

106TH CONGRESS
1ST SESSION

H. R. 1358

To amend the Internal Revenue Code of 1986 to provide tax credits for making energy efficiency improvements to existing homes and for constructing new energy efficient homes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1999

Mr. THOMAS (for himself, Mr. RANGEL, Mr. HERGER, Mr. RAMSTAD, Mr. ENGLISH, and Mr. LIPINSKI) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide tax credits for making energy efficiency improvements to existing homes and for constructing new energy efficient homes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Energy Efficient Af-
5 fordable Home Act of 1999”.

1 **SEC. 2. CREDIT FOR ENERGY EFFICIENCY IMPROVEMENTS**
2 **TO EXISTING HOMES.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 (relating to nonrefundable personal credits) is
6 amended by inserting after section 25A the following new
7 section:

8 **“SEC. 25B. ENERGY EFFICIENCY IMPROVEMENTS TO EXIST-**
9 **ING HOMES.**

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

16 “(b) LIMITATIONS.—

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

20 “(2) PRIOR CREDIT AMOUNTS FOR TAXPAYER
21 ON SAME DWELLING TAKEN INTO ACCOUNT.—If a
22 credit was allowed to the taxpayer under subsection
23 (a) with respect to a dwelling in 1 or more prior tax-
24 able years, the amount of the credit otherwise allow-
25 able for the taxable year with respect to that dwell-
26 ing shall not exceed the amount of \$2,000 reduced

1 by the sum of the credits allowed under subsection
2 (a) to the taxpayer with respect to the dwelling for
3 all prior taxable years.

4 “(c) CARRYFORWARD OF UNUSED CREDIT.—If the
5 credit allowable under subsection (a) exceeds the limita-
6 tion imposed by section 26(a) for such taxable year re-
7 duced by the sum of the credits allowable under subpart
8 A of part IV of subchapter A (other than this section),
9 such excess shall be carried to the succeeding taxable year
10 and added to the credit allowable under subsection (a) for
11 such taxable year.

12 “(d) QUALIFIED ENERGY EFFICIENCY IMPROVE-
13 MENTS.—For purposes of this section, the term ‘qualified
14 energy efficiency improvements’ means any energy effi-
15 cient building envelope component, and any energy effi-
16 cient heating, cooling, or water heating appliance, the in-
17 stallation of which, by itself or in combination with other
18 such components or appliances, is certified to improve the
19 annual energy performance of the existing home by at
20 least 30 percent, if—

21 “(1) such component or appliance is installed in
22 or on a dwelling—

23 “(A) located in the United States, and

1 “(B) owned and used by the taxpayer as
 2 the taxpayer’s principal residence (within the
 3 meaning of section 121),

4 “(2) the original use of such component or ap-
 5 pliance commences with the taxpayer, and

6 “(3) such component or appliance reasonably
 7 can be expected to remain in use for at least 5
 8 years.

9 Such certification shall be made by the contractor who in-
 10 stalled such improvements, a local building regulatory au-
 11 thority, or a qualified energy consultant (such as a utility
 12 or an accredited home energy rating system provider).

13 “(e) SPECIAL RULES.—

14 “(1) TENANT-STOCKHOLDER IN COOPERATIVE
 15 HOUSING CORPORATION.—In the case of an indi-
 16 vidual who is a tenant-stockholder (as defined in sec-
 17 tion 216) in a cooperative housing corporation (as
 18 defined in such section), such individual shall be
 19 treated as having paid his tenant-stockholder’s pro-
 20 portionate share (as defined in section 216(b)(3)) of
 21 the cost of qualified energy efficiency improvements
 22 made by such corporation.

23 “(2) CONDOMINIUMS.—

24 “(A) IN GENERAL.—In the case of an indi-
 25 vidual who is a member of a condominium man-

1 agement association with respect to a condo-
2 minium which he owns, such individual shall be
3 treated as having paid his proportionate share
4 of the cost of qualified energy efficiency im-
5 provements made by such association.

6 “(B) CONDOMINIUM MANAGEMENT ASSO-
7 CIATION.—For purposes of this paragraph, the
8 term ‘condominium management association’
9 means an organization which meets the require-
10 ments of paragraph (1) of section 528(c) (other
11 than subparagraph (E) thereof) with respect to
12 a condominium project substantially all of the
13 units of which are used as residences.

14 “(f) BASIS ADJUSTMENT.—For purposes of this sub-
15 title, if a credit is allowed under this section for any ex-
16 penditure with respect to any property, the increase in the
17 basis of such property which would (but for this sub-
18 section) result from such expenditure shall be reduced by
19 the amount of the credit so allowed.

20 “(g) TERMINATION.—Subsection (a) shall apply to
21 qualified energy efficiency improvements installed during
22 the period beginning on January 1, 1999, and ending on
23 December 31, 2003.”.

24 (b) CONFORMING AMENDMENTS.—

1 (1) Subsection (c) of section 23 of such Code
 2 is amended by inserting “, section 25B, and section
 3 1400C” after “other than this section”.

4 (2) Subparagraph (C) of section 25(e)(1) of
 5 such Code is amended by striking “section 23” and
 6 inserting “sections 23, 25B, and 1400C”.

7 (3) Subsection (d) of section 1400C of such
 8 Code is amended by inserting “and section 25B”
 9 after “other than this section”.

10 (4) Subsection (a) of section 1016 of such Code
 11 is amended by striking “and” at the end of para-
 12 graph (26), by striking the period at the end of
 13 paragraph (27) and inserting “; and”, and by add-
 14 ing at the end the following new paragraph:

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

18 (5) The table of sections for subpart A of part
 19 IV of subchapter A of chapter 1 of such Code is
 20 amended by inserting after the item relating to sec-
 21 tion 25A the following new item:

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

22 (c) EFFECTIVE DATE.—The amendments made by
 23 this section shall apply to taxable years ending after
 24 December 31, 1998.

1 **SEC. 3. BUSINESS CREDIT FOR CONSTRUCTION OF NEW EN-**
 2 **ERGY EFFICIENT HOME.**

3 (a) IN GENERAL.—Subpart D of part IV of sub-
 4 chapter A of chapter 1 of the Internal Revenue Code of
 5 1986 (relating to business related credits) is amended by
 6 inserting after section 45C the following new section:

7 **“SEC. 45D. NEW ENERGY EFFICIENT HOME CREDIT.**

8 “(a) IN GENERAL.—For purposes of section 38, in
 9 the case of an eligible contractor, the credit determined
 10 under this section for the taxable year is an amount equal
 11 to the aggregate adjusted bases of all energy efficient
 12 property installed in a qualified new energy efficient home
 13 during construction of such home.

14 “(b) LIMITATIONS.—

15 “(1) MAXIMUM CREDIT.—

16 “(A) IN GENERAL.—The credit allowed by
 17 this section with respect to a dwelling shall not
 18 exceed \$2,000.

19 “(B) PRIOR CREDIT AMOUNTS ON SAME
 20 DWELLING TAKEN INTO ACCOUNT.—If a credit
 21 was allowed under subsection (a) with respect
 22 to a dwelling in 1 or more prior taxable years,
 23 the amount of the credit otherwise allowable for
 24 the taxable year with respect to that dwelling
 25 shall not exceed the amount of \$2,000 reduced
 26 by the sum of the credits allowed under sub-

1 section (a) with respect to the dwelling for all
2 prior taxable years.

3 “(2) COORDINATION WITH REHABILITATION
4 AND ENERGY CREDITS.—For purposes of this
5 section—

6 “(A) the basis of any property referred to
7 in subsection (a) shall be reduced by that por-
8 tion of the basis of any property which is attrib-
9 utable to qualified rehabilitation expenditures
10 (as defined in section 47(c)(2)) or to the energy
11 percentage of energy property (as determined
12 under section 48(a)), and

13 “(B) expenditures taken into account
14 under either section 47 or 48(a) shall not be
15 taken into account under this section.

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

17 “(1) ELIGIBLE CONTRACTOR.—The term ‘eligi-
18 ble contractor’ means the person who constructed
19 the new energy efficient home.

20 “(2) ENERGY EFFICIENT PROPERTY.—The
21 term ‘energy efficient property’ means any energy
22 efficient building envelope component, and any en-
23 ergy efficient heating, cooling, or water heating ap-
24 pliance.

1 “(3) QUALIFIED NEW ENERGY EFFICIENT
2 HOME.—The term ‘qualified new energy efficient
3 home’ means a dwelling—

4 “(A) located in the United States,

5 “(B) the construction of which is substan-
6 tially completed after December 31, 1998,

7 “(C) the original use of which is as a prin-
8 cipal residence (within the meaning of section
9 121) which commences with the person who ac-
10 quires such dwelling from the eligible con-
11 tractor, and

12 “(D) the energy efficiency of which is cer-
13 tified to exceed by 30 percent or more the ap-
14 plicable standards for energy efficiency, based
15 upon energy use or building component per-
16 formance established for comparable dwellings
17 under the 1998 International Energy Conserva-
18 tion Code.

19 “(4) CONSTRUCTION.—The term ‘construc-
20 tion’ includes reconstruction and rehabilitation.

21 “(5) ACQUIRE.—The term ‘acquire’ in-
22 cludes purchase and, in the case of reconstruc-
23 tion and rehabilitation, such term includes a
24 binding written contract for such reconstruction
25 or rehabilitation.

1 “(d) CERTIFICATION.—A certification described in
2 subsection (c)(3)(D) with respect to a dwelling shall be
3 made by the eligible contractor, a local building regulatory
4 authority, or a qualified energy consultant (such as a util-
5 ity or an accredited home energy rating system provider).

6 “(e) BASIS ADJUSTMENT.—For purposes of this sub-
7 title, if a credit is allowed under this section for any ex-
8 penditure with respect to any property, the increase in the
9 basis of such property which would (but for this sub-
10 section) result from such expenditure shall be reduced by
11 the amount of the credit so allowed.

12 “(f) TERMINATION.—Subsection (a) shall apply to
13 dwellings purchased during the period beginning on Janu-
14 ary 1, 1999, and ending on December 31, 2003.”.

15 (b) CREDIT MADE PART OF GENERAL BUSINESS
16 CREDIT.—Subsection (b) of section 38 of such Code (re-
17 lating to current year business credit) is amended by strik-
18 ing “plus” at the end of paragraph (11), by striking the
19 period at the end of paragraph (12) and inserting “, plus”,
20 and by adding at the end thereof the following new para-
21 graph:

22 “(13) the new energy efficient home credit de-
23 termined under section 45D.”.

24 (c) DENIAL OF DOUBLE BENEFIT.—Section 280C of
25 such Code (relating to certain expenses for which credits

1 are allowable) is amended by adding at the end thereof
2 the following new subsection:

3 “(d) NEW ENERGY EFFICIENT HOME EXPENSES.—
4 No deduction shall be allowed for that portion of expenses
5 for a new energy efficient home otherwise allowable as a
6 deduction for the taxable year which is equal to the
7 amount of the credit determined for such taxable year
8 under section 45D.”.

9 (d) CREDIT ALLOWED AGAINST REGULAR AND MIN-
10 IMUM TAX.—

11 (1) IN GENERAL.—Subsection (c) of section 38
12 of such Code (relating to limitation based on amount
13 of tax) is amended by redesignating paragraph (3)
14 as paragraph (4) and by inserting after paragraph
15 (2) the following new paragraph:

16 “(3) SPECIAL RULES FOR NEW ENERGY EFFI-
17 CIENT HOME CREDIT.—

18 “(A) IN GENERAL.—In the case of the new
19 energy efficient home credit—

20 “(i) this section and section 39 shall
21 be applied separately with respect to the
22 credit, and

23 “(ii) in applying paragraph (1) to the
24 credit—

1 “(I) subparagraph (A) thereof
2 shall not apply, and

3 “(II) the limitation under para-
4 graph (1) (as modified by subclause
5 (I)) shall be reduced by the credit al-
6 lowed under subsection (a) for the
7 taxable year (other than the new en-
8 ergy efficient home credit).

9 “(B) NEW ENERGY EFFICIENT HOME
10 CREDIT.—For purposes of this subsection, the
11 term ‘new energy efficient home credit’ means
12 the credit allowable under subsection (a) by rea-
13 son of section 45D.”.

14 (2) CONFORMING AMENDMENT.—Subclause (II)
15 of section 38(c)(2)(A)(ii) of such Code is amended
16 by inserting “or the new energy efficient home cred-
17 it” after “employment credit”.

18 (e) LIMITATION ON CARRYBACK.—Subsection (d) of
19 section 39 of such Code is amended by adding at the end
20 the following new paragraph:

21 “(9) NO CARRYBACK OF NEW ENERGY EFFI-
22 CIENT HOME CREDIT BEFORE EFFECTIVE DATE.—
23 No portion of the unused business credit for any
24 taxable year which is attributable to the credit deter-
25 mined under section 45D may be carried back to

1 any taxable year ending before the date of the enact-
2 ment of section 45D.”.

3 (f) DEDUCTION FOR CERTAIN UNUSED BUSINESS
4 CREDITS.—Subsection (c) of section 196 of such Code is
5 amended by striking “and” at the end of paragraph (7),
6 by striking the period at the end of paragraph (8) and
7 inserting “, and”, and by adding after paragraph (8) the
8 following new paragraph:

9 “(9) the new energy efficient home credit deter-
10 mined under section 45D.”.

11 (g) CLERICAL AMENDMENT.—The table of sections
12 for subpart D of part IV of subchapter A of chapter 1
13 of such Code is amended by inserting after the item relat-
14 ing to section 45C the following new item:

“Sec. 45D. New energy efficient home credit.”.

15 (h) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years ending after
17 December 31, 1998.

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