infrastruc-
11 ture project, including highways, mass transit sys-
12 tems, railroads, airports, ports, and waterways, in or
13 connecting with the New York Liberty Zone (as de-
14 fined in section 1400K(h)), which is designated as a
15 qualifying project under this section jointly by the
16 Governor of the State of New York and the Mayor
17 of the City of New York, New York.

18 “(3) GENERAL ALLOCATION.—

19 “(A) IN GENERAL.—The Governor of the
20 State of New York and the Mayor of the City
21 of New York, New York, shall jointly allocate to
22 each New York Liberty Zone governmental unit
23 the portion of the qualifying project expenditure
24 amount which may be taken into account by

1 such governmental unit under subsection (a) for
2 any calendar year in the credit period.

3 “(B) AGGREGATE LIMIT.—The aggregate
4 amount which may be allocated under subpara-
5 graph (A) for all calendar years in the credit
6 period shall not exceed \$2,000,000,000.

7 “(C) ANNUAL LIMIT.—The aggregate
8 amount which may be allocated under subpara-
9 graph (A) for any calendar year in the credit
10 period shall not exceed the sum of—

11 “(i) \$115,000,000 (\$425,000,000 in
12 the case of the last 2 years in the credit
13 period), plus

14 “(ii) the aggregate amount authorized
15 to be allocated under this paragraph for all
16 preceding calendar years in the credit pe-
17 riod which was not so allocated.

18 “(D) UNALLOCATED AMOUNTS AT END OF
19 CREDIT PERIOD.—If, as of the close of the cred-
20 it period, the amount under subparagraph (B)
21 exceeds the aggregate amount allocated under
22 subparagraph (A) for all calendar years in the
23 credit period, the Governor of the State of New
24 York and the Mayor of the City of New York,
25 New York, may jointly allocate to New York

1 Liberty Zone governmental units for any cal-
2 endar year in the 5-year period following the
3 credit period an amount equal to—

4 “(i) the lesser of—

5 “(I) such excess, or

6 “(II) the qualifying project ex-
7 penditure amount for such calendar
8 year, reduced by

9 “(ii) the aggregate amount allocated
10 under this subparagraph for all preceding
11 calendar years.

12 “(4) ALLOCATION TO PAYROLL PERIODS.—

13 Each New York Liberty Zone governmental unit
14 which has been allocated a portion of the qualifying
15 project expenditure amount under paragraph (3) for
16 a calendar year may allocate such portion to payroll
17 periods beginning in such calendar year as such gov-
18 ernmental unit determines appropriate.

19 “(c) CARRYOVER OF UNUSED ALLOCATIONS.—

20 “(1) IN GENERAL.—Except as provided in para-
21 graph (2), if the amount allocated under subsection
22 (b)(3) to a New York Liberty Zone governmental
23 unit for any calendar year exceeds the aggregate
24 taxes imposed by section 3402 for which such gov-
25 ernmental unit is liable under section 3403 for peri-

1 ods beginning in such year, such excess shall be car-
2 ried to the succeeding calendar year and added to
3 the allocation of such governmental unit for such
4 succeeding calendar year.

5 “(2) REALLOCATION.—If a New York Liberty
6 Zone governmental unit does not use an amount al-
7 located to it under subsection (b)(3) within the time
8 prescribed by the Governor of the State of New York
9 and the Mayor of the City of New York, New York,
10 then such amount shall after such time be treated
11 for purposes of subsection (b)(3) in the same man-
12 ner as if it had never been allocated.

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

15 “(1) CREDIT PERIOD.—The term ‘credit period’
16 means the 12-year period beginning on January 1,
17 2009.

18 “(2) NEW YORK LIBERTY ZONE GOVERN-
19 MENTAL UNIT.—The term ‘New York Liberty Zone
20 governmental unit’ means—

21 “(A) the State of New York,

22 “(B) the City of New York, New York, and

23 “(C) any agency or instrumentality of such
24 State or City.

1 “(3) TREATMENT OF FUNDS.—Any expenditure
2 for a qualifying project taken into account for pur-
3 poses of the credit under this section shall be consid-
4 ered State and local funds for the purpose of any
5 Federal program.

6 “(4) TREATMENT OF CREDIT AMOUNTS FOR
7 PURPOSES OF WITHHOLDING TAXES.—For purposes
8 of this title, a New York Liberty Zone governmental
9 unit shall be treated as having paid to the Secretary,
10 on the day on which wages are paid to employees,
11 an amount equal to the amount of the credit allowed
12 to such entity under subsection (a) with respect to
13 such wages, but only if such governmental unit de-
14 ducts and withholds wages for such payroll period
15 under section 3401 (relating to wage withholding).

16 “(e) REPORTING.—The Governor of the State of New
17 York and the Mayor of the City of New York, New York,
18 shall jointly submit to the Secretary an annual report—

19 “(1) which certifies—

20 “(A) the qualifying project expenditure
21 amount for the calendar year, and

22 “(B) the amount allocated to each New
23 York Liberty Zone governmental unit under
24 subsection (b)(3) for the calendar year, and

1 “(2) includes such other information as the
2 Secretary may require to carry out this section.

3 “(f) GUIDANCE.—The Secretary may prescribe such
4 guidance as may be necessary or appropriate to ensure
5 compliance with the purposes of this section.”.

6 (b) TERMINATION OF SPECIAL ALLOWANCE AND EX-
7 PENSING.—Subparagraph (A) of section 1400K(b)(2), as
8 redesignated by subsection (a), is amended by striking the
9 parenthetical therein and inserting “(in the case of non-
10 residential real property and residential rental property,
11 the date of the enactment of the Energy Independence and
12 Tax Relief Act of 2008 or, if acquired pursuant to a bind-
13 ing contract in effect on such enactment date, December
14 31, 2009)”.

15 (c) CONFORMING AMENDMENTS.—

16 (1) Section 38(c)(3)(B) is amended by striking
17 “section 1400L(a)” and inserting “section
18 1400K(a)”.

19 (2) Section 168(k)(2)(D)(ii) is amended by
20 striking “section 1400L(c)(2)” and inserting “sec-
21 tion 1400K(c)(2)”.

22 (3) The table of sections for part I of sub-
23 chapter Y of chapter 1 is amended by redesignating
24 the item relating to section 1400L as an item relat-

1 ing to section 1400K and by inserting after such
2 item the following new item:

“Sec. 1400L. New York Liberty Zone tax credits.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall take effect on the date of the enactment
5 of this Act.

6 **SEC. 127. TRANSPORTATION FRINGE BENEFIT TO BICYCLE**
7 **COMMUTERS.**

8 (a) **IN GENERAL.**—Paragraph (1) of section 132(f)
9 is amended by adding at the end the following:

10 “(D) Any qualified bicycle commuting re-
11 imbursement.”.

12 (b) **LIMITATION ON EXCLUSION.**—Paragraph (2) of
13 section 132(f) is amended by striking “and” at the end
14 of subparagraph (A), by striking the period at the end
15 of subparagraph (B) and inserting “, and”, and by adding
16 at the end the following new subparagraph:

17 “(C) the applicable annual limitation in
18 the case of any qualified bicycle commuting re-
19 imbursement.”.

20 (c) **DEFINITIONS.**—Paragraph (5) of section 132(f)
21 is amended by adding at the end the following:

22 “(F) **DEFINITIONS RELATED TO BICYCLE**
23 **COMMUTING REIMBURSEMENT.**—

24 “(i) **QUALIFIED BICYCLE COMMUTING**
25 **REIMBURSEMENT.**—The term ‘qualified bi-

1 cycle commuting reimbursement’ means,
2 with respect to any calendar year, any em-
3 ployer reimbursement during the 15-month
4 period beginning with the first day of such
5 calendar year for reasonable expenses in-
6 curred by the employee during such cal-
7 endar year for the purchase of a bicycle
8 and bicycle improvements, repair, and stor-
9 age, if such bicycle is regularly used for
10 travel between the employee’s residence
11 and place of employment.

12 “(ii) APPLICABLE ANNUAL LIMITA-
13 TION.—The term ‘applicable annual limita-
14 tion’ means, with respect to any employee
15 for any calendar year, the product of \$20
16 multiplied by the number of qualified bicy-
17 cle commuting months during such year.

18 “(iii) QUALIFIED BICYCLE COM-
19 MUTING MONTH.—The term ‘qualified bi-
20 cycle commuting month’ means, with re-
21 spect to any employee, any month during
22 which such employee—

23 “(I) regularly uses the bicycle for
24 a substantial portion of the travel be-

1 tween the employee’s residence and
2 place of employment, and

3 “(II) does not receive any benefit
4 described in subparagraph (A), (B),
5 or (C) of paragraph (1).”.

6 (d) **CONSTRUCTIVE RECEIPT OF BENEFIT.**—Para-
7 graph (4) of section 132(f) is amended by inserting
8 “(other than a qualified bicycle commuting reimburse-
9 ment)” after “qualified transportation fringe”.

10 (e) **EFFECTIVE DATE.**—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2008.

13 **SEC. 128. ALTERNATIVE FUEL VEHICLE REFUELING PROP-**
14 **ERTY CREDIT.**

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

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

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

21 (b) **EXTENSION OF CREDIT.**—Paragraph (2) of sec-
22 tion 30C(g) is amended by striking “December 31, 2009”
23 and inserting “December 31, 2010”.

24 (c) **EFFECTIVE DATE.**—The amendments made by
25 this section shall apply to property placed in service after

1 the date of the enactment of this Act, in taxable years
 2 ending after such date.

3 **Subtitle C—Energy Conservation**
 4 **and Efficiency Provisions**

5 **SEC. 141. QUALIFIED ENERGY CONSERVATION BONDS.**

6 (a) IN GENERAL.—Subpart I of part IV of sub-
 7 chapter A of chapter 1, as amended by section 106, is
 8 amended by adding at the end the following new section:

9 **“SEC. 54D. QUALIFIED ENERGY CONSERVATION BONDS.**

10 **“(a) QUALIFIED ENERGY CONSERVATION BOND.—**
 11 For purposes of this subchapter, the term ‘qualified en-
 12 ergy conservation bond’ means any bond issued as part
 13 of an issue if—

14 “(1) 100 percent of the available project pro-
 15 ceeds of such issue are to be used for one or more
 16 qualified conservation purposes,

17 “(2) the bond is issued by a State or local gov-
 18 ernment, and

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

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

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

6 “(d) NATIONAL LIMITATION ON AMOUNT OF BONDS
7 DESIGNATED.—There is a national qualified energy con-
8 servation bond limitation of \$3,000,000,000.

9 “(e) ALLOCATIONS.—

10 “(1) IN GENERAL.—The limitation applicable
11 under subsection (d) shall be allocated by the Sec-
12 retary among the States in proportion to the popu-
13 lation of the States.

14 “(2) ALLOCATIONS TO LARGEST LOCAL GOV-
15 ERNMENTS.—

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

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

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

11 “(3) ALLOCATION TO ISSUERS; RESTRICTION
12 ON PRIVATE ACTIVITY BONDS.—Any allocation
13 under this subsection to a State or large local gov-
14 ernment shall be allocated by such State or large
15 local government to issuers within the State in a
16 manner that results in not less than 70 percent of
17 the allocation to such State or large local govern-
18 ment being used to designate bonds which are not
19 private activity bonds.

20 “(f) QUALIFIED CONSERVATION PURPOSE.—For
21 purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified con-
23 servation purpose’ means any of the following:

24 “(A) Capital expenditures incurred for
25 purposes of—

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

4 “(ii) implementing green community
5 programs,

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

9 “(iv) any qualified facility (as deter-
10 mined under section 45(d) without regard
11 to paragraphs (8) and (10) thereof and
12 without regard to any placed in service
13 date).

14 “(B) Expenditures with respect to research
15 facilities, and research grants, to support re-
16 search in—

17 “(i) development of cellulosic ethanol
18 or other nonfossil fuels,

19 “(ii) technologies for the capture and
20 sequestration of carbon dioxide produced
21 through the use of fossil fuels,

22 “(iii) increasing the efficiency of exist-
23 ing technologies for producing nonfossil
24 fuels,

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

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

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

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

12 “(i) green building technology,

13 “(ii) conversion of agricultural waste
14 for use in the production of fuel or other-
15 wise,

16 “(iii) advanced battery manufacturing
17 technologies,

18 “(iv) technologies to reduce peak use
19 of electricity, or

20 “(v) technologies for the capture and
21 sequestration of carbon dioxide emitted
22 from combusting fossil fuels in order to
23 produce electricity.

24 “(E) Public education campaigns to pro-
25 mote energy efficiency.

1 “(2) SPECIAL RULES FOR PRIVATE ACTIVITY
2 BONDS.—For purposes of this section, in the case of
3 any private activity bond, the term ‘qualified con-
4 servation purposes’ shall not include any expenditure
5 which is not a capital expenditure.

6 “(g) POPULATION.—

7 “(1) IN GENERAL.—The population of any
8 State or local government shall be determined for
9 purposes of this section as provided in section 146(j)
10 for the calendar year which includes the date of the
11 enactment of this section.

12 “(2) SPECIAL RULE FOR COUNTIES.—In deter-
13 mining the population of any county for purposes of
14 this section, any population of such county which is
15 taken into account in determining the population of
16 any municipality which is a large local government
17 shall not be taken into account in determining the
18 population of such county.

19 “(h) APPLICATION TO INDIAN TRIBAL GOVERN-
20 MENTS.—An Indian tribal government shall be treated for
21 purposes of this section in the same manner as a large
22 local government, except that—

23 “(1) an Indian tribal government shall be treat-
24 ed for purposes of subsection (e) as located within
25 a State to the extent of so much of the population

1 of such government as resides within such State,
2 and

3 “(2) any bond issued by an Indian tribal gov-
4 ernment shall be treated as a qualified energy con-
5 servation bond only if issued as part of an issue the
6 available project proceeds of which are used for pur-
7 poses for which such Indian tribal government could
8 issue bonds to which section 103(a) applies.”.

9 (b) CONFORMING AMENDMENTS.—

10 (1) Paragraph (1) of section 54A(d), as amend-
11 ed by section 106, is amended to read as follows:

12 “(1) QUALIFIED TAX CREDIT BOND.—The term
13 ‘qualified tax credit bond’ means—

14 “(A) a qualified forestry conservation
15 bond,

16 “(B) a new clean renewable energy bond,
17 or

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

21 (2) Subparagraph (C) of section 54A(d)(2), as
22 amended by section 106, is amended to read as fol-
23 lows:

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

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

7 “(ii) in the case of a new clean renew-
8 able energy bond, a purpose specified in
9 section 54C(a)(1), and

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

13 (3) The table of sections for subpart I of part
14 IV of subchapter A of chapter 1 is amended by add-
15 ing at the end the following new item:

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

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to obligations issued after the date
18 of the enactment of this Act.

19 **SEC. 142. CREDIT FOR NONBUSINESS ENERGY PROPERTY.**

20 (a) EXTENSION OF CREDIT.—Section 25C(g) is
21 amended by striking “December 31, 2007” and inserting
22 “December 31, 2008”.

23 (b) QUALIFIED BIOMASS FUEL PROPERTY.—

24 (1) IN GENERAL.—Section 25C(d)(3) is amend-
25 ed—

1 (A) by striking “and” at the end of sub-
2 paragraph (D),

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

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

7 “(F) a stove which uses the burning of bio-
8 mass fuel to heat a dwelling unit located in the
9 United States and used as a residence by the
10 taxpayer, or to heat water for use in such a
11 dwelling unit, and which has a thermal effi-
12 ciency rating of at least 75 percent.”.

13 (2) BIOMASS FUEL.—Section 25C(d) is amend-
14 ed by adding at the end the following new para-
15 graph:

16 “(6) BIOMASS FUEL.—The term ‘biomass fuel’
17 means any plant-derived fuel available on a renew-
18 able or recurring basis, including agricultural crops
19 and trees, wood and wood waste and residues (in-
20 cluding wood pellets), plants (including aquatic
21 plants), grasses, residues, and fibers.”.

22 (c) COORDINATION WITH CREDIT FOR QUALIFIED
23 GEOTHERMAL HEAT PUMP PROPERTY EXPENDITURES.—

24 (1) IN GENERAL.—Paragraph (3) of section
25 25C(d), as amended by subsection (b), is amended

1 by striking subparagraph (C) and by redesignating
2 subparagraphs (D), (E), and (F) as subparagraphs
3 (C), (D), and (E), respectively.

4 (2) CONFORMING AMENDMENT.—Subparagraph
5 (C) of section 25C(d)(2) is amended to read as fol-
6 lows:

7 “(C) REQUIREMENTS AND STANDARDS
8 FOR AIR CONDITIONERS AND HEAT PUMPS.—
9 The standards and requirements prescribed by
10 the Secretary under subparagraph (B) with re-
11 spect to the energy efficiency ratio (EER) for
12 central air conditioners and electric heat
13 pumps—

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

18 “(ii) may be based on the certified
19 data of the Air Conditioning and Refrig-
20 eration Institute that are prepared in part-
21 nership with the Consortium for Energy
22 Efficiency.”.

23 (d) MODIFICATION OF QUALIFIED ENERGY EFFI-
24 CIENCY IMPROVEMENTS.—

1 (1) IN GENERAL.—Paragraph (1) of section
2 25C(e) is amended by inserting “, or an asphalt roof
3 with appropriate cooling granules,” before “which
4 meet the Energy Star program requirements”.

5 (2) BUILDING ENVELOPE COMPONENT.—Sub-
6 paragraph (D) of section 25C(e)(2) is amended—

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

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

11 (e) EFFECTIVE DATES.—

12 (1) IN GENERAL.—Except as provided in para-
13 graph (2), the amendments made this section shall
14 apply to expenditures made after December 31,
15 2007.

16 (2) MODIFICATION OF QUALIFIED ENERGY EF-
17 FICIENCY IMPROVEMENTS.—The amendments made
18 by subsection (d) shall apply to property placed in
19 service after the date of the enactment of this Act.

20 **SEC. 143. ENERGY EFFICIENT COMMERCIAL BUILDINGS DE-**
21 **DUCTION.**

22 Subsection (h) of section 179D is amended by strik-
23 ing “December 31, 2008” and inserting “December 31,
24 2013”.

1 **SEC. 144. MODIFICATIONS OF ENERGY EFFICIENT APPLI-**
2 **ANCE CREDIT FOR APPLIANCES PRODUCED**
3 **AFTER 2007.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 (b) ELIGIBLE PRODUCTION.—

16 (1) SIMILAR TREATMENT FOR ALL APPLI-
17 ANCES.—Subsection (c) of section 45M is amend-
18 ed—

19 (A) by striking paragraph (2),

20 (B) by striking “(1) IN GENERAL” and all
21 that follows through “the eligible” and inserting
22 “The eligible”,

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

1 (D) by redesignating subparagraphs (A)
2 and (B) as paragraphs (1) and (2), respectively,
3 and by moving such paragraphs 2 ems to the
4 left.

5 (2) MODIFICATION OF BASE PERIOD.—Para-
6 graph (2) of section 45M(c), as amended by para-
7 graph (1), is amended by striking “3-calendar year”
8 and inserting “2-calendar year”.

9 (c) TYPES OF ENERGY EFFICIENT APPLIANCES.—
10 Subsection (d) of section 45M (defining types of energy
11 efficient appliances) is amended to read as follows:

12 “(d) TYPES OF ENERGY EFFICIENT APPLIANCE.—
13 For purposes of this section, the types of energy efficient
14 appliances are—

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

16 “(2) clothes washers described in subsection
17 (b)(2), and

18 “(3) refrigerators described in subsection
19 (b)(3).”.

20 (d) AGGREGATE CREDIT AMOUNT ALLOWED.—

21 (1) INCREASE IN LIMIT.—Paragraph (1) of sec-
22 tion 45M(e) is amended to read as follows:

23 “(1) AGGREGATE CREDIT AMOUNT ALLOWED.—

24 The aggregate amount of credit allowed under sub-
25 section (a) with respect to a taxpayer for any tax-

1 able year shall not exceed \$75,000,000 reduced by
2 the amount of the credit allowed under subsection
3 (a) to the taxpayer (or any predecessor) for all prior
4 taxable years beginning after December 31, 2007.”.

5 (2) EXCEPTION FOR CERTAIN REFRIGERATOR
6 AND CLOTHES WASHERS.—Paragraph (2) of section
7 45M(e) is amended to read as follows:

8 “(2) AMOUNT ALLOWED FOR CERTAIN REFRIG-
9 ERATORS AND CLOTHES WASHERS.—Refrigerators
10 described in subsection (b)(3)(D) and clothes wash-
11 ers described in subsection (b)(2)(D) shall not be
12 taken into account under paragraph (1).”.

13 (e) QUALIFIED ENERGY EFFICIENT APPLIANCES.—

14 (1) IN GENERAL.—Paragraph (1) of section
15 45M(f) (defining qualified energy efficient appliance)
16 is amended to read as follows:

17 “(1) QUALIFIED ENERGY EFFICIENT APPLI-
18 ANCE.—The term ‘qualified energy efficient appli-
19 ance’ means—

20 “(A) any dishwasher described in sub-
21 section (b)(1),

22 “(B) any clothes washer described in sub-
23 section (b)(2), and

24 “(C) any refrigerator described in sub-
25 section (b)(3).”.

1 (2) CLOTHES WASHER.—Section 45M(f)(3) is
2 amended by inserting “commercial” before “residen-
3 tial” the second place it appears.

4 (3) TOP-LOADING CLOTHES WASHER.—Sub-
5 section (f) of section 45M is amended by redesign-
6 ating paragraphs (4), (5), (6), and (7) as para-
7 graphs (5), (6), (7), and (8), respectively, and by in-
8 serting after paragraph (3) the following new para-
9 graph:

10 “(4) TOP-LOADING CLOTHES WASHER.—The
11 term ‘top-loading clothes washer’ means a clothes
12 washer which has the clothes container compartment
13 access located on the top of the machine and which
14 operates on a vertical axis.”.

15 (4) REPLACEMENT OF ENERGY FACTOR.—Sec-
16 tion 45M(f)(6), as redesignated by paragraph (3), is
17 amended to read as follows:

18 “(6) MODIFIED ENERGY FACTOR.—The term
19 ‘modified energy factor’ means the modified energy
20 factor established by the Department of Energy for
21 compliance with the Federal energy conservation
22 standard.”.

23 (5) GALLONS PER CYCLE; WATER CONSUMP-
24 TION FACTOR.—Section 45M(f), as amended by

1 paragraph (3), is amended by adding at the end the
2 following:

3 “(9) GALLONS PER CYCLE.—The term ‘gallons
4 per cycle’ means, with respect to a dishwasher, the
5 amount of water, expressed in gallons, required to
6 complete a normal cycle of a dishwasher.

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

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

15 **SEC. 145. ACCELERATED RECOVERY PERIOD FOR DEPREE-**
16 **CIATION OF SMART METERS AND SMART**
17 **GRID SYSTEMS.**

18 (a) IN GENERAL.—Section 168(e)(3)(D) is amended
19 by striking “and” at the end of clause (i), by striking the
20 period at the end of clause (ii) and inserting a comma,
21 and by inserting after clause (ii) the following new clauses:

22 “(iii) any qualified smart electric
23 meter, and

24 “(iv) any qualified smart electric grid
25 system.”.

1 (b) DEFINITIONS.—Section 168(i) is amended by in-
2 serting at the end the following new paragraph:

3 “(18) QUALIFIED SMART ELECTRIC METERS.—

4 “(A) IN GENERAL.—The term ‘qualified
5 smart electric meter’ means any smart electric
6 meter which is placed in service by a taxpayer
7 who is a supplier of electric energy or a pro-
8 vider of electric energy services.

9 “(B) SMART ELECTRIC METER.—For pur-
10 poses of subparagraph (A), the term ‘smart
11 electric meter’ means any time-based meter and
12 related communication equipment which is ca-
13 pable of being used by the taxpayer as part of
14 a system that—

15 “(i) measures and records electricity
16 usage data on a time-differentiated basis
17 in at least 24 separate time segments per
18 day,

19 “(ii) provides for the exchange of in-
20 formation between supplier or provider and
21 the customer’s electric meter in support of
22 time-based rates or other forms of demand
23 response,

24 “(iii) provides data to such supplier or
25 provider so that the supplier or provider

1 can provide energy usage information to
2 customers electronically, and

3 “(iv) provides net metering.

4 “(19) QUALIFIED SMART ELECTRIC GRID SYS-
5 TEMS.—

6 “(A) IN GENERAL.—The term ‘qualified
7 smart electric grid system’ means any smart
8 grid property used as part of a system for elec-
9 tric distribution grid communications, moni-
10 toring, and management placed in service by a
11 taxpayer who is a supplier of electric energy or
12 a provider of electric energy services.

13 “(B) SMART GRID PROPERTY.—For the
14 purposes of subparagraph (A), the term ‘smart
15 grid property’ means electronics and related
16 equipment that is capable of—

17 “(i) sensing, collecting, and moni-
18 toring data of or from all portions of a
19 utility’s electric distribution grid,

20 “(ii) providing real-time, two-way
21 communications to monitor or manage
22 such grid, and

23 “(iii) providing real time analysis of
24 and event prediction based upon collected
25 data that can be used to improve electric

1 distribution system reliability, quality, and
2 performance.”.

3 (c) CONTINUED APPLICATION OF 150 PERCENT DE-
4 CLINING BALANCE METHOD.—Paragraph (2) of section
5 168(b) is amended by striking “or” at the end of subpara-
6 graph (B), by redesignating subparagraph (C) as subpara-
7 graph (D), and by inserting after subparagraph (B) the
8 following new subparagraph:

9 “(C) any property (other than property de-
10 scribed in paragraph (3)) which is a qualified
11 smart electric meter or qualified smart electric
12 grid system, or”.

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

16 **SEC. 146. QUALIFIED GREEN BUILDING AND SUSTAINABLE**
17 **DESIGN PROJECTS.**

18 (a) IN GENERAL.—Paragraph (8) of section 142(l)
19 is amended by striking “September 30, 2009” and insert-
20 ing “September 30, 2012”.

21 (b) TREATMENT OF CURRENT REFUNDING
22 BONDS.—Paragraph (9) of section 142(l) is amended by
23 striking “October 1, 2009” and inserting “October 1,
24 2012”.

1 (c) ACCOUNTABILITY.—The second sentence of sec-
 2 tion 701(d) of the American Jobs Creation Act of 2004
 3 is amended by striking “issuance,” and inserting
 4 “issuance of the last issue with respect to such project,”.

5 **TITLE II—ONE-YEAR EXTENSION**
 6 **OF TEMPORARY PROVISIONS**
 7 **Subtitle A—Alternative Minimum**
 8 **Tax**

9 **SEC. 201. EXTENSION OF ALTERNATIVE MINIMUM TAX RE-**
 10 **LIEF FOR NONREFUNDABLE PERSONAL**
 11 **CREDITS.**

12 (a) IN GENERAL.—Paragraph (2) of section 26(a)
 13 (relating to special rule for taxable years 2000 through
 14 2007) is amended—

15 (1) by striking “or 2007” and inserting “2007,
 16 or 2008”, and

17 (2) by striking “2007” in the heading thereof
 18 and inserting “2008”.

19 (b) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to taxable years beginning after
 21 December 31, 2007.

22 **SEC. 202. EXTENSION OF INCREASED ALTERNATIVE MIN-**
 23 **IMUM TAX EXEMPTION AMOUNT.**

24 (a) IN GENERAL.—Paragraph (1) of section 55(d)
 25 (relating to exemption amount) is amended—

1 (1) by striking “(\$66,250 in the case of taxable
 2 years beginning in 2007)” in subparagraph (A) and
 3 inserting “(\$69,950 in the case of taxable years be-
 4 ginning in 2008)”, and

5 (2) by striking “(\$44,350 in the case of taxable
 6 years beginning in 2007)” in subparagraph (B) and
 7 inserting “(\$46,200 in the case of taxable years be-
 8 ginning in 2008)”.

9 (b) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to taxable years beginning after
 11 December 31, 2007.

12 **SEC. 203. INCREASE OF AMT REFUNDABLE CREDIT**
 13 **AMOUNT FOR INDIVIDUALS WITH LONG-**
 14 **TERM UNUSED CREDITS FOR PRIOR YEAR**
 15 **MINIMUM TAX LIABILITY, ETC.**

16 (a) IN GENERAL.—Paragraph (2) of section 53(e) is
 17 amended to read as follows:

18 “(2) AMT REFUNDABLE CREDIT AMOUNT.—
 19 For purposes of paragraph (1), the term ‘AMT re-
 20 fundable credit amount’ means, with respect to any
 21 taxable year, the amount (not in excess of the long-
 22 term unused minimum tax credit for such taxable
 23 year) equal to the greater of—

24 “(A) 50 percent of the long-term unused
 25 minimum tax credit for such taxable year, or

1 “(B) the amount (if any) of the AMT re-
2 fundable credit amount for the taxpayer’s pre-
3 ceding taxable year (determined without regard
4 to subsection (f)(2)).”.

5 (b) TREATMENT OF CERTAIN UNDERPAYMENTS, IN-
6 TEREST, AND PENALTIES ATTRIBUTABLE TO THE TREAT-
7 MENT OF INCENTIVE STOCK OPTIONS.—Section 53 is
8 amended by adding at the end the following new sub-
9 section:

10 “(f) TREATMENT OF CERTAIN UNDERPAYMENTS, IN-
11 TEREST, AND PENALTIES ATTRIBUTABLE TO THE TREAT-
12 MENT OF INCENTIVE STOCK OPTIONS.—

13 “(1) ABATEMENT.—Any underpayment of tax
14 outstanding on the date of the enactment of this
15 subsection which is attributable to the application of
16 section 56(b)(3) for any taxable year ending before
17 January 1, 2008 (and any interest or penalty with
18 respect to such underpayment which is outstanding
19 on such date of enactment), is hereby abated. The
20 amount determined under subsection (b)(1) shall not
21 include any tax abated under the preceding sentence.

22 “(2) INCREASE IN CREDIT FOR CERTAIN INTER-
23 EST AND PENALTIES ALREADY PAID.—The AMT re-
24 fundable credit amount, and the minimum tax credit
25 determined under subsection (b), for the taxpayer’s

1 first 2 taxable years beginning after December 31,
2 2007, shall each be increased by 50 percent of the
3 aggregate amount of the interest and penalties
4 which were paid by the taxpayer before the date of
5 the enactment of this subsection and which would
6 (but for such payment) have been abated under
7 paragraph (1).”.

8 (c) EFFECTIVE DATE.—

9 (1) IN GENERAL.—Except as provided in para-
10 graph (2), the amendment made by this section shall
11 apply to taxable years beginning after December 31,
12 2007.

13 (2) ABATEMENT.—Section 53(f)(1) of the In-
14 ternal Revenue Code of 1986, as added by sub-
15 section (b), shall take effect on the date of the en-
16 actment of this Act.

17 **Subtitle B—Extensions Primarily**
18 **Affecting Individuals**

19 **SEC. 211. DEDUCTION FOR STATE AND LOCAL SALES**
20 **TAXES.**

21 (a) IN GENERAL.—Subparagraph (I) of section
22 164(b)(5) is amended by striking “January 1, 2008” and
23 inserting “January 1, 2009”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2007.

4 **SEC. 212. DEDUCTION OF QUALIFIED TUITION AND RE-**
5 **LATED EXPENSES.**

6 (a) IN GENERAL.—Subsection (e) of section 222 is
7 amended by striking “December 31, 2007” and inserting
8 “December 31, 2008”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall apply to taxable years beginning after
11 December 31, 2007.

12 **SEC. 213. TREATMENT OF CERTAIN DIVIDENDS OF REGU-**
13 **LATED INVESTMENT COMPANIES.**

14 (a) INTEREST-RELATED DIVIDENDS.—Subpara-
15 graph (C) of section 871(k)(1) (defining interest-related
16 dividend) is amended by striking “December 31, 2007”
17 and inserting “December 31, 2008”.

18 (b) SHORT-TERM CAPITAL GAIN DIVIDENDS.—Sub-
19 paragraph (C) of section 871(k)(2) (defining short-term
20 capital gain dividend) is amended by striking “December
21 31, 2007” and inserting “December 31, 2008”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to dividends with respect to taxable
24 years of regulated investment companies beginning after
25 December 31, 2007.

1 **SEC. 214. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
2 **TIREMENT PLANS FOR CHARITABLE PUR-**
3 **POSES.**

4 (a) IN GENERAL.—Subparagraph (F) of section
5 408(d)(8) is amended by striking “December 31, 2007”
6 and inserting “December 31, 2008”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to distributions made in taxable
9 years beginning after December 31, 2007.

10 **SEC. 215. DEDUCTION FOR CERTAIN EXPENSES OF ELE-**
11 **MENTARY AND SECONDARY SCHOOL TEACH-**
12 **ERS.**

13 (a) IN GENERAL.—Subparagraph (D) of section
14 62(a)(2) is amended by striking “or 2007” and inserting
15 “2007, or 2008”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 subsection (a) shall apply to taxable years beginning after
18 December 31, 2007.

19 **SEC. 216. STOCK IN RIC FOR PURPOSES OF DETERMINING**
20 **ESTATES OF NONRESIDENTS NOT CITIZENS.**

21 (a) IN GENERAL.—Paragraph (3) of section 2105(d)
22 is amended by striking “December 31, 2007” and insert-
23 ing “December 31, 2008”.

24 (b) EFFECTIVE DATE.—The amendment made by
25 this section shall apply to decedents dying after December
26 31, 2007.

1 **SEC. 217. QUALIFIED INVESTMENT ENTITIES.**

2 (a) IN GENERAL.—Clause (ii) of section
3 897(h)(4)(A) is amended by striking “December 31,
4 2007” and inserting “December 31, 2008”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 subsection (a) shall take effect on January 1, 2008, except
7 that such amendment shall not apply to the application
8 of withholding requirements with respect to any payment
9 made on or before the date of the enactment of this Act.

10 **SEC. 218. EXCLUSION OF AMOUNTS RECEIVED UNDER**
11 **QUALIFIED GROUP LEGAL SERVICES PLANS.**

12 (a) IN GENERAL.—Subsection (e) of section 120 is
13 amended by striking “shall not apply to taxable years be-
14 ginning after June 30, 1992” and inserting “shall apply
15 to taxable years beginning after December 31, 2007, and
16 before January 1, 2009”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2007.

20 **Subtitle C—Extensions Primarily**
21 **Affecting Businesses**

22 **SEC. 221. EXTENSION AND MODIFICATION OF RESEARCH**
23 **CREDIT.**

24 (a) EXTENSION.—Section 41(h) (relating to termi-
25 nation) is amended—

1 (1) by striking “December 31, 2007” and in-
2 serting “December 31, 2008” in paragraph (1)(B),
3 (2) by redesignating paragraph (2) as para-
4 graph (3), and
5 (3) by inserting after paragraph (1) the fol-
6 lowing new paragraph:

7 “(2) TERMINATION OF ALTERNATIVE INCRE-
8 MENTAL CREDIT.—No election under subsection
9 (c)(4) shall apply to amounts paid or incurred after
10 December 31, 2007.”.

11 (b) MODIFICATION OF ALTERNATIVE SIMPLIFIED
12 CREDIT.—Paragraph (5)(A) of section 41(c) (relating to
13 election of alternative simplified credit) is amended to read
14 as follows:

15 “(A) IN GENERAL.—At the election of the
16 taxpayer, the credit determined under sub-
17 section (a)(1) shall be equal to 14 percent of so
18 much of the qualified research expenses for the
19 taxable year as exceeds 50 percent of the aver-
20 age qualified research expenses for the 3 tax-
21 able years preceding the taxable year for which
22 the credit is being determined.”.

23 (c) CONFORMING AMENDMENT.—Subparagraph (D)
24 of section 45C(b)(1) (relating to special rule) is amended

1 by striking “December 31, 2007” and inserting “Decem-
2 ber 31, 2008”.

3 (d) TECHNICAL CORRECTION.—Paragraph (3) of sec-
4 tion 41(h) is amended to read as follows:

5 “(2) COMPUTATION FOR TAXABLE YEAR IN
6 WHICH CREDIT TERMINATES.—In the case of any
7 taxable year with respect to which this section ap-
8 plies to a number of days which is less than the total
9 number of days in such taxable year—

10 “(A) the amount determined under sub-
11 section (c)(1)(B) with respect to such taxable
12 year shall be the amount which bears the same
13 ratio to such amount (determined without re-
14 gard to this paragraph) as the number of days
15 in such taxable year to which this section ap-
16 plies bears to the total number of days in such
17 taxable year, and

18 “(B) for purposes of subsection (c)(5), the
19 average qualified research expenses for the pre-
20 ceding 3 taxable years shall be the amount
21 which bears the same ratio to such average
22 qualified research expenses (determined without
23 regard to this paragraph) as the number of
24 days in such taxable year to which this section

1 applies bears to the total number of days in
2 such taxable year.”.

3 (e) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to amounts paid or incurred after
5 December 31, 2007.

6 **SEC. 222. INDIAN EMPLOYMENT CREDIT.**

7 (a) IN GENERAL.—Subsection (f) of section 45A is
8 amended by striking “December 31, 2007” and inserting
9 “December 31, 2008”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to taxable years beginning after
12 December 31, 2007.

13 **SEC. 223. NEW MARKETS TAX CREDIT.**

14 Subparagraph (D) of section 45D(f)(1) is amended
15 by striking “and 2008” and inserting “2008, and 2009”.

16 **SEC. 224. RAILROAD TRACK MAINTENANCE.**

17 (a) IN GENERAL.—Subsection (f) of section 45G (re-
18 lating to application of section) is amended by striking
19 “January 1, 2008” and inserting “January 1, 2009”.

20 (b) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
21 IMUM TAX.—Subparagraph (B) of section 38(c)(4) (relat-
22 ing to specified credits), as amended by section 103, is
23 amended—

24 (1) by redesignating clauses (iv) and (v) as
25 clauses (v) and (vi), respectively, and

1 (2) by inserting after clause (iii) the following
2 new clause:

3 “(iv) the credit determined under sec-
4 tion 45G.”.

5 (c) EFFECTIVE DATES.—

6 (1) The amendment made by subsection (a)
7 shall apply to expenditures paid or incurred during
8 taxable years beginning after December 31, 2007.

9 (2) The amendments made by subsection (b)
10 shall apply to credits determined under section 45G
11 in taxable years beginning after December 31, 2007,
12 and to carrybacks of such credits.

13 **SEC. 225. EXTENSION OF MINE RESCUE TEAM TRAINING**
14 **CREDIT.**

15 Section 45N(e) (relating to termination) is amended
16 by striking “December 31, 2008” and inserting “Decem-
17 ber 31, 2009”.

18 **SEC. 226. EXTENSION OF 15-YEAR STRAIGHT-LINE COST RE-**
19 **COVERY FOR QUALIFIED LEASEHOLD IM-**
20 **PROVEMENTS AND QUALIFIED RESTAURANT**
21 **IMPROVEMENTS; 15-YEAR STRAIGHT-LINE**
22 **COST RECOVERY FOR CERTAIN IMPROVE-**
23 **MENTS TO RETAIL SPACE.**

24 (a) EXTENSION OF LEASEHOLD AND RESTAURANT
25 IMPROVEMENTS.—

1 (1) IN GENERAL.—Clauses (iv) and (v) of sec-
2 tion 168(e)(3)(E) (relating to 15-year property) are
3 each amended by striking “January 1, 2008” and
4 inserting “January 1, 2009”.

5 (2) EFFECTIVE DATE.—The amendments made
6 by this subsection shall apply to property placed in
7 service after December 31, 2007.

8 (b) TREATMENT TO INCLUDE NEW CONSTRU-
9 TION.—

10 (1) IN GENERAL.—Paragraph (7) of section
11 168(e) (relating to classification of property) is
12 amended to read as follows:

13 “(7) QUALIFIED RESTAURANT PROPERTY.—The
14 term ‘qualified restaurant property’ means any sec-
15 tion 1250 property which is a building or an im-
16 provement to a building if more than 50 percent of
17 the building’s square footage is devoted to prepara-
18 tion of, and seating for on-premises consumption of,
19 prepared meals.”.

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

23 (c) RECOVERY PERIOD FOR DEPRECIATION OF CER-
24 TAIN IMPROVEMENTS TO RETAIL SPACE.—

1 (1) 15-YEAR RECOVERY PERIOD.—Section
2 168(e)(3)(E) (relating to 15-year property) is
3 amended by striking “and” at the end of clause
4 (vii), by striking the period at the end of clause (viii)
5 and inserting “, and”, and by adding at the end the
6 following new clause:

7 “(ix) any qualified retail improvement
8 property placed in service before January
9 1, 2009.”.

10 (2) QUALIFIED RETAIL IMPROVEMENT PROP-
11 erty.—Section 168(e) is amended by adding at the
12 end the following new paragraph:

13 “(8) QUALIFIED RETAIL IMPROVEMENT PROP-
14 erty.—

15 “(A) IN GENERAL.—The term ‘qualified
16 retail improvement property’ means any im-
17 provement to an interior portion of a building
18 which is nonresidential real property if—

19 “(i) such portion is open to the gen-
20 eral public and is used in the retail trade
21 or business of selling tangible personal
22 property to the general public, and

23 “(ii) such improvement is placed in
24 service more than 3 years after the date
25 the building was first placed in service.

1 “(B) IMPROVEMENTS MADE BY OWNER.—
 2 In the case of an improvement made by the
 3 owner of such improvement, such improvement
 4 shall be qualified retail improvement property
 5 (if at all) only so long as such improvement is
 6 held by such owner. Rules similar to the rules
 7 under paragraph (6)(B) shall apply for pur-
 8 poses of the preceding sentence.

9 “(C) CERTAIN IMPROVEMENTS NOT IN-
 10 CLUDED.—Such term shall not include any im-
 11 provement for which the expenditure is attrib-
 12 utable to—

13 “(i) the enlargement of the building,
 14 “(ii) any elevator or escalator,
 15 “(iii) any structural component bene-
 16 fitting a common area, or
 17 “(iv) the internal structural frame-
 18 work of the building.”.

19 (3) REQUIREMENT TO USE STRAIGHT LINE
 20 METHOD.—Section 168(b)(3) is amended by adding
 21 at the end the following new subparagraph:

22 “(I) Qualified retail improvement property
 23 described in subsection (e)(8).”.

24 (4) ALTERNATIVE SYSTEM.—The table con-
 25 tained in section 168(g)(3)(B) is amended by insert-

1 ing after the item relating to subparagraph (E)(viii)
 2 the following new item:
 “(E)(ix) 39”.

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

6 **SEC. 227. SEVEN-YEAR COST RECOVERY PERIOD FOR MO-**
 7 **TOSPORTS RACING TRACK FACILITY.**

8 (a) IN GENERAL.—Subparagraph (D) of section
 9 168(i)(15) is amended by striking “December 31, 2007”
 10 and inserting “December 31, 2008”.

11 (b) EFFECTIVE DATE.—The amendment made by
 12 this section shall apply to property placed in service after
 13 December 31, 2007.

14 **SEC. 228. ACCELERATED DEPRECIATION FOR BUSINESS**
 15 **PROPERTY ON INDIAN RESERVATION.**

16 (a) IN GENERAL.—Paragraph (8) of section 168(j)
 17 is amended by striking “December 31, 2007” and insert-
 18 ing “December 31, 2008”.

19 (b) EFFECTIVE DATE.—The amendment made by
 20 this section shall apply to property placed in service after
 21 December 31, 2007.

1 **SEC. 229. EXTENSION OF ELECTION TO EXPENSE AD-**
2 **VANCED MINE SAFETY EQUIPMENT.**

3 Section 179E(g) (relating to termination) is amended
4 by striking “December 31, 2008” and inserting “Decem-
5 ber 31, 2009”.

6 **SEC. 230. EXPENSING OF ENVIRONMENTAL REMEDIATION**
7 **COSTS.**

8 (a) **IN GENERAL.**—Subsection (h) of section 198 is
9 amended by striking “December 31, 2007” and inserting
10 “December 31, 2008”.

11 (b) **EFFECTIVE DATE.**—The amendment made by
12 this section shall apply to expenditures paid or incurred
13 after December 31, 2007.

14 **SEC. 231. DEDUCTION ALLOWABLE WITH RESPECT TO IN-**
15 **COME ATTRIBUTABLE TO DOMESTIC PRO-**
16 **DUCTION ACTIVITIES IN PUERTO RICO.**

17 (a) **IN GENERAL.**—Subparagraph (C) of section
18 199(d)(8) is amended—

19 (1) by striking “first 2 taxable years” and in-
20 serting “first 3 taxable years”, and

21 (2) by striking “January 1, 2008” and insert-
22 ing “January 1, 2009”.

23 (b) **EFFECTIVE DATE.**—The amendments made by
24 this section shall apply to taxable years beginning after
25 December 31, 2007.

1 **SEC. 232. MODIFICATION OF TAX TREATMENT OF CERTAIN**
 2 **PAYMENTS TO CONTROLLING EXEMPT ORGA-**
 3 **NIZATIONS.**

4 (a) IN GENERAL.—Clause (iv) of section
 5 512(b)(13)(E) is amended by striking “December 31,
 6 2007” and inserting “December 31, 2008”.

7 (b) EFFECTIVE DATE.—The amendment made by
 8 this section shall apply to payments received or accrued
 9 after December 31, 2007.

10 **SEC. 233. QUALIFIED ZONE ACADEMY BONDS.**

11 (a) IN GENERAL.—Subpart I of part IV of sub-
 12 chapter A of chapter 1, as amended by sections 106 and
 13 141, is amended by adding at the end the following new
 14 section:

15 **“SEC. 54E. QUALIFIED ZONE ACADEMY BONDS.**

16 **“(a) QUALIFIED ZONE ACADEMY BONDS.—**For pur-
 17 poses of this subchapter, the term ‘qualified zone academy
 18 bond’ means any bond issued as part of an issue if—

19 “(1) 100 percent of the available project pro-
 20 ceeds of such issue are to be used for a qualified
 21 purpose with respect to a qualified zone academy es-
 22 tablished by an eligible local education agency,

23 “(2) the bond is issued by a State or local gov-
 24 ernment within the jurisdiction of which such acad-
 25 emy is located, and

26 “(3) the issuer—

1 “(A) designates such bond for purposes of
2 this section,

3 “(B) certifies that it has written assur-
4 ances that the private business contribution re-
5 quirement of subsection (b) will be met with re-
6 spect to such academy, and

7 “(C) certifies that it has the written ap-
8 proval of the eligible local education agency for
9 such bond issuance.

10 “(b) PRIVATE BUSINESS CONTRIBUTION REQUIRE-
11 MENT.—For purposes of subsection (a), the private busi-
12 ness contribution requirement of this subsection is met
13 with respect to any issue if the eligible local education
14 agency that established the qualified zone academy has
15 written commitments from private entities to make quali-
16 fied contributions having a present value (as of the date
17 of issuance of the issue) of not less than 10 percent of
18 the proceeds of the issue.

19 “(c) LIMITATION ON AMOUNT OF BONDS DES-
20 IGNATED.—

21 “(1) NATIONAL LIMITATION.—There is a na-
22 tional zone academy bond limitation for each cal-
23 endar year. Such limitation is \$400,000,000 for
24 2008, and, except as provided in paragraph (4), zero
25 thereafter.

1 “(2) ALLOCATION OF LIMITATION.—The na-
2 tional zone academy bond limitation for a calendar
3 year shall be allocated by the Secretary among the
4 States on the basis of their respective populations of
5 individuals below the poverty line (as defined by the
6 Office of Management and Budget). The limitation
7 amount allocated to a State under the preceding
8 sentence shall be allocated by the State education
9 agency to qualified zone academies within such
10 State.

11 “(3) DESIGNATION SUBJECT TO LIMITATION
12 AMOUNT.—The maximum aggregate face amount of
13 bonds issued during any calendar year which may be
14 designated under subsection (a) with respect to any
15 qualified zone academy shall not exceed the limita-
16 tion amount allocated to such academy under para-
17 graph (2) for such calendar year.

18 “(4) CARRYOVER OF UNUSED LIMITATION.—

19 “(A) IN GENERAL.—If for any calendar
20 year—

21 “(i) the limitation amount for any
22 State, exceeds

23 “(ii) the amount of bonds issued dur-
24 ing such year which are designated under

1 subsection (a) with respect to qualified
2 zone academies within such State,
3 the limitation amount for such State for the fol-
4 lowing calendar year shall be increased by the
5 amount of such excess.

6 “(B) LIMITATION ON CARRYOVER.—Any
7 carryforward of a limitation amount may be
8 carried only to the first 2 years following the
9 unused limitation year. For purposes of the pre-
10 ceeding sentence, a limitation amount shall be
11 treated as used on a first-in first-out basis.

12 “(C) COORDINATION WITH SECTION
13 1397E.—Any carryover determined under sec-
14 tion 1397E(e)(4) (relating to carryover of un-
15 used limitation) with respect to any State to
16 calendar year 2008 shall be treated for pur-
17 poses of this section as a carryover with respect
18 to such State for such calendar year under sub-
19 paragraph (A), and the limitation of subpara-
20 graph (B) shall apply to such carryover taking
21 into account the calendar years to which such
22 carryover relates.

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

24 “(1) QUALIFIED ZONE ACADEMY.—The term
25 ‘qualified zone academy’ means any public school (or

1 academic program within a public school) which is
2 established by and operated under the supervision of
3 an eligible local education agency to provide edu-
4 cation or training below the postsecondary level if—

5 “(A) such public school or program (as the
6 case may be) is designed in cooperation with
7 business to enhance the academic curriculum,
8 increase graduation and employment rates, and
9 better prepare students for the rigors of college
10 and the increasingly complex workforce,

11 “(B) students in such public school or pro-
12 gram (as the case may be) will be subject to the
13 same academic standards and assessments as
14 other students educated by the eligible local
15 education agency,

16 “(C) the comprehensive education plan of
17 such public school or program is approved by
18 the eligible local education agency, and

19 “(D)(i) such public school is located in an
20 empowerment zone or enterprise community
21 (including any such zone or community des-
22 ignated after the date of the enactment of this
23 section), or

24 “(ii) there is a reasonable expectation (as
25 of the date of issuance of the bonds) that at

1 least 35 percent of the students attending such
2 school or participating in such program (as the
3 case may be) will be eligible for free or reduced-
4 cost lunches under the school lunch program es-
5 tablished under the National School Lunch Act.

6 “(2) ELIGIBLE LOCAL EDUCATION AGENCY.—
7 For purposes of this section, the term ‘eligible local
8 education agency’ means any local educational agen-
9 cy as defined in section 9101 of the Elementary and
10 Secondary Education Act of 1965.

11 “(3) QUALIFIED PURPOSE.—The term ‘quali-
12 fied purpose’ means, with respect to any qualified
13 zone academy—

14 “(A) rehabilitating or repairing the public
15 school facility in which the academy is estab-
16 lished,

17 “(B) providing equipment for use at such
18 academy,

19 “(C) developing course materials for edu-
20 cation to be provided at such academy, and

21 “(D) training teachers and other school
22 personnel in such academy.

23 “(4) QUALIFIED CONTRIBUTIONS.—The term
24 ‘qualified contribution’ means any contribution (of a

1 type and quality acceptable to the eligible local edu-
2 cation agency) of—

3 “(A) equipment for use in the qualified
4 zone academy (including state-of-the-art tech-
5 nology and vocational equipment),

6 “(B) technical assistance in developing
7 curriculum or in training teachers in order to
8 promote appropriate market driven technology
9 in the classroom,

10 “(C) services of employees as volunteer
11 mentors,

12 “(D) internships, field trips, or other edu-
13 cational opportunities outside the academy for
14 students, or

15 “(E) any other property or service speci-
16 fied by the eligible local education agency.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Paragraph (1) of section 54A(d), as amend-
19 ed by sections 106 and 141, is amended by striking
20 “or” at the end of subparagraph (B), by inserting
21 “or” at the end of subparagraph (C), and by insert-
22 ing after subparagraph (C) the following new sub-
23 paragraph:

24 “(D) a qualified zone academy bond,”.

1 (2) Subparagraph (C) of section 54A(d)(2), as
2 amended by sections 106 and 141, is amended by
3 striking “and” at the end of clause (ii), by striking
4 the period at the end of clause (iii) and inserting “,
5 and”, and by adding at the end the following new
6 clause:

7 “(iv) in the case of a qualified zone
8 academy bond, a purpose specified in sec-
9 tion 54E(a)(1).”.

10 (3) Section 1397E is amended by adding at the
11 end the following new subsection:

12 “(m) TERMINATION.—This section shall not apply to
13 any obligation issued after the date of the enactment of
14 this Act.”.

15 (4) The table of sections for subpart I of part
16 IV of subchapter A of chapter 1 is amended by add-
17 ing at the end the following new item:

“Sec. 54E. Qualified zone academy bonds.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to obligations issued after the date
20 of the enactment of this Act.

21 **SEC. 234. TAX INCENTIVES FOR INVESTMENT IN THE DIS-**
22 **TRICT OF COLUMBIA.**

23 (a) DESIGNATION OF ZONE.—

1 (1) IN GENERAL.—Subsection (f) of section
2 1400 is amended by striking “2007” both places it
3 appears and inserting “2008”.

4 (2) EFFECTIVE DATE.—The amendments made
5 by this subsection shall apply to periods beginning
6 after December 31, 2007.

7 (b) TAX-EXEMPT ECONOMIC DEVELOPMENT
8 BONDS.—

9 (1) IN GENERAL.—Subsection (b) of section
10 1400A is amended by striking “2007” and inserting
11 “2008”.

12 (2) EFFECTIVE DATE.—The amendment made
13 by this subsection shall apply to bonds issued after
14 December 31, 2007.

15 (c) ZERO PERCENT CAPITAL GAINS RATE.—

16 (1) IN GENERAL.—Subsection (b) of section
17 1400B is amended by striking “2008” each place it
18 appears and inserting “2009”.

19 (2) CONFORMING AMENDMENTS.—

20 (A) Section 1400B(e)(2) is amended—

21 (i) by striking “2012” and inserting
22 “2013”, and

23 (ii) by striking “2012” in the heading
24 thereof and inserting “2013”.

1 (B) Section 1400B(g)(2) is amended by
2 striking “2012” and inserting “2013”.

3 (C) Section 1400F(d) is amended by strik-
4 ing “2012” and inserting “2013”.

5 (3) EFFECTIVE DATES.—

6 (A) EXTENSION.—The amendments made
7 by paragraph (1) shall apply to acquisitions
8 after December 31, 2007.

9 (B) CONFORMING AMENDMENTS.—The
10 amendments made by paragraph (2) shall take
11 effect on the date of the enactment of this Act.

12 (d) FIRST-TIME HOMEBUYER CREDIT.—

13 (1) IN GENERAL.—Subsection (i) of section
14 1400C is amended by striking “2008” and inserting
15 “2009”.

16 (2) EFFECTIVE DATE.—The amendment made
17 by this subsection shall apply to property purchased
18 after December 31, 2007.

19 **SEC. 235. ECONOMIC DEVELOPMENT CREDIT FOR AMER-**
20 **ICAN SAMOA.**

21 (a) IN GENERAL.—Subsection (d) of section 119 of
22 division A of the Tax Relief and Health Care Act of 2006
23 is amended—

24 (1) by striking “first two taxable years” and in-
25 serting “first 3 taxable years”, and

1 (2) by striking “January 1, 2008” and insert-
2 ing “January 1, 2009”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to taxable years beginning after
5 December 31, 2007.

6 **SEC. 236. ENHANCED CHARITABLE DEDUCTION FOR CON-**
7 **TRIBUTIONS OF FOOD INVENTORY.**

8 (a) IN GENERAL.—Clause (iv) of section
9 170(e)(3)(C) is amended by striking “December 31,
10 2007” and inserting “December 31, 2008”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to contributions made after De-
13 cember 31, 2007.

14 **SEC. 237. ENHANCED CHARITABLE DEDUCTION FOR CON-**
15 **TRIBUTIONS OF BOOK INVENTORY TO PUB-**
16 **LIC SCHOOLS.**

17 (a) IN GENERAL.—Clause (iv) of section
18 170(e)(3)(D) is amended by striking “December 31,
19 2007” and inserting “December 31, 2008”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 this section shall apply to contributions made after De-
22 cember 31, 2007.

1 **SEC. 238. ENHANCED DEDUCTION FOR QUALIFIED COM-**
2 **PUTER CONTRIBUTIONS.**

3 (a) IN GENERAL.—Subparagraph (G) of section
4 170(e)(6) is amended by striking “December 31, 2007”
5 and inserting “December 31, 2008”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to contributions made during tax-
8 able years beginning after December 31, 2007.

9 **SEC. 239. BASIS ADJUSTMENT TO STOCK OF S CORPORA-**
10 **TIONS MAKING CHARITABLE CONTRIBU-**
11 **TIONS OF PROPERTY.**

12 (a) IN GENERAL.—The last sentence of section
13 1367(a)(2) is amended by striking “December 31, 2007”
14 and inserting “December 31, 2008”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 this section shall apply to contributions made in taxable
17 years beginning after December 31, 2007.

18 **SEC. 240. WORK OPPORTUNITY TAX CREDIT FOR HURRI-**
19 **CANE KATRINA EMPLOYEES.**

20 (a) IN GENERAL.—Paragraph (1) of section 201(b)
21 of the Katrina Emergency Tax Relief Act of 2005 is
22 amended by striking “2-year” and inserting “3-year”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 subsection (a) shall apply to individuals hired after August
25 27, 2007.

1 **SEC. 241. SUBPART F EXCEPTION FOR ACTIVE FINANCING**
2 **INCOME.**

3 (a) EXEMPT INSURANCE INCOME.—Paragraph (10)
4 of section 953(e) (relating to application) is amended—

5 (1) by striking “January 1, 2009” and insert-
6 ing “January 1, 2010”, and

7 (2) by striking “December 31, 2008” and in-
8 serting “December 31, 2009”.

9 (b) EXCEPTION TO TREATMENT AS FOREIGN PER-
10 SONAL HOLDING COMPANY INCOME.—Paragraph (9) of
11 section 954(h) (relating to application) is amended by
12 striking “January 1, 2009” and inserting “January 1,
13 2010”.

14 **SEC. 242. LOOK-THRU RULE FOR RELATED CONTROLLED**
15 **FOREIGN CORPORATIONS.**

16 (a) IN GENERAL.—Subparagraph (C) of section
17 954(e)(6) (relating to application) is amended by striking
18 “January 1, 2009” and inserting “January 1, 2010”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to taxable years of foreign corpora-
21 tions beginning after December 31, 2008, and to taxable
22 years of United States shareholders with or within which
23 such taxable years of foreign corporations end.

1 **SEC. 243. EXPENSING FOR CERTAIN QUALIFIED FILM AND**
2 **TELEVISION PRODUCTIONS.**

3 (a) IN GENERAL.—Subsection (f) of section 181 is
4 amended by striking “December 31, 2008” and inserting
5 “December 31, 2009”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to productions commencing after
8 December 31, 2008.

9 **SEC. 244. EXTENSION AND MODIFICATION OF DUTY SUS-**
10 **PENSION ON WOOL PRODUCTS; WOOL RE-**
11 **SEARCH FUND; WOOL DUTY REFUNDS.**

12 (a) EXTENSION OF TEMPORARY DUTY REDUC-
13 TIONS.—Each of the following headings of the Har-
14 monized Tariff Schedule of the United States is amended
15 by striking the date in the effective period column and
16 inserting “12/31/2014”:

17 (1) Heading 9902.51.11 (relating to fabrics of
18 worsted wool).

19 (2) Heading 9902.51.13 (relating to yarn of
20 combed wool).

21 (3) Heading 9902.51.14 (relating to wool fiber,
22 waste, garnetted stock, combed wool, or wool top).

23 (4) Heading 9902.51.15 (relating to fabrics of
24 combed wool).

25 (5) Heading 9902.51.16 (relating to fabrics of
26 combed wool).

1 (b) EXTENSION OF DUTY REFUNDS AND WOOL RE-
2 SEARCH TRUST FUND.—

3 (1) IN GENERAL.—Section 4002(c) of the Wool
4 Suit and Textile Trade Extension Act of 2004 (Pub-
5 lic Law 108–429; 118 Stat. 2603) is amended—

6 (A) in paragraph (3)(C), by striking
7 “2010” and inserting “2015”; and

8 (B) in paragraph (6)(A), by striking
9 “through 2009” and inserting “through 2014”.

10 (2) SUNSET.—Section 506(f) of the Trade and
11 Development Act of 2000 (Public 106–200; 114
12 Stat. 303 (7 U.S.C. 7101 note)) is amended by
13 striking “2010” and inserting “2015”.

14 **Subtitle D—Other Extensions**

15 **SEC. 251. AUTHORITY TO DISCLOSE INFORMATION RE-** 16 **LATED TO TERRORIST ACTIVITIES MADE** 17 **PERMANENT.**

18 (a) IN GENERAL.—Subparagraph (C) of section
19 6103(i)(3) is amended by striking clause (iv).

20 (b) DISCLOSURE ON REQUEST.—Paragraph (7) of
21 section 6103(i) is amended by striking subparagraph (E).

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to disclosures after the date of the
24 enactment of this Act.

1 **SEC. 252. AUTHORITY FOR UNDERCOVER OPERATIONS**
 2 **MADE PERMANENT.**

3 (a) IN GENERAL.—Subsection (c) of section 7608 is
 4 amended by striking paragraph (6).

5 (b) EFFECTIVE DATE.—The amendment made by
 6 this section shall take effect on January 1, 2008.

7 **SEC. 253. INCREASE IN LIMIT ON COVER OVER OF RUM EX-**
 8 **CISE TAX TO PUERTO RICO AND THE VIRGIN**
 9 **ISLANDS.**

10 (a) IN GENERAL.—Paragraph (1) of section 7652(f)
 11 is amended by striking “January 1, 2008” and inserting
 12 “January 1, 2009”.

13 (b) EFFECTIVE DATE.—The amendment made by
 14 this section shall apply to distilled spirits brought into the
 15 United States after December 31, 2007.

16 **TITLE III—ADDITIONAL RELIEF**
 17 **Subtitle A—Individual Tax Relief**

18 **SEC. 301. ADDITIONAL STANDARD DEDUCTION FOR REAL**
 19 **PROPERTY TAXES FOR NONITEMIZERS.**

20 (a) IN GENERAL.—Section 63(c)(1) (defining stand-
 21 ard deduction) is amended by striking “and” at the end
 22 of subparagraph (A), by striking the period at the end
 23 of subparagraph (B) and inserting “, and”, and by adding
 24 at the end the following new subparagraph:

25 “(C) in the case of any taxable year begin-
 26 ning in 2008, the real property tax deduction.”.

1 (b) DEFINITION.—Section 63(c) is amended by add-
 2 ing at the end the following new paragraph:

3 “(7) REAL PROPERTY TAX DEDUCTION.—For
 4 purposes of paragraph (1), the real property tax de-
 5 duction is the lesser of—

6 “(A) the amount allowable as a deduction
 7 under this chapter for State and local taxes de-
 8 scribed in section 164(a)(1), or

9 “(B) \$350 (\$700 in the case of a joint re-
 10 turn).

11 Any taxes taken into account under section 62(a)
 12 shall not be taken into account under this para-
 13 graph.”.

14 (c) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to taxable years beginning after
 16 December 31, 2007.

17 **SEC. 302. \$10,000 INCOME THRESHOLD USED TO CAL-**
 18 **CULATE REFUNDABLE PORTION OF CHILD**
 19 **TAX CREDIT.**

20 (a) IN GENERAL.—Section 24(d) (relating to portion
 21 of credit refundable) is amended by adding at the end the
 22 following new paragraph:

23 “(4) SPECIAL RULE FOR 2008.—Notwith-
 24 standing paragraph (3), in the case of any taxable
 25 year beginning in 2008, the dollar amount in effect

1 for such taxable year under paragraph (1)(B)(i)
2 shall be \$10,000.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to taxable years beginning after
5 December 31, 2007.

6 **SEC. 303. INCOME AVERAGING FOR AMOUNTS RECEIVED IN**
7 **CONNECTION WITH THE EXXON VALDEZ LITI-**
8 **GATION.**

9 (a) INCOME AVERAGING OF AMOUNTS RECEIVED
10 FROM THE EXXON VALDEZ LITIGATION.—For purposes
11 of section 1301 of the Internal Revenue Code of 1986—

12 (1) any qualified taxpayer who receives any
13 qualified settlement income in any taxable year shall
14 be treated as engaged in a fishing business (deter-
15 mined without regard to the commercial nature of
16 the business), and

17 (2) such qualified settlement income shall be
18 treated as income attributable to such a fishing busi-
19 ness for such taxable year.

20 (b) CONTRIBUTIONS OF AMOUNTS RECEIVED TO RE-
21 TIREMENT ACCOUNTS.—

22 (1) IN GENERAL.—Any qualified taxpayer who
23 receives qualified settlement income during the tax-
24 able year may, at any time before the end of the tax-
25 able year in which such income was received, make

1 one or more contributions to an eligible retirement
2 plan of which such qualified taxpayer is a bene-
3 ficiary in an aggregate amount not to exceed the
4 lesser of—

5 (A) \$100,000 (reduced by the amount of
6 qualified settlement income contributed to an
7 eligible retirement plan in prior taxable years
8 pursuant to this subsection), or

9 (B) the amount of qualified settlement in-
10 come received by the individual during the tax-
11 able year.

12 (2) TIME WHEN CONTRIBUTIONS DEEMED
13 MADE.—For purposes of paragraph (1), a qualified
14 taxpayer shall be deemed to have made a contribu-
15 tion to an eligible retirement plan on the last day of
16 the taxable year in which such income is received if
17 the contribution is made on account of such taxable
18 year and is made not later than the time prescribed
19 by law for filing the return for such taxable year
20 (not including extensions thereof).

21 (3) TREATMENT OF CONTRIBUTIONS TO ELIGI-
22 BLE RETIREMENT PLANS.—For purposes of the In-
23 ternal Revenue Code of 1986, if a contribution is
24 made pursuant to paragraph (1) with respect to
25 qualified settlement income, then—

1 (A) except as provided in paragraph (4)—

2 (i) to the extent of such contribution,
3 the qualified settlement income shall not
4 be included in taxable income, and

5 (ii) for purposes of section 72 of such
6 Code, such contribution shall not be con-
7 sidered to be investment in the contract,

8 (B) the qualified taxpayer shall, to the ex-
9 tent of the amount of the contribution, be treat-
10 ed—

11 (i) as having received the qualified
12 settlement income—

13 (I) in the case of a contribution
14 to an individual retirement plan (as
15 defined under section 7701(a)(37) of
16 such Code), in a distribution described
17 in section 408(d)(3) of such Code,
18 and

19 (II) in the case of any other eligi-
20 ble retirement plan, in an eligible roll-
21 over distribution (as defined under
22 section 402(f)(2) of such Code), and

23 (ii) as having transferred the amount
24 to the eligible retirement plan in a direct

1 trustee to trustee transfer within 60 days
2 of the distribution,

3 (C) section 408(d)(3)(B) of the Internal
4 Revenue Code of 1986 shall not apply with re-
5 spect to amounts treated as a rollover under
6 this paragraph, and

7 (D) section 408A(c)(3)(B) of the Internal
8 Revenue Code of 1986 shall not apply with re-
9 spect to amounts contributed to a Roth IRA (as
10 defined under section 408A(b) of such Code) or
11 a designated Roth contribution to an applicable
12 retirement plan (within the meaning of section
13 402A of such Code) under this paragraph.

14 (4) SPECIAL RULE FOR ROTH IRAS AND ROTH
15 401(k)s.—For purposes of the Internal Revenue
16 Code of 1986, if a contribution is made pursuant to
17 paragraph (1) with respect to qualified settlement
18 income to a Roth IRA (as defined under section
19 408A(b) of such Code) or as a designated Roth con-
20 tribution to an applicable retirement plan (within
21 the meaning of section 402A of such Code), then—

22 (A) the qualified settlement income shall
23 be includible in taxable income, and

1 (B) for purposes of section 72 of such
2 Code, such contribution shall be considered to
3 be investment in the contract.

4 (5) ELIGIBLE RETIREMENT PLAN.—For pur-
5 pose of this subsection, the term “eligible retirement
6 plan” has the meaning given such term under sec-
7 tion 402(c)(8)(B) of the Internal Revenue Code of
8 1986.

9 (c) TREATMENT OF QUALIFIED SETTLEMENT IN-
10 COME UNDER EMPLOYMENT TAXES.—

11 (1) SECA.—For purposes of chapter 2 of the
12 Internal Revenue Code of 1986 and section 211 of
13 the Social Security Act, no portion of qualified set-
14 tlement income received by a qualified taxpayer shall
15 be treated as self-employment income.

16 (2) FICA.—For purposes of chapter 21 of the
17 Internal Revenue Code of 1986 and section 209 of
18 the Social Security Act, no portion of qualified set-
19 tlement income received by a qualified taxpayer shall
20 be treated as wages.

21 (d) QUALIFIED TAXPAYER.—For purposes of this
22 section, the term “qualified taxpayer” means—

23 (1) any individual who is a plaintiff in the civil
24 action In re Exxon Valdez, No. 89–095–CV (HRH)
25 (Consolidated) (D. Alaska); or

1 (2) any individual who is a beneficiary of the
2 estate of such a plaintiff who—

3 (A) acquired the right to receive qualified
4 settlement income from that plaintiff; and

5 (B) was the spouse or an immediate rel-
6 ative of that plaintiff.

7 (e) **QUALIFIED SETTLEMENT INCOME.**—For pur-
8 poses of this section, the term “qualified settlement in-
9 come” means any interest and punitive damage awards
10 which are—

11 (1) otherwise includible in taxable income, and

12 (2) received (whether as lump sums or periodic
13 payments) in connection with the civil action In re
14 Exxon Valdez, No. 89–095–CV (HRH) (Consoli-
15 dated) (D. Alaska) (whether pre- or post-judgment
16 and whether related to a settlement or judgment).

17 **Subtitle B—Business Related**
18 **Provisions**

19 **SEC. 311. UNIFORM TREATMENT OF ATTORNEY-ADVANCED**
20 **EXPENSES AND COURT COSTS IN CONTIN-**
21 **GENY FEE CASES.**

22 (a) **IN GENERAL.**—Section 162 is amended by redese-
23 ignating subsection (q) as subsection (r) and by inserting
24 after subsection (p) the following new subsection:

1 “(q) ATTORNEY-ADVANCED EXPENSES AND COURT
2 COSTS IN CONTINGENCY FEE CASES.—In the case of any
3 expense or court cost which is paid or incurred in the
4 course of the trade or business of practicing law and the
5 repayment of which is contingent on a recovery by judg-
6 ment or settlement in the action to which such expense
7 or cost relates, the deduction under subsection (a) shall
8 be determined as if such expense or cost was not subject
9 to repayment.”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to expenses and costs paid or in-
12 curred in taxable years beginning after December 31,
13 2008.

14 **SEC. 312. PROVISIONS RELATED TO FILM AND TELEVISION**
15 **PRODUCTIONS.**

16 (a) MODIFICATION OF LIMITATION ON EXPENS-
17 ING.—Subparagraph (A) of section 181(a)(2) is amended
18 to read as follows:

19 “(A) IN GENERAL.—Paragraph (1) shall
20 not apply to so much of the aggregate cost of
21 any qualified film or television production as ex-
22 ceeds \$15,000,000.”.

23 (b) MODIFICATIONS TO DEDUCTION FOR DOMESTIC
24 ACTIVITIES.—

1 (1) DETERMINATION OF W-2 WAGES.—Para-
2 graph (2) of section 199(b) is amended by adding at
3 the end the following new subparagraph:

4 “(D) SPECIAL RULE FOR QUALIFIED
5 FILM.—In the case of a qualified film, such
6 term shall include compensation for services
7 performed in the United States by actors, pro-
8 duction personnel, directors, and producers.”.

9 (2) DEFINITION OF QUALIFIED FILM.—Para-
10 graph (6) of section 199(e) is amended by adding at
11 the end the following: “A qualified film shall include
12 any copyrights, trademarks, or other intangibles
13 with respect to such film. The methods and means
14 of distributing a qualified film shall not affect the
15 availability of the deduction under this section.”.

16 (3) PARTNERSHIPS.—Subparagraph (A) of sec-
17 tion 199(d)(1) is amended by striking “and” at the
18 end of clause (ii), by striking the period at the end
19 of clause (iii) and inserting “, and”, and by adding
20 at the end the following new clause:

21 “(iv) in the case of each partner of a
22 partnership, or shareholder of an S cor-
23 poration, who owns (directly or indirectly)
24 at least 20 percent of the capital interests

1 in such partnership or of the stock of such
2 S corporation—

3 “(I) such partner or shareholder
4 shall be treated as having engaged di-
5 rectly in any film produced by such
6 partnership or S corporation, and

7 “(II) such partnership or S cor-
8 poration shall be treated as having en-
9 gaged directly in any film produced by
10 such partner or shareholder.”.

11 (c) EFFECTIVE DATE.—

12 (1) IN GENERAL.—Except as otherwise pro-
13 vided in this subsection, the amendments made by
14 this section shall apply to taxable years beginning
15 after December 31, 2007.

16 (2) EXPENSING.—The amendments made by
17 subsection (a) shall apply to qualified film and tele-
18 vision productions commencing after December 31,
19 2007.

20 **SEC. 313. MODIFICATION OF RATE OF EXCISE TAX ON CER-**
21 **TAIN WOODEN ARROWS DESIGNED FOR USE**
22 **BY CHILDREN.**

23 (a) IN GENERAL.—Paragraph (2) of section 4161(b)
24 (relating to arrows) is amended by redesignating subpara-

1 graph (B) as subparagraph (C) and by inserting after sub-
2 paragraph (A) the following new subparagraph:

3 “(B) EXEMPTION FOR CERTAIN WOODEN
4 ARROW SHAFTS.—Subparagraph (A) shall not
5 apply to any shaft consisting of all natural
6 wood with no laminations or artificial means of
7 enhancing the spine of such shaft (whether sold
8 separately or incorporated as part of a finished
9 or unfinished product) of a type used in the
10 manufacture of any arrow which after its as-
11 sembly—

12 “(i) measures $\frac{5}{16}$ of an inch or less in
13 diameter, and

14 “(ii) is not suitable for use with a bow
15 described in paragraph (1)(A).”.

16 (b) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to shafts first sold after the date
18 of enactment of this Act.

1 **Subtitle C—Modification of Penalty**
 2 **on Understatement of Tax-**
 3 **payer’s Liability by Tax Return**
 4 **Preparer**

5 **SEC. 321. MODIFICATION OF PENALTY ON UNDERSTATE-**
 6 **MENT OF TAXPAYER’S LIABILITY BY TAX RE-**
 7 **TURN PREPARER.**

8 (a) IN GENERAL.—Subsection (a) of section 6694
 9 (relating to understatement due to unreasonable positions)
 10 is amended to read as follows:

11 “(a) UNDERSTATEMENT DUE TO UNREASONABLE
 12 POSITIONS.—

13 “(1) IN GENERAL.—If a tax return preparer—

14 “(A) prepares any return or claim of re-
 15 fund with respect to which any part of an un-
 16 derstatement of liability is due to a position de-
 17 scribed in paragraph (2), and

18 “(B) knew (or reasonably should have
 19 known) of the position,

20 such tax return preparer shall pay a penalty with re-
 21 spect to each such return or claim in an amount
 22 equal to the greater of \$1,000 or 50 percent of the
 23 income derived (or to be derived) by the tax return
 24 preparer with respect to the return or claim.

25 “(2) UNREASONABLE POSITION.—

1 “(A) IN GENERAL.—Except as otherwise
2 provided in this paragraph, a position is de-
3 scribed in this paragraph unless there is or was
4 substantial authority for the position.

5 “(B) DISCLOSED POSITIONS.—If the posi-
6 tion was disclosed as provided in section
7 6662(d)(2)(B)(ii)(I) and is not a position to
8 which subparagraph (C) applies, the position is
9 described in this paragraph unless there is a
10 reasonable basis for the position.

11 “(C) TAX SHELTERS AND REPORTABLE
12 TRANSACTIONS.—If the position is with respect
13 to a tax shelter (as defined in section
14 6662(d)(2)(C)(ii)) or a reportable transaction
15 to which section 6662A applies, the position is
16 described in this paragraph unless it is reason-
17 able to believe that the position would more
18 likely than not be sustained on its merits.

19 “(3) REASONABLE CAUSE EXCEPTION.—No
20 penalty shall be imposed under this subsection if it
21 is shown that there is reasonable cause for the un-
22 derstatement and the tax return preparer acted in
23 good faith.”.

24 (b) EFFECTIVE DATE.—The amendment made by
25 this section shall apply—

1 (1) in the case of a position other than a posi-
2 tion described in subparagraph (C) of section
3 6694(a)(2) of the Internal Revenue Code of 1986
4 (as amended by this section), to returns prepared
5 after May 25, 2007, and

6 (2) in the case of a position described in such
7 subparagraph (C), to returns prepared for taxable
8 years ending after the date of the enactment of this
9 Act.

10 **Subtitle D—Extension and Expans-**
11 **ion of Certain GO Zone Incen-**
12 **tives**

13 **SEC. 331. CERTAIN GO ZONE INCENTIVES.**

14 (a) USE OF AMENDED INCOME TAX RETURNS TO
15 TAKE INTO ACCOUNT RECEIPT OF CERTAIN HURRICANE-
16 RELATED CASUALTY LOSS GRANTS BY DISALLOWING
17 PREVIOUSLY TAKEN CASUALTY LOSS DEDUCTIONS.—

18 (1) IN GENERAL.—Notwithstanding any other
19 provision of the Internal Revenue Code of 1986, if
20 a taxpayer claims a deduction for any taxable year
21 with respect to a casualty loss to a principal resi-
22 dence (within the meaning of section 121 of such
23 Code) resulting from Hurricane Katrina, Hurricane
24 Rita, or Hurricane Wilma and in a subsequent tax-
25 able year receives a grant under Public Law 109–

1 148, 109–234, or 110–116 as reimbursement for
2 such loss, such taxpayer may elect to file an amend-
3 ed income tax return for the taxable year in which
4 such deduction was allowed (and for any taxable
5 year to which such deduction is carried) and reduce
6 (but not below zero) the amount of such deduction
7 by the amount of such reimbursement.

8 (2) TIME OF FILING AMENDED RETURN.—

9 Paragraph (1) shall apply with respect to any grant
10 only if any amended income tax returns with respect
11 to such grant are filed not later than the later of—

12 (A) the due date for filing the tax return

13 for the taxable year in which the taxpayer re-
14 ceives such grant, or

15 (B) the date which is 1 year after the date

16 of the enactment of this Act.

17 (3) WAIVER OF PENALTIES AND INTEREST.—

18 Any underpayment of tax resulting from the reduc-
19 tion under paragraph (1) of the amount otherwise
20 allowable as a deduction shall not be subject to any
21 penalty or interest under such Code if such tax is
22 paid not later than 1 year after the filing of the
23 amended return to which such reduction relates.

1 (b) WAIVER OF DEADLINE ON CONSTRUCTION OF
2 GO ZONE PROPERTY ELIGIBLE FOR BONUS DEPRECIATION.—
3 TION.—

4 (1) IN GENERAL.—Subparagraph (B) of section
5 1400N(d)(3) is amended to read as follows:

6 “(B) without regard to ‘and before Janu-
7 ary 1, 2009’ in clause (i) thereof, and”.

8 (2) EFFECTIVE DATE.—The amendment made
9 by this subsection shall apply to property placed in
10 service after December 31, 2007.

11 (c) INCLUSION OF CERTAIN COUNTIES IN GULF OP-
12 PORTUNITY ZONE FOR PURPOSES OF TAX-EXEMPT BOND
13 FINANCING.—

14 (1) IN GENERAL.—Subsection (a) of section
15 1400N is amended by adding at the end the fol-
16 lowing new paragraph:

17 “(8) INCLUSION OF CERTAIN COUNTIES.—For
18 purposes of this subsection, the Gulf Opportunity
19 Zone includes Colbert County, Alabama and Dallas
20 County, Alabama.”.

21 (2) EFFECTIVE DATE.—The amendment made
22 by this subsection shall take effect as if included in
23 the provisions of the Gulf Opportunity Zone Act of
24 2005 to which it relates.

1 **Subtitle E—Other Provisions**

2 **SEC. 341. SECURE RURAL SCHOOLS AND COMMUNITY SELF-**
3 **DETERMINATION PROGRAM.**

4 (a) REAUTHORIZATION OF THE SECURE RURAL
5 SCHOOLS AND COMMUNITY SELF-DETERMINATION ACT
6 OF 2000.—The Secure Rural Schools and Community
7 Self-Determination Act of 2000 (16 U.S.C. 500 note; Pub-
8 lic Law 106–393) is amended by striking sections 1
9 through 403 and inserting the following:

10 **“SECTION 1. SHORT TITLE.**

11 “This Act may be cited as the ‘Secure Rural Schools
12 and Community Self-Determination Act of 2000’.

13 **“SEC. 2. PURPOSES.**

14 “The purposes of this Act are—

15 “(1) to stabilize and transition payments to
16 counties to provide funding for schools and roads
17 that supplements other available funds;

18 “(2) to make additional investments in, and
19 create additional employment opportunities through,
20 projects that—

21 “(A)(i) improve the maintenance of exist-
22 ing infrastructure;

23 “(ii) implement stewardship objectives that
24 enhance forest ecosystems; and

1 “(iii) restore and improve land health and
2 water quality;

3 “(B) enjoy broad-based support; and

4 “(C) have objectives that may include—

5 “(i) road, trail, and infrastructure
6 maintenance or obliteration;

7 “(ii) soil productivity improvement;

8 “(iii) improvements in forest eco-
9 system health;

10 “(iv) watershed restoration and main-
11 tenance;

12 “(v) the restoration, maintenance, and
13 improvement of wildlife and fish habitat;

14 “(vi) the control of noxious and exotic
15 weeds; and

16 “(vii) the reestablishment of native
17 species; and

18 “(3) to improve cooperative relationships
19 among—

20 “(A) the people that use and care for Fed-
21 eral land; and

22 “(B) the agencies that manage the Federal
23 land.

24 **“SEC. 3. DEFINITIONS.**

25 “In this Act:

1 “(1) ADJUSTED SHARE.—The term ‘adjusted
2 share’ means the number equal to the quotient ob-
3 tained by dividing—

4 “(A) the number equal to the quotient ob-
5 tained by dividing—

6 “(i) the base share for the eligible
7 county; by

8 “(ii) the income adjustment for the el-
9 igible county; by

10 “(B) the number equal to the sum of the
11 quotients obtained under subparagraph (A) and
12 paragraph (8)(A) for all eligible counties.

13 “(2) BASE SHARE.—The term ‘base share’
14 means the number equal to the average of—

15 “(A) the quotient obtained by dividing—

16 “(i) the number of acres of Federal
17 land described in paragraph (7)(A) in each
18 eligible county; by

19 “(ii) the total number acres of Fed-
20 eral land in all eligible counties in all eligi-
21 ble States; and

22 “(B) the quotient obtained by dividing—

23 “(i) the amount equal to the average
24 of the 3 highest 25-percent payments and
25 safety net payments made to each eligible

1 State for each eligible county during the
2 eligibility period; by

3 “(ii) the amount equal to the sum of
4 the amounts calculated under clause (i)
5 and paragraph (9)(B)(i) for all eligible
6 counties in all eligible States during the
7 eligibility period.

8 “(3) COUNTY PAYMENT.—The term ‘county
9 payment’ means the payment for an eligible county
10 calculated under section 101(b).

11 “(4) ELIGIBLE COUNTY.—The term ‘eligible
12 county’ means any county that—

13 “(A) contains Federal land (as defined in
14 paragraph (7)); and

15 “(B) elects to receive a share of the State
16 payment or the county payment under section
17 102(b).

18 “(5) ELIGIBILITY PERIOD.—The term ‘eli-
19 gibility period’ means fiscal year 1986 through fiscal
20 year 1999.

21 “(6) ELIGIBLE STATE.—The term ‘eligible
22 State’ means a State or territory of the United
23 States that received a 25-percent payment for 1 or
24 more fiscal years of the eligibility period.

1 “(7) FEDERAL LAND.—The term ‘Federal land’
2 means—

3 “(A) land within the National Forest Sys-
4 tem, as defined in section 11(a) of the Forest
5 and Rangeland Renewable Resources Planning
6 Act of 1974 (16 U.S.C. 1609(a)) exclusive of
7 the National Grasslands and land utilization
8 projects designated as National Grasslands ad-
9 ministered pursuant to the Act of July 22,
10 1937 (7 U.S.C. 1010–1012); and

11 “(B) such portions of the revested Oregon
12 and California Railroad and reconveyed Coos
13 Bay Wagon Road grant land as are or may
14 hereafter come under the jurisdiction of the De-
15 partment of the Interior, which have heretofore
16 or may hereafter be classified as timberlands,
17 and power-site land valuable for timber, that
18 shall be managed, except as provided in the
19 former section 3 of the Act of August 28, 1937
20 (50 Stat. 875; 43 U.S.C. 1181c), for permanent
21 forest production.

22 “(8) 50-PERCENT ADJUSTED SHARE.—The
23 term ‘50-percent adjusted share’ means the number
24 equal to the quotient obtained by dividing—

1 “(A) the number equal to the quotient ob-
2 tained by dividing—

3 “(i) the 50-percent base share for the
4 eligible county; by

5 “(ii) the income adjustment for the el-
6 igible county; by

7 “(B) the number equal to the sum of the
8 quotients obtained under subparagraph (A) and
9 paragraph (1)(A) for all eligible counties.

10 “(9) 50-PERCENT BASE SHARE.—The term ‘50-
11 percent base share’ means the number equal to the
12 average of—

13 “(A) the quotient obtained by dividing—

14 “(i) the number of acres of Federal
15 land described in paragraph (7)(B) in each
16 eligible county; by

17 “(ii) the total number acres of Fed-
18 eral land in all eligible counties in all eligi-
19 ble States; and

20 “(B) the quotient obtained by dividing—

21 “(i) the amount equal to the average
22 of the 3 highest 50-percent payments made
23 to each eligible county during the eligibility
24 period; by

1 “(ii) the amount equal to the sum of
2 the amounts calculated under clause (i)
3 and paragraph (2)(B)(i) for all eligible
4 counties in all eligible States during the
5 eligibility period.

6 “(10) 50-PERCENT PAYMENT.—The term ‘50-
7 percent payment’ means the payment that is the
8 sum of the 50-percent share otherwise paid to a
9 county pursuant to title II of the Act of August 28,
10 1937 (chapter 876; 50 Stat. 875; 43 U.S.C. 1181f),
11 and the payment made to a county pursuant to the
12 Act of May 24, 1939 (chapter 144; 53 Stat. 753; 43
13 U.S.C. 1181f–1 et seq.).

14 “(11) FULL FUNDING AMOUNT.—The term ‘full
15 funding amount’ means—

16 “(A) \$500,000,000 for fiscal year 2008;
17 and

18 “(B) for fiscal year 2009 and each fiscal
19 year thereafter, the amount that is equal to 90
20 percent of the full funding amount for the pre-
21 ceding fiscal year.

22 “(12) INCOME ADJUSTMENT.—The term ‘in-
23 come adjustment’ means the square of the quotient
24 obtained by dividing—

1 “(A) the per capita personal income for
2 each eligible county; by

3 “(B) the median per capita personal in-
4 come of all eligible counties.

5 “(13) PER CAPITA PERSONAL INCOME.—The
6 term ‘per capita personal income’ means the most
7 recent per capita personal income data, as deter-
8 mined by the Bureau of Economic Analysis.

9 “(14) SAFETY NET PAYMENTS.—The term
10 ‘safety net payments’ means the special payment
11 amounts paid to States and counties required by
12 section 13982 or 13983 of the Omnibus Budget
13 Reconciliation Act of 1993 (Public Law 103–66; 16
14 U.S.C. 500 note; 43 U.S.C. 1181f note).

15 “(15) SECRETARY CONCERNED.—The term
16 ‘Secretary concerned’ means—

17 “(A) the Secretary of Agriculture or the
18 designee of the Secretary of Agriculture with
19 respect to the Federal land described in para-
20 graph (7)(A); and

21 “(B) the Secretary of the Interior or the
22 designee of the Secretary of the Interior with
23 respect to the Federal land described in para-
24 graph (7)(B).

1 “(16) STATE PAYMENT.—The term ‘State pay-
2 ment’ means the payment for an eligible State cal-
3 culated under section 101(a).

4 “(17) 25-PERCENT PAYMENT.—The term ‘25-
5 percent payment’ means the payment to States re-
6 quired by the sixth paragraph under the heading of
7 ‘FOREST SERVICE’ in the Act of May 23, 1908
8 (35 Stat. 260; 16 U.S.C. 500), and section 13 of the
9 Act of March 1, 1911 (36 Stat. 963; 16 U.S.C.
10 500).

11 **“TITLE I—SECURE PAYMENTS**
12 **FOR STATES AND COUNTIES**
13 **CONTAINING FEDERAL LAND**

14 **“SEC. 101. SECURE PAYMENTS FOR STATES CONTAINING**
15 **FEDERAL LAND.**

16 “(a) STATE PAYMENT.—For each of fiscal years
17 2008 through 2011, the Secretary of Agriculture shall cal-
18 culate for each eligible State an amount equal to the sum
19 of the products obtained by multiplying—

20 “(1) the adjusted share for each eligible county
21 within the eligible State; by

22 “(2) the full funding amount for the fiscal year.

23 “(b) COUNTY PAYMENT.—For each of fiscal years
24 2008 through 2011, the Secretary of the Interior shall cal-
25 culate for each eligible county that received a 50-percent

1 payment during the eligibility period an amount equal to
2 the product obtained by multiplying—

3 “(1) the 50-percent adjusted share for the eligi-
4 ble county; by

5 “(2) the full funding amount for the fiscal year.

6 **“SEC. 102. PAYMENTS TO STATES AND COUNTIES.**

7 “(a) PAYMENT AMOUNTS.—Except as provided in
8 section 103, the Secretary of the Treasury shall pay to—

9 “(1) a State or territory of the United States
10 an amount equal to the sum of the amounts elected
11 under subsection (b) by each county within the State
12 or territory for—

13 “(A) if the county is eligible for the 25-
14 percent payment, the share of the 25-percent
15 payment; or

16 “(B) the share of the State payment of the
17 eligible county; and

18 “(2) a county an amount equal to the amount
19 elected under subsection (b) by each county for—

20 “(A) if the county is eligible for the 50-
21 percent payment, the 50-percent payment; or

22 “(B) the county payment for the eligible
23 county.

24 “(b) ELECTION TO RECEIVE PAYMENT AMOUNT.—

25 “(1) ELECTION; SUBMISSION OF RESULTS.—

1 “(A) IN GENERAL.—The election to receive
2 a share of the State payment, the county pay-
3 ment, a share of the State payment and the
4 county payment, a share of the 25-percent pay-
5 ment, the 50-percent payment, or a share of the
6 25-percent payment and the 50-percent pay-
7 ment, as applicable, shall be made at the discre-
8 tion of each affected county by August 1, 2008,
9 and August 1 of each second fiscal year there-
10 after, in accordance with paragraph (2), and
11 transmitted to the Secretary concerned by the
12 Governor of each eligible State.

13 “(B) FAILURE TO TRANSMIT.—If an elec-
14 tion for an affected county is not transmitted to
15 the Secretary concerned by the date specified
16 under subparagraph (A), the affected county
17 shall be considered to have elected to receive a
18 share of the State payment, the county pay-
19 ment, or a share of the State payment and the
20 county payment, as applicable.

21 “(2) DURATION OF ELECTION.—

22 “(A) IN GENERAL.—A county election to
23 receive a share of the 25-percent payment or
24 50-percent payment, as applicable, shall be ef-
25 fective for 2 fiscal years.

1 “(B) FULL FUNDING AMOUNT.—If a coun-
2 ty elects to receive a share of the State payment
3 or the county payment, the election shall be ef-
4 fective for all subsequent fiscal years through
5 fiscal year 2011.

6 “(3) SOURCE OF PAYMENT AMOUNTS.—The
7 payment to an eligible State or eligible county under
8 this section for a fiscal year shall be derived from—

9 “(A) any amounts that are appropriated to
10 carry out this Act;

11 “(B) any revenues, fees, penalties, or mis-
12 cellaneous receipts, exclusive of deposits to any
13 relevant trust fund, special account, or perma-
14 nent operating funds, received by the Federal
15 Government from activities by the Bureau of
16 Land Management or the Forest Service on the
17 applicable Federal land; and

18 “(C) to the extent of any shortfall, out of
19 any amounts in the Treasury of the United
20 States not otherwise appropriated.

21 “(c) DISTRIBUTION AND EXPENDITURE OF PAY-
22 MENTS.—

23 “(1) DISTRIBUTION METHOD.—A State that re-
24 ceives a payment under subsection (a) for Federal
25 land described in section 3(7)(A) shall distribute the

1 appropriate payment amount among the appropriate
2 counties in the State in accordance with—

3 “(A) the Act of May 23, 1908 (16 U.S.C.
4 500); and

5 “(B) section 13 of the Act of March 1,
6 1911 (36 Stat. 963; 16 U.S.C. 500).

7 “(2) EXPENDITURE PURPOSES.—Subject to
8 subsection (d), payments received by a State under
9 subsection (a) and distributed to counties in accord-
10 ance with paragraph (1) shall be expended as re-
11 quired by the laws referred to in paragraph (1).

12 “(d) EXPENDITURE RULES FOR ELIGIBLE COUN-
13 TIES.—

14 “(1) ALLOCATIONS.—

15 “(A) USE OF PORTION IN SAME MANNER
16 AS 25-PERCENT PAYMENT OR 50-PERCENT PAY-
17 MENT, AS APPLICABLE.—Except as provided in
18 paragraph (3)(B), if an eligible county elects to
19 receive its share of the State payment or the
20 county payment, not less than 80 percent, but
21 not more than 85 percent, of the funds shall be
22 expended in the same manner in which the 25-
23 percent payments or 50-percent payment, as
24 applicable, are required to be expended.

1 “(B) ELECTION AS TO USE OF BAL-
2 ANCE.—Except as provided in subparagraph
3 (C), an eligible county shall elect to do 1 or
4 more of the following with the balance of any
5 funds not expended pursuant to subparagraph
6 (A):

7 “(i) Reserve any portion of the bal-
8 ance for projects in accordance with title
9 II.

10 “(ii) Reserve not more than 7 percent
11 of the total share for the eligible county of
12 the State payment or the county payment
13 for projects in accordance with title III.

14 “(iii) Return the portion of the bal-
15 ance not reserved under clauses (i) and (ii)
16 to the Treasury of the United States.

17 “(C) COUNTIES WITH MODEST DISTRIBUTIONS.—In the case of each eligible county to
18 which more than \$100,000, but less than
19 \$350,000, is distributed for any fiscal year pur-
20 suant to either or both of paragraphs (1)(B)
21 and (2)(B) of subsection (a), the eligible coun-
22 ty, with respect to the balance of any funds not
23 expended pursuant to subparagraph (A) for
24 that fiscal year, shall—
25

1 “(i) reserve any portion of the balance
2 for—

3 “(I) carrying out projects under
4 title II;

5 “(II) carrying out projects under
6 title III; or

7 “(III) a combination of the pur-
8 poses described in subclauses (I) and
9 (II); or

10 “(ii) return the portion of the balance
11 not reserved under clause (i) to the Treas-
12 ury of the United States.

13 “(2) DISTRIBUTION OF FUNDS.—

14 “(A) IN GENERAL.—Funds reserved by an
15 eligible county under subparagraph (B)(i) or
16 (C)(i) of paragraph (1) for carrying out
17 projects under title II shall be deposited in a
18 special account in the Treasury of the United
19 States.

20 “(B) AVAILABILITY.—Amounts deposited
21 under subparagraph (A) shall—

22 “(i) be available for expenditure by
23 the Secretary concerned, without further
24 appropriation; and

1 “(ii) remain available until expended
2 in accordance with title II.

3 “(3) ELECTION.—

4 “(A) NOTIFICATION.—

5 “(i) IN GENERAL.—An eligible county
6 shall notify the Secretary concerned of an
7 election by the eligible county under this
8 subsection not later than September 30 of
9 each fiscal year.

10 “(ii) FAILURE TO ELECT.—Except as
11 provided in subparagraph (B), if the eligi-
12 ble county fails to make an election by the
13 date specified in clause (i), the eligible
14 county shall—

15 “(I) be considered to have elected
16 to expend 85 percent of the funds in
17 accordance with paragraph (1)(A);
18 and

19 “(II) return the balance to the
20 Treasury of the United States.

21 “(B) COUNTIES WITH MINOR DISTRIBUTIONS.—In the case of each eligible county to
22 which less than \$100,000 is distributed for any
23 fiscal year pursuant to either or both of para-
24 graphs (1)(B) and (2)(B) of subsection (a), the
25

1 eligible county may elect to expend all the funds
2 in the same manner in which the 25-percent
3 payments or 50-percent payments, as applica-
4 ble, are required to be expended.

5 “(e) TIME FOR PAYMENT.—The payments required
6 under this section for a fiscal year shall be made as soon
7 as practicable after the end of that fiscal year.

8 **“SEC. 103. TRANSITION PAYMENTS TO STATES.**

9 “(a) DEFINITIONS.—In this section:

10 “(1) ADJUSTED AMOUNT.—The term ‘adjusted
11 amount’ means, with respect to a covered State—

12 “(A) for fiscal year 2008, 90 percent of—

13 “(i) the sum of the amounts paid for
14 fiscal year 2006 under section 102(a)(2)
15 (as in effect on September 29, 2006) for
16 the eligible counties in the covered State
17 that have elected under section 102(b) to
18 receive a share of the State payment for
19 fiscal year 2008; and

20 “(ii) the sum of the amounts paid for
21 fiscal year 2006 under section 103(a)(2)
22 (as in effect on September 29, 2006) for
23 the eligible counties in the State of Oregon
24 that have elected under section 102(b) to

1 receive the county payment for fiscal year
2 2008;

3 “(B) for fiscal year 2009, 76 percent of—

4 “(i) the sum of the amounts paid for
5 fiscal year 2006 under section 102(a)(2)
6 (as in effect on September 29, 2006) for
7 the eligible counties in the covered State
8 that have elected under section 102(b) to
9 receive a share of the State payment for
10 fiscal year 2009; and

11 “(ii) the sum of the amounts paid for
12 fiscal year 2006 under section 103(a)(2)
13 (as in effect on September 29, 2006) for
14 the eligible counties in the State of Oregon
15 that have elected under section 102(b) to
16 receive the county payment for fiscal year
17 2009; and

18 “(C) for fiscal year 2010, 65 percent of—

19 “(i) the sum of the amounts paid for
20 fiscal year 2006 under section 102(a)(2)
21 (as in effect on September 29, 2006) for
22 the eligible counties in the covered State
23 that have elected under section 102(b) to
24 receive a share of the State payment for
25 fiscal year 2010; and

1 “(ii) the sum of the amounts paid for
2 fiscal year 2006 under section 103(a)(2)
3 (as in effect on September 29, 2006) for
4 the eligible counties in the State of Oregon
5 that have elected under section 102(b) to
6 receive the county payment for fiscal year
7 2010.

8 “(2) COVERED STATE.—The term ‘covered
9 State’ means each of the States of California, Lou-
10 isiana, Oregon, Pennsylvania, South Carolina, South
11 Dakota, Texas, and Washington.

12 “(b) TRANSITION PAYMENTS.—For each of fiscal
13 years 2008 through 2010, in lieu of the payment amounts
14 that otherwise would have been made under paragraphs
15 (1)(B) and (2)(B) of section 102(a), the Secretary of the
16 Treasury shall pay the adjusted amount to each covered
17 State and the eligible counties within the covered State,
18 as applicable.

19 “(c) DISTRIBUTION OF ADJUSTED AMOUNT.—Ex-
20 cept as provided in subsection (d), it is the intent of Con-
21 gress that the method of distributing the payments under
22 subsection (b) among the counties in the covered States
23 for each of fiscal years 2008 through 2010 be in the same
24 proportion that the payments were distributed to the eligi-
25 ble counties in fiscal year 2006.

1 “(d) DISTRIBUTION OF PAYMENTS IN CALI-
 2 FORNIA.—The following payments shall be distributed
 3 among the eligible counties in the State of California in
 4 the same proportion that payments under section
 5 102(a)(2) (as in effect on September 29, 2006) were dis-
 6 tributed to the eligible counties for fiscal year 2006:

7 “(1) Payments to the State of California under
 8 subsection (b).

9 “(2) The shares of the eligible counties of the
 10 State payment for California under section 102 for
 11 fiscal year 2011.

12 “(e) TREATMENT OF PAYMENTS.—For purposes of
 13 this Act, any payment made under subsection (b) shall be
 14 considered to be a payment made under section 102(a).

15 **“TITLE II—SPECIAL PROJECTS**
 16 **ON FEDERAL LAND**

17 **“SEC. 201. DEFINITIONS.**

18 “In this title:

19 “(1) PARTICIPATING COUNTY.—The term ‘par-
 20 ticipating county’ means an eligible county that
 21 elects under section 102(d) to expend a portion of
 22 the Federal funds received under section 102 in ac-
 23 cordance with this title.

24 “(2) PROJECT FUNDS.—The term ‘project
 25 funds’ means all funds an eligible county elects

1 under section 102(d) to reserve for expenditure in
2 accordance with this title.

3 “(3) RESOURCE ADVISORY COMMITTEE.—The
4 term ‘resource advisory committee’ means—

5 “(A) an advisory committee established by
6 the Secretary concerned under section 205; or

7 “(B) an advisory committee determined by
8 the Secretary concerned to meet the require-
9 ments of section 205.

10 “(4) RESOURCE MANAGEMENT PLAN.—The
11 term ‘resource management plan’ means—

12 “(A) a land use plan prepared by the Bu-
13 reau of Land Management for units of the Fed-
14 eral land described in section 3(7)(B) pursuant
15 to section 202 of the Federal Land Policy and
16 Management Act of 1976 (43 U.S.C. 1712); or

17 “(B) a land and resource management
18 plan prepared by the Forest Service for units of
19 the National Forest System pursuant to section
20 6 of the Forest and Rangeland Renewable Re-
21 sources Planning Act of 1974 (16 U.S.C.
22 1604).

1 **“SEC. 202. GENERAL LIMITATION ON USE OF PROJECT**
2 **FUNDS.**

3 “(a) **LIMITATION.**—Project funds shall be expended
4 solely on projects that meet the requirements of this title.

5 “(b) **AUTHORIZED USES.**—Project funds may be
6 used by the Secretary concerned for the purpose of enter-
7 ing into and implementing cooperative agreements with
8 willing Federal agencies, State and local governments, pri-
9 vate and nonprofit entities, and landowners for protection,
10 restoration, and enhancement of fish and wildlife habitat,
11 and other resource objectives consistent with the purposes
12 of this Act on Federal land and on non-Federal land where
13 projects would benefit the resources on Federal land.

14 **“SEC. 203. SUBMISSION OF PROJECT PROPOSALS.**

15 “(a) **SUBMISSION OF PROJECT PROPOSALS TO SEC-**
16 **RETARY CONCERNED.**—

17 “(1) **PROJECTS FUNDED USING PROJECT**
18 **FUNDS.**—Not later than September 30 for fiscal
19 year 2008, and each September 30 thereafter for
20 each succeeding fiscal year through fiscal year 2011,
21 each resource advisory committee shall submit to the
22 Secretary concerned a description of any projects
23 that the resource advisory committee proposes the
24 Secretary undertake using any project funds re-
25 served by eligible counties in the area in which the

1 resource advisory committee has geographic jurisdic-
2 tion.

3 “(2) PROJECTS FUNDED USING OTHER
4 FUNDS.—A resource advisory committee may submit
5 to the Secretary concerned a description of any
6 projects that the committee proposes the Secretary
7 undertake using funds from State or local govern-
8 ments, or from the private sector, other than project
9 funds and funds appropriated and otherwise avail-
10 able to do similar work.

11 “(3) JOINT PROJECTS.—Participating counties
12 or other persons may propose to pool project funds
13 or other funds, described in paragraph (2), and
14 jointly propose a project or group of projects to a re-
15 source advisory committee established under section
16 205.

17 “(b) REQUIRED DESCRIPTION OF PROJECTS.—In
18 submitting proposed projects to the Secretary concerned
19 under subsection (a), a resource advisory committee shall
20 include in the description of each proposed project the fol-
21 lowing information:

22 “(1) The purpose of the project and a descrip-
23 tion of how the project will meet the purposes of this
24 title.

25 “(2) The anticipated duration of the project.

1 “(3) The anticipated cost of the project.

2 “(4) The proposed source of funding for the
3 project, whether project funds or other funds.

4 “(5)(A) Expected outcomes, including how the
5 project will meet or exceed desired ecological condi-
6 tions, maintenance objectives, or stewardship objec-
7 tives.

8 “(B) An estimate of the amount of any timber,
9 forage, and other commodities and other economic
10 activity, including jobs generated, if any, anticipated
11 as part of the project.

12 “(6) A detailed monitoring plan, including
13 funding needs and sources, that—

14 “(A) tracks and identifies the positive or
15 negative impacts of the project, implementation,
16 and provides for validation monitoring; and

17 “(B) includes an assessment of the fol-
18 lowing:

19 “(i) Whether or not the project met or
20 exceeded desired ecological conditions; cre-
21 ated local employment or training opportu-
22 nities, including summer youth jobs pro-
23 grams such as the Youth Conservation
24 Corps where appropriate.

1 “(ii) Whether the project improved
2 the use of, or added value to, any products
3 removed from land consistent with the pur-
4 poses of this title.

5 “(7) An assessment that the project is to be in
6 the public interest.

7 “(c) AUTHORIZED PROJECTS.—Projects proposed
8 under subsection (a) shall be consistent with section 2.

9 **“SEC. 204. EVALUATION AND APPROVAL OF PROJECTS BY**
10 **SECRETARY CONCERNED.**

11 “(a) CONDITIONS FOR APPROVAL OF PROPOSED
12 PROJECT.—The Secretary concerned may make a decision
13 to approve a project submitted by a resource advisory com-
14 mittee under section 203 only if the proposed project satis-
15 fies each of the following conditions:

16 “(1) The project complies with all applicable
17 Federal laws (including regulations).

18 “(2) The project is consistent with the applica-
19 ble resource management plan and with any water-
20 shed or subsequent plan developed pursuant to the
21 resource management plan and approved by the Sec-
22 retary concerned.

23 “(3) The project has been approved by the re-
24 source advisory committee in accordance with sec-

1 tion 205, including the procedures issued under sub-
2 section (e) of that section.

3 “(4) A project description has been submitted
4 by the resource advisory committee to the Secretary
5 concerned in accordance with section 203.

6 “(5) The project will improve the maintenance
7 of existing infrastructure, implement stewardship ob-
8 jectives that enhance forest ecosystems, and restore
9 and improve land health and water quality.

10 “(b) ENVIRONMENTAL REVIEWS.—

11 “(1) REQUEST FOR PAYMENT BY COUNTY.—
12 The Secretary concerned may request the resource
13 advisory committee submitting a proposed project to
14 agree to the use of project funds to pay for any envi-
15 ronmental review, consultation, or compliance with
16 applicable environmental laws required in connection
17 with the project.

18 “(2) CONDUCT OF ENVIRONMENTAL REVIEW.—
19 If a payment is requested under paragraph (1) and
20 the resource advisory committee agrees to the ex-
21 penditure of funds for this purpose, the Secretary
22 concerned shall conduct environmental review, con-
23 sultation, or other compliance responsibilities in ac-
24 cordance with Federal laws (including regulations).

25 “(3) EFFECT OF REFUSAL TO PAY.—

1 “(A) IN GENERAL.—If a resource advisory
2 committee does not agree to the expenditure of
3 funds under paragraph (1), the project shall be
4 deemed withdrawn from further consideration
5 by the Secretary concerned pursuant to this
6 title.

7 “(B) EFFECT OF WITHDRAWAL.—A with-
8 drawal under subparagraph (A) shall be deemed
9 to be a rejection of the project for purposes of
10 section 207(c).

11 “(c) DECISIONS OF SECRETARY CONCERNED.—

12 “(1) REJECTION OF PROJECTS.—

13 “(A) IN GENERAL.—A decision by the Sec-
14 retary concerned to reject a proposed project
15 shall be at the sole discretion of the Secretary
16 concerned.

17 “(B) NO ADMINISTRATIVE APPEAL OR JU-
18 DICIAL REVIEW.—Notwithstanding any other
19 provision of law, a decision by the Secretary
20 concerned to reject a proposed project shall not
21 be subject to administrative appeal or judicial
22 review.

23 “(C) NOTICE OF REJECTION.—Not later
24 than 30 days after the date on which the Sec-
25 retary concerned makes the rejection decision,

1 the Secretary concerned shall notify in writing
2 the resource advisory committee that submitted
3 the proposed project of the rejection and the
4 reasons for rejection.

5 “(2) NOTICE OF PROJECT APPROVAL.—The
6 Secretary concerned shall publish in the Federal
7 Register notice of each project approved under sub-
8 section (a) if the notice would be required had the
9 project originated with the Secretary.

10 “(d) SOURCE AND CONDUCT OF PROJECT.—Once the
11 Secretary concerned accepts a project for review under
12 section 203, the acceptance shall be deemed a Federal ac-
13 tion for all purposes.

14 “(e) IMPLEMENTATION OF APPROVED PROJECTS.—

15 “(1) COOPERATION.—Notwithstanding chapter
16 63 of title 31, United States Code, using project
17 funds the Secretary concerned may enter into con-
18 tracts, grants, and cooperative agreements with
19 States and local governments, private and nonprofit
20 entities, and landowners and other persons to assist
21 the Secretary in carrying out an approved project.

22 “(2) BEST VALUE CONTRACTING.—

23 “(A) IN GENERAL.—For any project in-
24 volving a contract authorized by paragraph (1)
25 the Secretary concerned may elect a source for

1 performance of the contract on a best value
2 basis.

3 “(B) FACTORS.—The Secretary concerned
4 shall determine best value based on such factors
5 as—

6 “(i) the technical demands and com-
7 plexity of the work to be done;

8 “(ii)(I) the ecological objectives of the
9 project; and

10 “(II) the sensitivity of the resources
11 being treated;

12 “(iii) the past experience by the con-
13 tractor with the type of work being done,
14 using the type of equipment proposed for
15 the project, and meeting or exceeding de-
16 sired ecological conditions; and

17 “(iv) the commitment of the con-
18 tractor to hiring highly qualified workers
19 and local residents.

20 “(3) MERCHANTABLE TIMBER CONTRACTING
21 PILOT PROGRAM.—

22 “(A) ESTABLISHMENT.—The Secretary
23 concerned shall establish a pilot program to im-
24 plement a certain percentage of approved

1 projects involving the sale of merchantable tim-
2 ber using separate contracts for—

3 “(i) the harvesting or collection of
4 merchantable timber; and

5 “(ii) the sale of the timber.

6 “(B) ANNUAL PERCENTAGES.—Under the
7 pilot program, the Secretary concerned shall en-
8 sure that, on a nationwide basis, not less than
9 the following percentage of all approved projects
10 involving the sale of merchantable timber are
11 implemented using separate contracts:

12 “(i) For fiscal year 2008, 35 percent.

13 “(ii) For fiscal year 2009, 45 percent.

14 “(iii) For each of fiscal years 2010
15 and 2011, 50 percent.

16 “(C) INCLUSION IN PILOT PROGRAM.—The
17 decision whether to use separate contracts to
18 implement a project involving the sale of mer-
19 chantable timber shall be made by the Sec-
20 retary concerned after the approval of the
21 project under this title.

22 “(D) ASSISTANCE.—

23 “(i) IN GENERAL.—The Secretary
24 concerned may use funds from any appro-
25 priated account available to the Secretary

1 for the Federal land to assist in the ad-
2 ministration of projects conducted under
3 the pilot program.

4 “(ii) MAXIMUM AMOUNT OF ASSIST-
5 ANCE.—The total amount obligated under
6 this subparagraph may not exceed
7 \$1,000,000 for any fiscal year during
8 which the pilot program is in effect.

9 “(E) REVIEW AND REPORT.—

10 “(i) INITIAL REPORT.—Not later than
11 September 30, 2010, the Comptroller Gen-
12 eral shall submit to the Committees on Ag-
13 riculture, Nutrition, and Forestry and En-
14 ergy and Natural Resources of the Senate
15 and the Committees on Agriculture and
16 Natural Resources of the House of Rep-
17 resentatives a report assessing the pilot
18 program.

19 “(ii) ANNUAL REPORT.—The Sec-
20 retary concerned shall submit to the Com-
21 mittees on Agriculture, Nutrition, and For-
22 estry and Energy and Natural Resources
23 of the Senate and the Committees on Agri-
24 culture and Natural Resources of the

1 House of Representatives an annual report
2 describing the results of the pilot program.

3 “(f) REQUIREMENTS FOR PROJECT FUNDS.—The
4 Secretary shall ensure that at least 50 percent of all
5 project funds be used for projects that are primarily dedi-
6 cated—

7 “(1) to road maintenance, decommissioning, or
8 obliteration; or

9 “(2) to restoration of streams and watersheds.

10 **“SEC. 205. RESOURCE ADVISORY COMMITTEES.**

11 “(a) ESTABLISHMENT AND PURPOSE OF RESOURCE
12 ADVISORY COMMITTEES.—

13 “(1) ESTABLISHMENT.—The Secretary con-
14 cerned shall establish and maintain resource advi-
15 sory committees to perform the duties in subsection
16 (b), except as provided in paragraph (4).

17 “(2) PURPOSE.—The purpose of a resource ad-
18 visory committee shall be—

19 “(A) to improve collaborative relationships;
20 and

21 “(B) to provide advice and recommenda-
22 tions to the land management agencies con-
23 sistent with the purposes of this title.

24 “(3) ACCESS TO RESOURCE ADVISORY COMMIT-
25 TEES.—To ensure that each unit of Federal land

1 has access to a resource advisory committee, and
2 that there is sufficient interest in participation on a
3 committee to ensure that membership can be bal-
4 anced in terms of the points of view represented and
5 the functions to be performed, the Secretary con-
6 cerned may, establish resource advisory committees
7 for part of, or 1 or more, units of Federal land.

8 “(4) EXISTING ADVISORY COMMITTEES.—

9 “(A) IN GENERAL.—An advisory com-
10 mittee that meets the requirements of this sec-
11 tion, a resource advisory committee established
12 before September 29, 2006, or an advisory com-
13 mittee determined by the Secretary concerned
14 before September 29, 2006, to meet the re-
15 quirements of this section may be deemed by
16 the Secretary concerned to be a resource advi-
17 sory committee for the purposes of this title.

18 “(B) CHARTER.—A charter for a com-
19 mittee described in subparagraph (A) that was
20 filed on or before September 29, 2006, shall be
21 considered to be filed for purposes of this Act.

22 “(C) BUREAU OF LAND MANAGEMENT AD-
23 VISORY COMMITTEES.—The Secretary of the In-
24 terior may deem a resource advisory committee
25 meeting the requirements of subpart 1784 of

1 part 1780 of title 43, Code of Federal Regula-
2 tions, as a resource advisory committee for the
3 purposes of this title.

4 “(b) DUTIES.—A resource advisory committee
5 shall—

6 “(1) review projects proposed under this title by
7 participating counties and other persons;

8 “(2) propose projects and funding to the Sec-
9 retary concerned under section 203;

10 “(3) provide early and continuous coordination
11 with appropriate land management agency officials
12 in recommending projects consistent with purposes
13 of this Act under this title;

14 “(4) provide frequent opportunities for citizens,
15 organizations, tribes, land management agencies,
16 and other interested parties to participate openly
17 and meaningfully, beginning at the early stages of
18 the project development process under this title;

19 “(5)(A) monitor projects that have been ap-
20 proved under section 204; and

21 “(B) advise the designated Federal official on
22 the progress of the monitoring efforts under sub-
23 paragraph (A); and

24 “(6) make recommendations to the Secretary
25 concerned for any appropriate changes or adjust-

1 ments to the projects being monitored by the re-
2 source advisory committee.

3 “(c) APPOINTMENT BY THE SECRETARY.—

4 “(1) APPOINTMENT AND TERM.—

5 “(A) IN GENERAL.—The Secretary con-
6 cerned, shall appoint the members of resource
7 advisory committees for a term of 4 years be-
8 ginning on the date of appointment.

9 “(B) REAPPOINTMENT.—The Secretary
10 concerned may reappoint members to subse-
11 quent 4-year terms.

12 “(2) BASIC REQUIREMENTS.—The Secretary
13 concerned shall ensure that each resource advisory
14 committee established meets the requirements of
15 subsection (d).

16 “(3) INITIAL APPOINTMENT.—Not later than
17 180 days after the date of the enactment of this Act,
18 the Secretary concerned shall make initial appoint-
19 ments to the resource advisory committees.

20 “(4) VACANCIES.—The Secretary concerned
21 shall make appointments to fill vacancies on any re-
22 source advisory committee as soon as practicable
23 after the vacancy has occurred.

1 “(5) COMPENSATION.—Members of the re-
2 source advisory committees shall not receive any
3 compensation.

4 “(d) COMPOSITION OF ADVISORY COMMITTEE.—

5 “(1) NUMBER.—Each resource advisory com-
6 mittee shall be comprised of 15 members.

7 “(2) COMMUNITY INTERESTS REPRESENTED.—
8 Committee members shall be representative of the
9 interests of the following 3 categories:

10 “(A) 5 persons that—

11 “(i) represent organized labor or non-
12 timber forest product harvester groups;

13 “(ii) represent developed outdoor
14 recreation, off highway vehicle users, or
15 commercial recreation activities;

16 “(iii) represent—

17 “(I) energy and mineral develop-
18 ment interests; or

19 “(II) commercial or recreational
20 fishing interests;

21 “(iv) represent the commercial timber
22 industry; or

23 “(v) hold Federal grazing or other
24 land use permits, or represent nonindus-

1 trial private forest land owners, within the
2 area for which the committee is organized.

3 “(B) 5 persons that represent—

4 “(i) nationally recognized environ-
5 mental organizations;

6 “(ii) regionally or locally recognized
7 environmental organizations;

8 “(iii) dispersed recreational activities;

9 “(iv) archaeological and historical in-
10 terests; or

11 “(v) nationally or regionally recog-
12 nized wild horse and burro interest groups,
13 wildlife or hunting organizations, or water-
14 shed associations.

15 “(C) 5 persons that—

16 “(i) hold State elected office (or a
17 designee);

18 “(ii) hold county or local elected of-
19 fice;

20 “(iii) represent American Indian
21 tribes within or adjacent to the area for
22 which the committee is organized;

23 “(iv) are school officials or teachers;
24 or

1 “(v) represent the affected public at
2 large.

3 “(3) BALANCED REPRESENTATION.—In ap-
4 pointing committee members from the 3 categories
5 in paragraph (2), the Secretary concerned shall pro-
6 vide for balanced and broad representation from
7 within each category.

8 “(4) GEOGRAPHIC DISTRIBUTION.—The mem-
9 bers of a resource advisory committee shall reside
10 within the State in which the committee has juris-
11 diction and, to extent practicable, the Secretary con-
12 cerned shall ensure local representation in each cat-
13 egory in paragraph (2).

14 “(5) CHAIRPERSON.—A majority on each re-
15 source advisory committee shall select the chair-
16 person of the committee.

17 “(e) APPROVAL PROCEDURES.—

18 “(1) IN GENERAL.—Subject to paragraph (3),
19 each resource advisory committee shall establish pro-
20 cedures for proposing projects to the Secretary con-
21 cerned under this title.

22 “(2) QUORUM.—A quorum must be present to
23 constitute an official meeting of the committee.

24 “(3) APPROVAL BY MAJORITY OF MEMBERS.—
25 A project may be proposed by a resource advisory

1 committee to the Secretary concerned under section
2 203(a), if the project has been approved by a major-
3 ity of members of the committee from each of the
4 3 categories in subsection (d)(2).

5 “(f) OTHER COMMITTEE AUTHORITIES AND RE-
6 QUIREMENTS.—

7 “(1) STAFF ASSISTANCE.—A resource advisory
8 committee may submit to the Secretary concerned a
9 request for periodic staff assistance from Federal
10 employees under the jurisdiction of the Secretary.

11 “(2) MEETINGS.—All meetings of a resource
12 advisory committee shall be announced at least 1
13 week in advance in a local newspaper of record and
14 shall be open to the public.

15 “(3) RECORDS.—A resource advisory committee
16 shall maintain records of the meetings of the com-
17 mittee and make the records available for public in-
18 spection.

19 **“SEC. 206. USE OF PROJECT FUNDS.**

20 “(a) AGREEMENT REGARDING SCHEDULE AND COST
21 OF PROJECT.—

22 “(1) AGREEMENT BETWEEN PARTIES.—The
23 Secretary concerned may carry out a project sub-
24 mitted by a resource advisory committee under sec-
25 tion 203(a) using project funds or other funds de-

1 scribed in section 203(a)(2), if, as soon as prac-
2 ticable after the issuance of a decision document for
3 the project and the exhaustion of all administrative
4 appeals and judicial review of the project decision,
5 the Secretary concerned and the resource advisory
6 committee enter into an agreement addressing, at a
7 minimum, the following:

8 “(A) The schedule for completing the
9 project.

10 “(B) The total cost of the project, includ-
11 ing the level of agency overhead to be assessed
12 against the project.

13 “(C) For a multiyear project, the esti-
14 mated cost of the project for each of the fiscal
15 years in which it will be carried out.

16 “(D) The remedies for failure of the Sec-
17 retary concerned to comply with the terms of
18 the agreement consistent with current Federal
19 law.

20 “(2) LIMITED USE OF FEDERAL FUNDS.—The
21 Secretary concerned may decide, at the sole discre-
22 tion of the Secretary concerned, to cover the costs
23 of a portion of an approved project using Federal
24 funds appropriated or otherwise available to the Sec-
25 retary for the same purposes as the project.

1 “(b) TRANSFER OF PROJECT FUNDS.—

2 “(1) INITIAL TRANSFER REQUIRED.—As soon
3 as practicable after the agreement is reached under
4 subsection (a) with regard to a project to be funded
5 in whole or in part using project funds, or other
6 funds described in section 203(a)(2), the Secretary
7 concerned shall transfer to the applicable unit of Na-
8 tional Forest System land or Bureau of Land Man-
9 agement District an amount of project funds equal
10 to—

11 “(A) in the case of a project to be com-
12 pleted in a single fiscal year, the total amount
13 specified in the agreement to be paid using
14 project funds, or other funds described in sec-
15 tion 203(a)(2); or

16 “(B) in the case of a multiyear project, the
17 amount specified in the agreement to be paid
18 using project funds, or other funds described in
19 section 203(a)(2) for the first fiscal year.

20 “(2) CONDITION ON PROJECT COMMENCE-
21 MENT.—The unit of National Forest System land or
22 Bureau of Land Management District concerned,
23 shall not commence a project until the project funds,
24 or other funds described in section 203(a)(2) re-
25 quired to be transferred under paragraph (1) for the

1 project, have been made available by the Secretary
2 concerned.

3 “(3) SUBSEQUENT TRANSFERS FOR MULTIYEAR
4 PROJECTS.—

5 “(A) IN GENERAL.—For the second and
6 subsequent fiscal years of a multiyear project to
7 be funded in whole or in part using project
8 funds, the unit of National Forest System land
9 or Bureau of Land Management District con-
10 cerned shall use the amount of project funds re-
11 quired to continue the project in that fiscal year
12 according to the agreement entered into under
13 subsection (a).

14 “(B) SUSPENSION OF WORK.—The Sec-
15 retary concerned shall suspend work on the
16 project if the project funds required by the
17 agreement in the second and subsequent fiscal
18 years are not available.

19 **“SEC. 207. AVAILABILITY OF PROJECT FUNDS.**

20 “(a) SUBMISSION OF PROPOSED PROJECTS TO OBLI-
21 GATE FUNDS.—By September 30 of each fiscal year
22 through fiscal year 2011, a resource advisory committee
23 shall submit to the Secretary concerned pursuant to sec-
24 tion 203(a)(1) a sufficient number of project proposals
25 that, if approved, would result in the obligation of at least

1 the full amount of the project funds reserved by the par-
2 ticipating county in the preceding fiscal year.

3 “(b) USE OR TRANSFER OF UNOBLIGATED
4 FUNDS.—Subject to section 208, if a resource advisory
5 committee fails to comply with subsection (a) for a fiscal
6 year, any project funds reserved by the participating coun-
7 ty in the preceding fiscal year and remaining unobligated
8 shall be available for use as part of the project submissions
9 in the next fiscal year.

10 “(c) EFFECT OF REJECTION OF PROJECTS.—Subject
11 to section 208, any project funds reserved by a partici-
12 pating county in the preceding fiscal year that are unobli-
13 gated at the end of a fiscal year because the Secretary
14 concerned has rejected one or more proposed projects shall
15 be available for use as part of the project submissions in
16 the next fiscal year.

17 “(d) EFFECT OF COURT ORDERS.—

18 “(1) IN GENERAL.—If an approved project
19 under this Act is enjoined or prohibited by a Federal
20 court, the Secretary concerned shall return the un-
21 obligated project funds related to the project to the
22 participating county or counties that reserved the
23 funds.

24 “(2) EXPENDITURE OF FUNDS.—The returned
25 funds shall be available for the county to expend in

1 the same manner as the funds reserved by the coun-
 2 ty under subparagraph (B) or (C)(i) of section
 3 102(d)(1).

4 **“SEC. 208. TERMINATION OF AUTHORITY.**

5 “(a) IN GENERAL.—The authority to initiate projects
 6 under this title shall terminate on September 30, 2011.

7 “(b) DEPOSITS IN TREASURY.—Any project funds
 8 not obligated by September 30, 2012, shall be deposited
 9 in the Treasury of the United States.

10 **“TITLE III—COUNTY FUNDS**

11 **“SEC. 301. DEFINITIONS.**

12 “In this title:

13 “(1) COUNTY FUNDS.—The term ‘county funds’
 14 means all funds an eligible county elects under sec-
 15 tion 102(d) to reserve for expenditure in accordance
 16 with this title.

17 “(2) PARTICIPATING COUNTY.—The term ‘par-
 18 ticipating county’ means an eligible county that
 19 elects under section 102(d) to expend a portion of
 20 the Federal funds received under section 102 in ac-
 21 cordance with this title.

22 **“SEC. 302. USE.**

23 “(a) AUTHORIZED USES.—A participating county,
 24 including any applicable agencies of the participating

1 county, shall use county funds, in accordance with this
2 title, only—

3 “(1) to carry out activities under the Firewise
4 Communities program to provide to homeowners in
5 fire-sensitive ecosystems education on, and assist-
6 ance with implementing, techniques in home siting,
7 home construction, and home landscaping that can
8 increase the protection of people and property from
9 wildfires;

10 “(2) to reimburse the participating county for
11 search and rescue and other emergency services, in-
12 cluding firefighting, that are—

13 “(A) performed on Federal land after the
14 date on which the use was approved under sub-
15 section (b);

16 “(B) paid for by the participating county;
17 and

18 “(3) to develop community wildfire protection
19 plans in coordination with the appropriate Secretary
20 concerned.

21 “(b) PROPOSALS.—A participating county shall use
22 county funds for a use described in subsection (a) only
23 after a 45-day public comment period, at the beginning
24 of which the participating county shall—

1 “(1) publish in any publications of local record
2 a proposal that describes the proposed use of the
3 county funds; and

4 “(2) submit the proposal to any resource advi-
5 sory committee established under section 205 for the
6 participating county.

7 **“SEC. 303. CERTIFICATION.**

8 “(a) IN GENERAL.—Not later than February 1 of the
9 year after the year in which any county funds were ex-
10 pended by a participating county, the appropriate official
11 of the participating county shall submit to the Secretary
12 concerned a certification that the county funds expended
13 in the applicable year have been used for the uses author-
14 ized under section 302(a), including a description of the
15 amounts expended and the uses for which the amounts
16 were expended.

17 “(b) REVIEW.—The Secretary concerned shall review
18 the certifications submitted under subsection (a) as the
19 Secretary concerned determines to be appropriate.

20 **“SEC. 304. TERMINATION OF AUTHORITY.**

21 “(a) IN GENERAL.—The authority to initiate projects
22 under this title terminates on September 30, 2011.

23 “(b) AVAILABILITY.—Any county funds not obligated
24 by September 30, 2012, shall be returned to the Treasury
25 of the United States.

1 **“TITLE IV—MISCELLANEOUS**
2 **PROVISIONS**

3 **“SEC. 401. REGULATIONS.**

4 “The Secretary of Agriculture and the Secretary of
5 the Interior shall issue regulations to carry out the pur-
6 poses of this Act.

7 **“SEC. 402. AUTHORIZATION OF APPROPRIATIONS.**

8 “There are authorized to be appropriated such sums
9 as are necessary to carry out this Act for each of fiscal
10 years 2008 through 2011.

11 **“SEC. 403. TREATMENT OF FUNDS AND REVENUES.**

12 “(a) RELATION TO OTHER APPROPRIATIONS.—
13 Funds made available under section 402 and funds made
14 available to a Secretary concerned under section 206 shall
15 be in addition to any other annual appropriations for the
16 Forest Service and the Bureau of Land Management.

17 “(b) DEPOSIT OF REVENUES AND OTHER FUNDS.—
18 All revenues generated from projects pursuant to title II,
19 including any interest accrued from the revenues, shall be
20 deposited in the Treasury of the United States.”.

21 (b) FOREST RECEIPT PAYMENTS TO ELIGIBLE
22 STATES AND COUNTIES.—

23 (1) ACT OF MAY 23, 1908.—The sixth paragraph
24 under the heading “FOREST SERVICE” in the Act
25 of May 23, 1908 (16 U.S.C. 500) is amended in the

1 first sentence by striking “twenty-five percentum”
 2 and all that follows through “shall be paid” and in-
 3 serting the following: “an amount equal to the an-
 4 nual average of 25 percent of all amounts received
 5 for the applicable fiscal year and each of the pre-
 6 ceding 6 fiscal years from each national forest shall
 7 be paid”.

8 (2) WEEKS LAW.—Section 13 of the Act of
 9 March 1, 1911 (commonly known as the “Weeks
 10 Law”) (16 U.S.C. 500) is amended in the first sen-
 11 tence by striking “twenty-five percentum” and all
 12 that follows through “shall be paid” and inserting
 13 the following: “an amount equal to the annual aver-
 14 age of 25 percent of all amounts received for the ap-
 15 plicable fiscal year and each of the preceding 6 fiscal
 16 years from each national forest shall be paid”.

17 (c) PAYMENTS IN LIEU OF TAXES.—

18 (1) IN GENERAL.—Section 6906 of title 31,
 19 United States Code, is amended to read as follows:

20 **“§ 6906. Funding**

21 “For each of fiscal years 2008 through 2012—

22 “(1) each county or other eligible unit of local
 23 government shall be entitled to payment under this
 24 chapter; and

1 “(2) sums shall be made available to the Sec-
2 retary of the Interior for obligation or expenditure in
3 accordance with this chapter.”.

4 (2) CONFORMING AMENDMENT.—The table of
5 sections for chapter 69 of title 31, United States
6 Code, is amended by striking the item relating to
7 section 6906 and inserting the following:

“6906. Funding.”.

8 (3) BUDGET SCOREKEEPING.—

9 (A) IN GENERAL.—Notwithstanding the
10 Budget Scorekeeping Guidelines and the accom-
11 panying list of programs and accounts set forth
12 in the joint explanatory statement of the com-
13 mittee of conference accompanying Conference
14 Report 105–217, the section in this title re-
15 garding Payments in Lieu of Taxes shall be
16 treated in the baseline for purposes of section
17 257 of the Balanced Budget and Emergency
18 Deficit Control Act of 1985 (as in effect prior
19 to September 30, 2002), and by the Chairmen
20 of the House and Senate Budget Committees,
21 as appropriate, for purposes of budget enforce-
22 ment in the House and Senate, and under the
23 Congressional Budget Act of 1974 as if Pay-
24 ment in Lieu of Taxes (14–1114–0–1–806)
25 were an account designated as Appropriated

1 Entitlements and Mandatories for Fiscal Year
2 1997 in the joint explanatory statement of the
3 committee of conference accompanying Con-
4 ference Report 105–217.

5 (B) EFFECTIVE DATE.—This paragraph
6 shall remain in effect for the fiscal years to
7 which the entitlement in section 6906 of title
8 31, United States Code (as amended by para-
9 graph (1)), applies.

10 **SEC. 342. CLARIFICATION OF UNIFORM DEFINITION OF**
11 **CHILD.**

12 (a) CHILD MUST BE YOUNGER THAN CLAIMANT.—
13 Section 152(c)(3)(A) (relating to age requirements) is
14 amended by inserting “is younger than the taxpayer claim-
15 ing such individual as a qualifying child and” after “such
16 individual”.

17 (b) CHILD MUST BE UNMARRIED.—Section
18 152(c)(1) (relating to qualifying child) is amended by
19 striking “and” at the end of subparagraph (C), by striking
20 the period at the end of subparagraph (D) and inserting
21 “, and”, and by adding at the end the following new sub-
22 paragraph:

23 “(E) who has not filed a joint return
24 (other than only for a claim of refund) with the
25 individual’s spouse under section 6013 for the

1 taxable year beginning in the calendar year in
2 which the taxable year of the taxpayer begins.”.

3 (c) RESTRICT QUALIFYING CHILD TAX BENEFITS TO
4 CHILD’S PARENT.—

5 (1) CHILD TAX CREDIT.—Subsection (a) of sec-
6 tion 24 (relating to child tax credit) is amended by
7 inserting “for which the taxpayer is allowed a deduc-
8 tion under section 151” after “of the taxpayer”.

9 (2) PERSONS OTHER THAN PARENTS CLAIMING
10 QUALIFYING CHILD.—

11 (A) IN GENERAL.—Paragraph (4) of sec-
12 tion 152(c) is amended by adding at the end
13 the following new subparagraph:

14 “(C) NO PARENT CLAIMING QUALIFYING
15 CHILD.—If the parents of an individual may
16 claim such individual as a qualifying child but
17 no parent so claims the individual, such indi-
18 vidual may be claimed as the qualifying child of
19 another taxpayer but only if the adjusted gross
20 income of such taxpayer is higher than the
21 highest adjusted gross income of any parent of
22 the individual.”.

23 (B) CONFORMING AMENDMENTS.—

24 (i) Subparagraph (A) of section
25 152(c)(4) is amended by striking “Except”

1 through “2 or more taxpayers” and insert-
 2 ing “Except as provided in subparagraphs
 3 (B) and (C), if (but for this paragraph) an
 4 individual may be claimed as a qualifying
 5 child by 2 or more taxpayers”.

6 (ii) The heading for paragraph (4) of
 7 section 152(c) is amended by striking
 8 “CLAIMING” and inserting “WHO CAN
 9 CLAIM THE SAME”.

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

13 **TITLE IV—REVENUE**

14 **PROVISIONS**

15 **SEC. 401. NONQUALIFIED DEFERRED COMPENSATION** 16 **FROM CERTAIN TAX INDIFFERENT PARTIES.**

17 (a) IN GENERAL.—Subpart B of part II of sub-
 18 chapter E of chapter 1 is amended by inserting after sec-
 19 tion 457 the following new section:

20 **“SEC. 457A. NONQUALIFIED DEFERRED COMPENSATION** 21 **FROM CERTAIN TAX INDIFFERENT PARTIES.**

22 “(a) IN GENERAL.—Any compensation which is de-
 23 ferred under a nonqualified deferred compensation plan of
 24 a nonqualified entity shall be includible in gross income

1 when there is no substantial risk of forfeiture of the rights
2 to such compensation.

3 “(b) NONQUALIFIED ENTITY.—For purposes of this
4 section, the term ‘nonqualified entity’ means—

5 “(1) any foreign corporation unless substan-
6 tially all of its income is—

7 “(A) effectively connected with the conduct
8 of a trade or business in the United States, or

9 “(B) subject to a comprehensive foreign in-
10 come tax, and

11 “(2) any partnership unless substantially all of
12 its income is allocated to persons other than—

13 “(A) foreign persons with respect to whom
14 such income is not subject to a comprehensive
15 foreign income tax, and

16 “(B) organizations which are exempt from
17 tax under this title.

18 “(c) DETERMINABILITY OF AMOUNTS OF COMPENSA-
19 TION.—

20 “(1) IN GENERAL.—If the amount of any com-
21 pensation is not determinable at the time that such
22 compensation is otherwise includible in gross income
23 under subsection (a)—

24 “(A) such amount shall be so includible in
25 gross income when determinable, and

1 “(B) the tax imposed under this chapter
2 for the taxable year in which such compensation
3 is includible in gross income shall be increased
4 by the sum of—

5 “(i) the amount of interest determined
6 under paragraph (2), and

7 “(ii) an amount equal to 20 percent of
8 the amount of such compensation.

9 “(2) INTEREST.—For purposes of paragraph
10 (1)(B)(i), the interest determined under this para-
11 graph for any taxable year is the amount of interest
12 at the underpayment rate under section 6621 plus
13 1 percentage point on the underpayments that would
14 have occurred had the deferred compensation been
15 includible in gross income for the taxable year in
16 which first deferred or, if later, the first taxable year
17 in which such deferred compensation is not subject
18 to a substantial risk of forfeiture.

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

21 “(1) SUBSTANTIAL RISK OF FORFEITURE.—

22 “(A) IN GENERAL.—The rights of a person
23 to compensation shall be treated as subject to
24 a substantial risk of forfeiture only if such per-
25 son’s rights to such compensation are condi-

1 tioned upon the future performance of substan-
2 tial services by any individual.

3 “(B) EXCEPTION FOR COMPENSATION
4 BASED ON GAIN RECOGNIZED ON AN INVEST-
5 MENT ASSET.—

6 “(i) IN GENERAL.—To the extent pro-
7 vided in regulations prescribed by the Sec-
8 retary, if compensation is determined solely
9 by reference to the amount of gain recog-
10 nized on the disposition of an investment
11 asset, such compensation shall be treated
12 as subject to a substantial risk of for-
13 feiture until the date of such disposition.

14 “(ii) INVESTMENT ASSET.—For pur-
15 poses of clause (i), the term ‘investment
16 asset’ means any single asset (other than
17 an investment fund or similar entity)—

18 “(I) acquired directly by an in-
19 vestment fund or similar entity,

20 “(II) with respect to which such
21 entity does not (nor does any person
22 related to such entity) participate in
23 the active management of such asset
24 (or if such asset is an interest in an

1 entity, in the active management of
2 the activities of such entity), and

3 “(III) substantially all of any
4 gain on the disposition of which (other
5 than such deferred compensation) is
6 allocated to investors in such entity.

7 “(iii) COORDINATION WITH SPECIAL
8 RULE.—Paragraph (3)(B) shall not apply
9 to any compensation to which clause (i)
10 applies.

11 “(2) COMPREHENSIVE FOREIGN INCOME TAX.—
12 The term ‘comprehensive foreign income tax’ means,
13 with respect to any foreign person, the income tax
14 of a foreign country if—

15 “(A) such person is eligible for the benefits
16 of a comprehensive income tax treaty between
17 such foreign country and the United States, or

18 “(B) such person demonstrates to the sat-
19 isfaction of the Secretary that such foreign
20 country has a comprehensive income tax.

21 “(3) NONQUALIFIED DEFERRED COMPENSA-
22 TION PLAN.—

23 “(A) IN GENERAL.—The term ‘non-
24 qualified deferred compensation plan’ has the
25 meaning given such term under section

1 409A(d), except that such term shall include
2 any plan that provides a right to compensation
3 based on the appreciation in value of a specified
4 number of equity units of the service recipient.

5 “(B) EXCEPTION.—Compensation shall
6 not be treated as deferred for purposes of this
7 section if the service provider receives payment
8 of such compensation not later than 12 months
9 after the end of the taxable year of the service
10 recipient during which the right to the payment
11 of such compensation is no longer subject to a
12 substantial risk of forfeiture.

13 “(4) EXCEPTION FOR CERTAIN COMPENSATION
14 WITH RESPECT TO EFFECTIVELY CONNECTED IN-
15 COME.—In the case a foreign corporation with in-
16 come which is taxable under section 882, this section
17 shall not apply to compensation which, had such
18 compensation had been paid in cash on the date that
19 such compensation ceased to be subject to a sub-
20 stantial risk of forfeiture, would have been deduct-
21 ible by such foreign corporation against such income.

22 “(5) APPLICATION OF RULES.—Rules similar to
23 the rules of paragraphs (5) and (6) of section
24 409A(d) shall apply.

1 (2) APPLICATION TO EXISTING DEFERRALS.—

2 In the case of any amount deferred to which the
3 amendments made by this section do not apply solely
4 by reason of the fact that the amount is attributable
5 to services performed before January 1, 2009, to the
6 extent such amount is not includible in gross income
7 in a taxable year beginning before 2018, such
8 amounts shall be includible in gross income in the
9 later of—

10 (A) the last taxable year beginning before
11 2018, or

12 (B) the taxable year in which there is no
13 substantial risk of forfeiture of the rights to
14 such compensation (determined in the same
15 manner as determined for purposes of section
16 457A of the Internal Revenue Code of 1986, as
17 added by this section).

18 (3) CHARITABLE CONTRIBUTIONS OF EXISTING
19 DEFERRALS PERMITTED.—

20 (A) IN GENERAL.—Subsection (b) of sec-
21 tion 170 of the Internal Revenue Code of 1986
22 shall not apply to (and subsections (b) and (d)
23 of such section shall be applied without regard
24 to) so much of the taxpayer's qualified con-
25 tributions made during the taxpayer's last tax-

1 able year beginning before 2018 as does not ex-
2 ceed the taxpayer’s qualified inclusion amount.
3 For purposes of subsection (b) of section 170 of
4 such Code, the taxpayer’s contribution base for
5 such last taxable year shall be reduced by the
6 amount of the taxpayer’s qualified contributions
7 to which such subsection does not apply by rea-
8 son the preceding sentence.

9 (B) QUALIFIED CONTRIBUTIONS.—For
10 purposes of this paragraph, the term “qualified
11 contributions” means the aggregate charitable
12 contributions (as defined in section 170(c) of
13 such Code) paid in cash by the taxpayer to or-
14 ganizations described in section 170(b)(1)(A) of
15 such Code (other than any organization de-
16 scribed in section 509(a)(3) of such Code or
17 any fund or account described in section
18 4966(d)(2) of such Code).

19 (C) QUALIFIED INCLUSION AMOUNT.—For
20 purposes of this paragraph, the term “qualified
21 inclusion amount” means the amount includible
22 in the taxpayer’s gross income for the last tax-
23 able year beginning before 2018 by reason of
24 paragraph (2).

1 (4) ACCELERATED PAYMENTS.—No later than
2 120 days after the date of the enactment of this Act,
3 the Secretary shall issue guidance providing a lim-
4 ited period of time during which a nonqualified de-
5 ferred compensation arrangement attributable to
6 services performed on or before December 31, 2008,
7 may, without violating the requirements of section
8 409A(a) of the Internal Revenue Code of 1986, be
9 amended to conform the date of distribution to the
10 date the amounts are required to be included in in-
11 come.

12 (5) CERTAIN BACK-TO-BACK ARRANGEMENTS.—
13 If the taxpayer is also a service recipient and main-
14 tains one or more nonqualified deferred compensa-
15 tion arrangements for its service providers under
16 which any amount is attributable to services per-
17 formed on or before December 31, 2008, the guid-
18 ance issued under paragraph (4) shall permit such
19 arrangements to be amended to conform the dates of
20 distribution under such arrangement to the date
21 amounts are required to be included in the income
22 of such taxpayer under this subsection.

23 (6) ACCELERATED PAYMENT NOT TREATED AS
24 MATERIAL MODIFICATION.—Any amendment to a
25 nonqualified deferred compensation arrangement

1 made pursuant to paragraph (4) or (5) shall not be
2 treated as a material modification of the arrange-
3 ment for purposes of section 409A of the Internal
4 Revenue Code of 1986.

5 **SEC. 402. DELAY IN APPLICATION OF WORLDWIDE ALLOCA-**
6 **TION OF INTEREST.**

7 (a) IN GENERAL.—Paragraph (6) of section 864(f)
8 is amended—

9 (1) by striking “December 31, 2008” and in-
10 sserting “December 31, 2018”,

11 (2) by striking “An election” and inserting:

12 “(A) IN GENERAL.—Except as provided in
13 subparagraph (B), an election”, and

14 (3) by adding at the end the following new sub-
15 paragraph:

16 “(B) EARLIER APPLICATION FOR CERTAIN
17 GROUPS INCLUDING HOLDING COMPANIES.—

18 “(i) IN GENERAL.—Notwithstanding
19 subparagraph (A), in the case of an appli-
20 cable worldwide affiliated group—

21 “(I) the common parent of the
22 applicable worldwide affiliated group
23 may elect, for its first taxable year be-
24 ginning after December 31, 2008, to
25 have paragraphs (1), (2), and (3)

1 apply to the applicable worldwide af-
2 filiated group as if it were a separate
3 worldwide affiliated group, and

4 “(II) except as provided in clause
5 (ii), such election shall apply to such
6 applicable worldwide affiliated group
7 for such taxable year and the 2 imme-
8 diately succeeding taxable years unless
9 revoked with the consent of the Sec-
10 retary.

11 Such election shall not preclude an election
12 under subparagraph (A) with respect to
13 the worldwide affiliated group to which
14 such applicable worldwide affiliated group
15 relates.

16 “(ii) LIMITATION BASED ON FOREIGN
17 ASSETS.—This subsection shall not apply
18 to a taxable year for which the election
19 under clause (i) is otherwise in effect if the
20 ratio (expressed as a percentage) which the
21 foreign assets of the applicable worldwide
22 affiliated group bear to all the assets of
23 the applicable worldwide affiliated group
24 exceeds 3 percent at any time during such
25 taxable year.

1 “(iii) APPLICABLE WORLDWIDE AF-
2 FILIATED GROUP.—For purposes of this
3 subparagraph, the term ‘applicable world-
4 wide affiliated group’ means, with respect
5 to any worldwide affiliated group (as de-
6 fined in paragraph (1)(C)) the common
7 parent of which is an entity described in
8 clause (i), (ii), or (iii) of paragraph (4)(C),
9 a separate group consisting of those mem-
10 bers of such worldwide affiliated group
11 which—

12 “(I) are entities described in
13 clause (i), (ii), or (iii) of paragraph
14 (4)(C), or are subsidiaries of such en-
15 tities substantially all of the activities
16 of which are payroll, asset holding, or
17 other activities which are integrally
18 related to activities described in any
19 such clause, and

20 “(II) were in existence, and were
21 members of such group, as of October
22 21, 2004.

23 “(iv) GUIDANCE.—The Secretary may
24 prescribe such guidance as may be nec-
25 essary to carry out the application of this

1 subparagraph, including guidance with re-
2 spect to the proper method for determining
3 the ratio described in clause (ii) and guid-
4 ance to prevent avoidance of the purposes
5 of this subparagraph.”.

6 (b) CONFORMING AMENDMENT.—Paragraph (5)(D)
7 of section 864(f) is amended by striking “December 31,
8 2008” and inserting “December 31, 2018”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2008.

12 **SEC. 403. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
13 **TAXES.**

14 (a) REPEAL OF ADJUSTMENT FOR 2012.—Subpara-
15 graph (B) of section 401(1) of the Tax Increase Preven-
16 tion and Reconciliation Act of 2005 is amended by striking
17 the percentage contained therein and inserting “100 per-
18 cent”.

19 (b) MODIFICATION OF ADJUSTMENT FOR 2013.—
20 The percentage under subparagraph (C) of section 401(1)
21 of the Tax Increase Prevention and Reconciliation Act of
22 2005 in effect on the date of the enactment of this Act
23 is increased by 37.75 percentage points.

○