

106TH CONGRESS
1ST SESSION

H. R. 2380

To amend the Internal Revenue Code of 1986 to provide incentives to reduce energy consumption.

IN THE HOUSE OF REPRESENTATIVES

JUNE 29, 1999

Mr. MATSUI (for himself, Mr. NEAL of Massachusetts, Mr. LEWIS of Georgia, Mr. BECERRA, Mrs. THURMAN, Mr. WAXMAN, Ms. DELAURO, Mr. PALLONE, Mr. BROWN of Ohio, Mr. MINGE, Mr. FROST, Mr. FILNER, Ms. LOFGREN, Mrs. LOWEY, Ms. LEE, Mr. HINCHEY, Mr. KUCINICH, Mr. VENTO, Mr. LAFALCE, and Mr. BERMAN) 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 incentives to reduce energy consumption.

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 Tech-
5 nology Tax Act”.

SEC. 2. CREDIT FOR CERTAIN ENERGY-EFFICIENT PROPERTY USED IN BUSINESS.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 48 the following new section:

“SEC. 48A. ENERGY CREDIT.

“(a) IN GENERAL.—For purposes of section 46, the energy credit for any taxable year is the sum of—

“(1) the amount equal to the energy percentage of the basis of each energy property placed in service during such taxable year, and

“(2) the credit amount for each qualified hybrid vehicle placed in service during the taxable year.

“(b) ENERGY PERCENTAGE.—

“(1) IN GENERAL.—The energy percentage shall be determined in accordance with the following table:

“Column A—Description	Column B— Energy Percentage	Column C—Period	
		For the period:	
In the case of:	The energy percent- age is:	Beginning on:	Ending on:
Solar energy property (other than elected solar hot water property and photovoltaic property) and geothermal energy property	10 percent	1/1/2000	no end date
Elected solar hot water property	15 percent	1/1/2000	12/31/2004
Photovoltaic property	15 percent	1/1/2000	12/31/2006
20 percent energy-efficient building property	20 percent	1/1/2000	12/31/2003
10 percent energy-efficient building property	10 percent	1/1/2000	12/31/2001
Combined heat and power system property	8 percent	1/1/2000	12/31/2002.

“(2) PERIODS FOR WHICH PERCENTAGE NOT SPECIFIED.—In the case of any energy property, the

1 energy percentage shall be zero for any period for
 2 which an energy percentage is not specified for such
 3 property under paragraph (1).

4 “(3) COORDINATION WITH REHABILITATION.—
 5 The energy percentage shall not apply to that por-
 6 tion of the basis of any property which is attrib-
 7 utable to qualified rehabilitation expenditures.

8 “(4) TRANSITIONAL RULES.—Rules similar to
 9 the rules of section 48(m) (as in effect on the day
 10 before the date of the enactment of the Revenue
 11 Reconciliation Act of 1990) shall apply for purposes
 12 of this subsection.

13 “(c) MAXIMUM CREDIT FOR CERTAIN PROPERTY.—
 14 In the case of property described in the following table,
 15 the amount of the current year business credit under sub-
 16 section (a) for the taxable year for each item of such prop-
 17 erty with respect to a building shall not exceed the amount
 18 specified for such property in such table:

Description of property:	Maximum allowable credit amount is:
Elected solar hot water property	\$1,000.
Photovoltaic property with respect to which the energy percentage is greater than 10 percent.	\$2,000.
20 percent energy-efficient building property:	
fuel cell described in subsection (e)(3)(A)	\$ 500 per each kw/hr of capacity.
natural gas heat pump described in subsection (e)(3)(D).	\$1,000.
20 percent energy-efficient building property (other than a fuel cell and a natural gas heat pump)	\$500.
10 percent energy-efficient building property	\$ 250.

1 “(d) ENERGY PROPERTY DEFINED.—

2 “(1) IN GENERAL.—For purposes of this sub-
3 part, the term ‘energy property’ means any
4 property—

5 “(A) which is—

6 “(i) solar energy property,

7 “(ii) geothermal energy property,

8 “(iii) 20 percent energy-efficient
9 building property,

10 “(iv) 10 percent energy-efficient build-
11 ing property, or

12 “(v) combined heat and power system
13 property,

14 “(B)(i) the construction, reconstruction, or
15 erection of which is completed by the taxpayer,
16 or

17 “(ii) which is acquired by the taxpayer if
18 the original use of such property commences
19 with the taxpayer,

20 “(C) with respect to which depreciation (or
21 amortization in lieu of depreciation) is allow-
22 able, and

23 “(D) which meets the performance and
24 quality standards (if any), and the certification
25 requirements (if any), which—

1 “(i) have been prescribed by the Sec-
 2 retary by regulations (after consultation
 3 with the Secretary of Energy or the Ad-
 4 ministrator of the Environmental Protec-
 5 tion Agency, as appropriate), and

6 “(ii) are in effect at the time of the
 7 acquisition of the property.

8 “(2) EXCEPTION.—Such term shall not include
 9 any property which is public utility property (as de-
 10 fined in section 46(f)(5) as in effect on the day be-
 11 fore the date of the enactment of the Revenue Rec-
 12 onciliation Act of 1990). The preceding sentence
 13 shall not apply to combined heat and power system
 14 property.

15 “(e) DEFINITIONS RELATING TO TYPES OF ENERGY
 16 PROPERTY.—For purposes of this section—

17 “(1) SOLAR ENERGY PROPERTY.—

18 “(A) IN GENERAL.—The term ‘solar en-
 19 ergy property’ means equipment which uses
 20 solar energy—

21 “(i) to generate electricity,

22 “(ii) to heat or cool (or provide hot
 23 water for use in) a structure, or

24 “(iii) to provide solar process heat.

1 “(B) ELECTED SOLAR WATER HEATING
2 PROPERTY.—

3 “(i) IN GENERAL.—The term ‘elected
4 solar water heating property’ means prop-
5 erty which is solar energy property by rea-
6 son of subparagraph (A)(ii) and for which
7 an election under this subparagraph is in
8 effect.

9 “(ii) ELECTION.—For purposes of
10 clause (i) and the energy percentage speci-
11 fied in the table in subsection (b)(1), a tax-
12 payer may elect to treat property described
13 in clause (i) as elected solar water heating
14 property.

15 “(C) PHOTOVOLTAIC PROPERTY.—The
16 term ‘photovoltaic property’ means solar energy
17 property which uses a solar photovoltaic process
18 to generate electricity.

19 “(D) SWIMMING POOLS, ETC., USED AS
20 STORAGE MEDIUM.—The term ‘solar energy
21 property’ shall not include a swimming pool,
22 hot tub, or any other energy storage medium
23 which has a function other than the function of
24 such storage.

1 “(E) SOLAR PANELS.—No solar panel or
2 other property installed as a roof (or portion
3 thereof) shall fail to be treated as solar energy
4 property solely because it constitutes a struc-
5 tural component of the structure on which it is
6 installed.

7 “(2) GEOTHERMAL ENERGY PROPERTY.—The
8 term ‘geothermal energy property’ means equipment
9 used to produce, distribute, or use energy derived
10 from a geothermal deposit (within the meaning of
11 section 613(e)(2)), but only, in the case of electricity
12 generated by geothermal power, up to (but not in-
13 cluding) the electrical transmission stage.

14 “(3) 20 PERCENT ENERGY-EFFICIENT BUILD-
15 ING PROPERTY.—The term ‘20 percent energy-effi-
16 cient building property’ means—

17 “(A) a fuel cell that—

18 “(i) generates electricity and heat
19 using an electrochemical process,

20 “(ii) has an electricity-only generation
21 efficiency greater than 35 percent, and

22 “(iii) has a minimum generating ca-
23 pacity of 5 kilowatts,

24 “(B) an electric heat pump hot water heat-
25 er that yields an energy factor of 1.7 or greater,

1 “(C) an electric heat pump that has a
 2 heating system performance factor (HSPF) of
 3 9 or greater and a cooling seasonal energy effi-
 4 ciency ratio (SEER) of 15 or greater,

5 “(D) a natural gas heat pump that has a
 6 coefficient of performance of not less than 1.25
 7 for heating and not less than 0.70 for cooling,

8 “(E) a central air conditioner that has a
 9 cooling seasonal energy efficiency ratio (SEER)
 10 of 15 or greater, and

11 “(F) an advanced natural gas water heater
 12 that has an energy factor of at least 0.80.

13 “(4) 10 PERCENT ENERGY-EFFICIENT BUILD-
 14 ING PROPERTY.—The term ‘10 percent energy-effi-
 15 cient building property’ means—

16 “(A) an electric heat pump that has a
 17 heating system performance factor (HSPF) of
 18 7.5 or greater and a cooling seasonal energy ef-
 19 ficiency ratio (SEER) of 13.5 or greater,

20 “(B) a central air conditioner that has a
 21 cooling seasonal energy efficiency ratio (SEER)
 22 of 13.5 or greater, and

23 “(C) an advanced natural gas water heater
 24 that has an energy factor of at least 0.65.

1 “(5) COMBINED HEAT AND POWER SYSTEM
2 PROPERTY.—

3 “(A) IN GENERAL.—The term ‘combined
4 heat and power system property’ means prop-
5 erty comprising a system—

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

13 “(ii) which has an electrical capacity
14 of more than 50 kilowatts or a mechanical
15 energy capacity of more than 67 horse-
16 power or an equivalent combination of elec-
17 trical and mechanical energy capacities,

18 “(iii) which produces—

19 “(I) at least 20 percent of its
20 total useful energy in the form of
21 thermal energy, and

22 “(II) at least 20 percent of its
23 total useful energy in the form of elec-
24 trical or mechanical power (or a com-
25 bination thereof), and

1 “(iv) the energy efficiency percentage
2 of which exceeds 60 percent (70 percent in
3 the case of a system with an electrical ca-
4 pacity in excess of 50 megawatts or a me-
5 chanical energy capacity in excess of
6 67,000 horsepower, or an equivalent com-
7 bination of electrical and mechanical en-
8 ergy capacities).

9 “(B) SPECIAL RULES.—

10 “(i) ENERGY EFFICIENCY PERCENT-
11 AGE.—For purposes of subparagraph
12 (A)(iv), the energy efficiency percentage of
13 a system is the fraction—

14 “(I) the numerator of which is
15 the total useful electrical, thermal,
16 and mechanical power produced by
17 the system at normal operating rates,
18 and

19 “(II) the denominator of which is
20 the lower heating value of the primary
21 fuel source for the system.

22 “(ii) DETERMINATIONS MADE ON BTU
23 BASIS.—The energy efficiency percentage
24 and the percentages under subparagraph
25 (A)(iii) shall be determined on a Btu basis.

1 “(iii) INPUT AND OUTPUT PROPERTY
2 NOT INCLUDED.—The term ‘combined heat
3 and power system property’ does not in-
4 clude property used to transport the en-
5 ergy source to the facility or to distribute
6 energy produced by the facility.

7 “(iv) ACCOUNTING RULE FOR PUBLIC
8 UTILITY PROPERTY.—In the case that
9 combined heat and power system property
10 is public utility property (as defined in sec-
11 tion 46(f)(5) as in effect on the day before
12 the date of the enactment of the Revenue
13 Reconciliation Act of 1990), the taxpayer
14 may only claim the credit under subsection
15 (a)(1) if, with respect to such property, the
16 taxpayer uses a normalization method of
17 accounting.

18 “(v) DEPRECIATION.—No credit shall
19 be allowed for any combined heat and
20 power system property unless the taxpayer
21 elects to treat such property for purposes
22 of section 168 as having a class life of not
23 less than 22 years.

24 “(f) QUALIFIED HYBRID VEHICLES.—For purposes
25 of subsection (a)(2)—

1 “(1) CREDIT AMOUNT.—

2 “(A) IN GENERAL.—The credit amount for
 3 each qualified hybrid vehicle with a recharge-
 4 able energy storage system that provides the
 5 applicable percentage of the maximum available
 6 power shall be the amount specified in the fol-
 7 lowing table:

“Applicable percentage		Credit amount is:
Greater than or equal to—	Less than—	
5 percent	10 percent	\$ 500
10 percent	20 percent	\$1,000
20 percent	30 percent	\$1,500
30 percent		\$2,000

8 “(B) INCREASE IN CREDIT AMOUNT FOR
 9 REGENERATIVE BRAKING SYSTEM.—In the case
 10 of a qualified hybrid vehicle that actively em-
 11 ploys a regenerative braking system which sup-
 12 plies to the rechargeable energy storage system
 13 the applicable percentage of the energy avail-
 14 able from braking in a typical 60 miles per
 15 hour to 0 miles per hour braking event, the
 16 credit amount determined under subparagraph
 17 (A) shall be increased by the amount specified
 18 in the following table:

“Applicable percentage		Credit amount increase is:
Greater than or equal to—	Less than—	
20 percent	40 percent	\$ 250
40 percent	60 percent	\$ 500

“Applicable percentage		Credit amount increase is:
Greater than or equal to—	Less than—	
60 percent		\$1,000

1 “(2) QUALIFIED HYBRID VEHICLE.—The term
2 ‘qualified hybrid vehicle means an automobile that
3 meets all applicable regulatory requirements and
4 that can draw propulsion energy from both of the
5 following on-board sources of stored energy:

6 “(A) A consumable fuel.

7 “(B) A rechargeable energy storage sys-
8 tem.

9 “(3) MAXIMUM AVAILABLE POWER.—The term
10 ‘maximum available power’ means the maximum
11 value of the sum of the heat engine and electric
12 drive system power or other non-heat energy conver-
13 sion devices available for a driver’s command for
14 maximum acceleration at vehicle speeds under 75
15 miles per hour.

16 “(4) AUTOMOBILE.—The term ‘automobile’ has
17 the meaning given such term by section 4064(b)(1)
18 (without regard to subparagraphs (B) and (C) there-
19 of). A vehicle shall not fail to be treated as an auto-
20 mobile solely by reason of weight if such vehicle is
21 rated at 8,500 pounds gross vehicle weight rating or
22 less.

1 “(5) DOUBLE BENEFIT; PROPERTY USED OUT-
2 SIDE UNITED STATES, ETC., NOT QUALIFIED.—No
3 credit shall be allowed under subsection (a)(2) with
4 respect to—

5 “(A) any property for which a credit is al-
6 lowed under section 25B or 30,

7 “(B) any property referred to in section
8 50(b), and

9 “(C) the portion of the cost of any prop-
10 erty taken into account under section 179 or
11 179A.

12 “(6) REGULATIONS.—

13 “(A) TREASURY.—The Secretary shall pre-
14 scribe such regulations as may be necessary or
15 appropriate to carry out the purposes of this
16 subsection.

17 “(B) ENVIRONMENTAL PROTECTION AGEN-
18 CY.—

19 “(A) TREASURY.—The Administrator of
20 the Environmental Protection Agency shall pre-
21 scribe such regulations as may be necessary or
22 appropriate to specify the testing and calcula-
23 tion procedures that would be used to deter-
24 mine whether a vehicle meets the qualifications
25 for a credit under this subsection.

1 “(7) TERMINATION.—Paragraph (2) shall not
 2 apply with respect to any vehicle placed in service
 3 during a calendar year ending before January 1,
 4 2003, or after December 31, 2006.

5 “(g) SPECIAL RULES.—For purposes of this
 6 section—

7 “(1) SPECIAL RULE FOR PROPERTY FINANCED
 8 BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL
 9 DEVELOPMENT BONDS.—

10 “(A) REDUCTION OF BASIS.—For purposes
 11 of applying the energy percentage to any prop-
 12 erty, if such property is financed in whole or in
 13 part by—

14 “(i) subsidized energy financing, or

15 “(ii) the proceeds of a private activity
 16 bond (within the meaning of section 141)
 17 the interest on which is exempt from tax
 18 under section 103,

19 the amount taken into account as the basis of
 20 such property shall not exceed the amount
 21 which (but for this subparagraph) would be so
 22 taken into account multiplied by the fraction
 23 determined under subparagraph (B).

24 “(B) DETERMINATION OF FRACTION.—For
 25 purposes of subparagraph (A), the fraction de-

1 terminated under this subparagraph is 1 reduced
2 by a fraction—

3 “(i) the numerator of which is that
4 portion of the basis of the property which
5 is allocable to such financing or proceeds,
6 and

7 “(ii) the denominator of which is the
8 basis of the property.

9 “(C) SUBSIDIZED ENERGY FINANCING.—
10 For purposes of subparagraph (A), the term
11 ‘subsidized energy financing’ means financing
12 provided under a Federal, State, or local pro-
13 gram a principal purpose of which is to provide
14 subsidized financing for projects designed to
15 conserve or produce energy.

16 “(2) BUSINESS USE.—The rule similar to the
17 rule of section 25(B)(d)(5)(B) shall apply for pur-
18 poses of determining the business use of a vehicle.

19 “(3) CERTAIN PROGRESS EXPENDITURE RULES
20 MADE APPLICABLE.—Rules similar to the rules of
21 subsections (c)(4) and (d) of section 46 (as in effect
22 on the day before the date of the enactment of the
23 Revenue Reconciliation Act of 1990) shall apply for
24 purposes of this section.

1 “(4) DOUBLE BENEFIT.—Property which
 2 would, but for this paragraph, be eligible for credit
 3 under more than one provision of this section shall
 4 be eligible only under one such provision, the provi-
 5 sion specified by the taxpayer.”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Section 48 of such Code is amended to read
 8 as follows:

9 **“SEC. 48. REFORESTATION CREDIT.**

10 “(a) IN GENERAL.—For purposes of section 46, the
 11 reforestation credit for any taxable year is 10 percent of
 12 the portion of the amortizable basis of any qualified timber
 13 property which was acquired during such taxable year and
 14 which is taken into account under section 194 (after the
 15 application of section 194(b)(1)).

16 “(b) DEFINITIONS.—For purposes of this subpart,
 17 the terms ‘amortizable basis’ and ‘qualified timber prop-
 18 erty’ have the respective meanings given to such terms by
 19 section 194.”.

20 (2) Subsection (d) of section 39 of such Code
 21 is amended by adding at the end the following new
 22 paragraph:

23 “(9) NO CARRYBACK OF ENERGY CREDIT BE-
 24 FORE EFFECTIVE DATE.—No portion of the unused
 25 business credit for any taxable year which is attrib-

1 utable to the energy credit determined under section
 2 48A may be carried back to a taxable year ending
 3 before the date of the enactment of section 48A.”.

4 (3) Paragraph (3) of section 50(c) of such Code
 5 is amended by adding at the end the following flush
 6 sentence:

7 “In the case of the energy credit, the preceding sen-
 8 tence shall apply only to so much of such credit as
 9 relates to solar energy property and geothermal
 10 property (as such terms are defined in section
 11 48A(e)).”.

12 (4) Subclause (III) of section 29(b)(3)(A)(i) of
 13 such Code is amended by striking “section
 14 48(a)(4)(C)” and inserting “section 48A(g)(1)(C)”.

15 (5) Subparagraph (E) of section 50(a)(2) of
 16 such Code is amended by striking “section 48(a)(5)”
 17 and inserting “section 48A(g)(3)”.

18 (6) Subparagraph (B) of section 168(e)(3) of
 19 such Code is amended—

20 (A) in clause (vi)(I)—

21 (i) by striking “section 48(a)(3)” and
 22 inserting “paragraphs (1) and (2) of sec-
 23 tion 48A(e)”, and

24 (ii) by striking “clause (i)” and in-
 25 serting “paragraph (1)(A)”, and

1 (B) in the last sentence by striking “sec-
 2 tion 48(a)(3)” and inserting “section
 3 48A(d)(2)”.

4 (7) Subparagraph (E) of section 168(e)(3) of
 5 such Code is amended by striking “and” at the end
 6 of clause (ii), by striking the period at the end of
 7 clause (iii) and inserting “, and”, and by inserting
 8 after clause (iii) the following new clause:

9 “(iv) any combined heat and power
 10 system property (as defined in section
 11 48A(e)(5)) for which a credit is allowed
 12 under section 48A and which, but for this
 13 clause, would have a recovery period of less
 14 than 15 years.”.

15 (8) The table contained in subparagraph (B) of
 16 section 168(g)(3) of such Code is amended by add-
 17 ing at the end the following:

“(E)(iv) 22”.

18 (c) CLERICAL AMENDMENT.—The table of sections
 19 for subpart E of part IV of subchapter A of chapter 1
 20 of such Code is amended by striking the item relating to
 21 section 48 and inserting the following new items:

“Sec. 48. Reforestation credit.
 “Sec. 48A. Energy credit.”.

22 (d) EFFECTIVE DATE.—The amendments made by
 23 this section shall apply to periods after December 31,

1 1999, under rules similar to the rules of section 48(m)
2 of the Internal Revenue Code of 1986 (as in effect on the
3 day before the date of the enactment of the Revenue Rec-
4 onciliation Act of 1990).

5 **SEC. 3. EXTENSION OF CREDIT FOR QUALIFIED ELECTRIC**
6 **VEHICLES.**

7 (a) EXTENSION OF CREDIT FOR QUALIFIED ELEC-
8 TRIC VEHICLES.—Subsection (f) of section 30 of such
9 Code (relating to termination) is amended by striking
10 “December 31, 2004” and inserting “December 31,
11 2006”.

12 (b) REPEAL OF PHASEOUT.—Subsection (b) of sec-
13 tion 30 of such Code (relating to limitations) is amended
14 by striking paragraph (2) and redesignating paragraph
15 (3) as paragraph (2).

16 (c) NO DOUBLE BENEFIT.—

17 (1) Subsection (d) of section 30 of such Code
18 (relating to special rules) is amended by adding at
19 the end the following new paragraph:

20 “(5) No credit shall be allowed under sub-
21 section (a) with respect to any vehicle if the tax-
22 payer claims a credit for such vehicle under section
23 25B(a)(1)(B) or 48A(f).”.

24 (2) Paragraph (3) of section 30(d) of such Code
25 (relating to property used outside United States,

1 etc., not qualified) is amended by striking “section
2 50(b)” and inserting “section 25B, 48A, or 50(b)”.

3 (3) Paragraph (5) of section 179A(e) of such
4 Code (relating to property used outside United
5 States, etc., not qualified) is amended by striking
6 “section 50(b)” and inserting “section 25B, 48A, or
7 50(b)”.

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

11 **SEC. 4. MODIFICATIONS TO CREDIT FOR ELECTRICITY**
12 **PRODUCED FROM CERTAIN RENEWABLE RE-**
13 **SOURCES.**

14 (a) EXTENSION.—Paragraph (3) of section 45(c) of
15 the Internal Revenue Code of 1986 (relating to qualified
16 facility) is amended by striking “July 1, 1999” and insert-
17 ing “July 1, 2004”.

18 (b) QUALIFIED FACILITIES INCLUDE ALL BIOMASS
19 FACILITIES.—

20 (1) IN GENERAL.—Paragraph (1) of section
21 45(c) of such Code (relating to definition of qualified
22 energy resources) is amended by striking “and” at
23 the end of subparagraph (A), by striking the period
24 at the end of subparagraph (B), and by inserting
25 after subparagraph (B) the following:

1 “(C) biomass (other than closed-loop bio-
2 mass).”.

3 (2) BIOMASS DEFINED.—Paragraph (2) of sec-
4 tion 45(c) of such Code is amended to read as fol-
5 lows:

6 “(2) BIOMASS.—

7 “(A) IN GENERAL.—The term ‘biomass’
8 means—

9 “(i) closed-loop biomass, and

10 “(ii) any solid, nonhazardous, cel-
11 lulosic waste material, which is segregated
12 from other waste materials, and which is
13 derived from—

14 “(I) any of the following forest-
15 related resources: mill residues,
16 precommercial thinnings, slash, and
17 brush, but not including old-growth
18 timber,

19 “(II) waste pallets, crates, and
20 dunnage, and landscape or right-of-
21 way tree trimmings, but not including
22 unsegregated municipal solid waste
23 (garbage) and post-consumer waste-
24 paper, or

1 “(III) agriculture sources, includ-
 2 ing orchard tree crops, vineyard,
 3 grain, legumes, sugar, and other crop
 4 by-products or residues.

5 “(B) CLOSED-LOOP BIOMASS.—The term
 6 ‘closed-loop biomass’ means any organic mate-
 7 rial from a plant which is planted exclusively
 8 for purposes of being used at a qualified facility
 9 to produce electricity.”.

10 (c) ELECTRICITY PRODUCED FROM BIOMASS CO-
 11 FIRED IN COAL PLANTS.—

12 (1) CREDIT AMOUNT.—Paragraph (1) of section
 13 45(a) of such Code (relating to general rule) is
 14 amended by inserting “(1.0 cents in the case of elec-
 15 tricity produced from biomass co-fired in a facility
 16 which produces electricity from coal) after “1.5
 17 cents”.

18 (2) QUALIFIED FACILITY.—Paragraph (3) of
 19 section 45(c) of such Code (relating to definitions)
 20 is amended by striking the period at the end and in-
 21 serting the following: “, and any facility using bio-
 22 mass other than closed loop biomass to produce elec-
 23 tricity which is owned by the taxpayer and which is
 24 originally placed in service after June 30, 1999.”.

25 (3) ADJUSTMENT FOR INFLATION.—

1 (A) IN GENERAL.—Paragraph (2) of sec-
 2 tion 45(b) of such Code (relating to credit and
 3 phaseout adjustment based on inflation) is
 4 amended by striking “1.5 cent amount” and in-
 5 serting “1.5 and 1.0 cent amounts”.

6 (B) BASE YEAR FOR INFLATION ADJUST-
 7 MENT FACTOR.—Subparagraph (B) of section
 8 45(d)(2) of such Code (relating to inflation ad-
 9 justment factor) is amended by adding at the
 10 end the following new sentence: “In the case of
 11 the 1.0 cents amount in subsection (a), the first
 12 sentence of this subparagraph shall be applied
 13 by substituting ‘1999’ for ‘1992’.”.

14 (d) CREDIT NOT TO APPLY TO ELECTRICITY SOLD
 15 TO UTILITIES UNDER CERTAIN CONTRACTS.—Subsection
 16 (b) of section 45 of such Code (relating to limitations and
 17 adjustments) is amended by adding at the end the fol-
 18 lowing new paragraph:

19 “(4) CREDIT NOT TO APPLY TO ELECTRICITY
 20 SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

21 “(A) IN GENERAL.—The credit determined
 22 under subsection (a) shall not apply to
 23 electricity—

1 “(i) produced at a qualified facility
2 placed in service by the taxpayer after
3 June 30, 1999, and

4 “(ii) sold to a utility pursuant to a
5 contract originally entered into before Jan-
6 uary 1, 1987 (whether or not amended or
7 restated after that date).

8 “(B) EXCEPTION.—Subparagraph (A)
9 shall not apply if—

10 “(i) the prices for energy and capacity
11 from such facility are established pursuant
12 to an amendment to the contract referred
13 to in subparagraph (A)(ii),

14 “(ii) such amendment provides that
15 the prices set forth in the contract which
16 exceed avoided cost prices determined at
17 the time of delivery shall apply only to an-
18 nual quantities of electricity (prorated for
19 partial years) which do not exceed the
20 greater of—

21 “(I) the average annual quantity
22 of electricity sold to the utility under
23 the contract during calendar years
24 1994, 1995, 1996, 1997, and 1998,
25 or

1 “(II) the estimate of the annual
2 electricity production set forth in the
3 contract, or, if there is no such esti-
4 mate, the greatest annual quantity of
5 electricity sold to the utility under the
6 contract in any of the calendar years
7 1996, 1997, or 1998, and

8 “(iii) such amendment provides that
9 energy and capacity in excess of the limita-
10 tion in clause (ii) may be—

11 “(I) sold to the utility only at
12 prices that do not exceed avoided cost
13 prices determined at the time of deliv-
14 ery, or

15 “(II) sold to a third party subject
16 to a mutually agreed upon advance
17 notice to the utility.

18 For purposes of this subparagraph, avoided cost
19 prices shall be determined as provided for in
20 section 292.304(d)(1) of title 18, Code of Fed-
21 eral Regulations, or any successor regulation.”.

22 (e) EFFECTIVE DATE.—

23 (1) IN GENERAL.—Except as provided by para-
24 graph (2), the amendments made by this section

1 shall apply to taxable years ending after June 30,
2 1999.

3 (2) ADJUSTMENT FOR INFLATION.—The
4 amendments made by subsection (c)(3) shall apply
5 to taxable years ending after December 31, 1999.

6 **SEC. 5. CREDIT FOR CERTAIN NONBUSINESS ENERGY**
7 **PROPERTY.**

8 (a) IN GENERAL.—Subpart A of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of
10 1986 (relating to nonrefundable personal credits) is
11 amended by inserting after section 25A the following new
12 section:

13 **“SEC. 25B. NONBUSINESS ENERGY PROPERTY.**

14 **“(a) ALLOWANCE OF CREDIT.—**

15 **“(1) IN GENERAL.—**In the case of an indi-
16 vidual, there shall be allowed as a credit against the
17 tax imposed by this chapter for the taxable year an
18 amount equal to the sum of—

19 **“(A)** the applicable percentage of residen-
20 tial energy property expenditures made by the
21 taxpayer during such year,

22 **“(B)** the credit amount (determined under
23 section 48A(f)) for each vehicle purchased dur-
24 ing the taxable year which is a qualified hybrid
25 vehicle (as defined in section 48A(f)(2)), and

1 “(C) the credit amount specified in the fol-
 2 lowing table for a new, highly energy-efficient
 3 principal residence:

“New, Highly Energy-Efficient Principal Residence:	Credit Amount:
30 percent property	\$1,000.
40 percent property	\$1,500.
50 percent property	\$2,000.

4 “(2) APPLICABLE PERCENTAGE.—

5 “(A) IN GENERAL.—The applicable per-
 6 centage shall be determined in accordance with
 7 the following table:

“Column A—Description	Column B— Appli- cable Percentage	Column C—Period	
In the case of:	The applicable per- centage is:	For the period:	
		Beginning on:	Ending on:
20 percent energy-efficient building property	20 percent	1/1/2000	12/31/2003
10 percent energy-efficient building property	10 percent	1/1/2000	12/31/2001
Solar water heating property	15 percent	1/1/2000	12/31/2006
Photovoltaic property	15 percent	1/1/2000	12/31/2006.

8 “(B) PERIODS FOR WHICH PERCENTAGE
 9 NOT SPECIFIED.—In the case of any residential
 10 energy property, the applicable percentage shall
 11 be zero for any period for which an applicable
 12 percentage is not specified for such property
 13 under subparagraph (A).

14 “(b) MAXIMUM CREDIT.—

15 “(1) IN GENERAL.—In the case of property de-
 16 scribed in the following table, the amount of the
 17 credit allowed under subsection (a)(1)(A) for the
 18 taxable year for each item of such property with re-

1 spect to a dwelling unit shall not exceed the amount
 2 specified for such property in such table:

“Description of property item:	Maximum allowable credit amount is:
20 percent energy-efficient building property (other than a fuel cell or natural gas heat pump).	\$500.
20 percent energy-efficient building property:	
fuel cell described in section 48A(e)(3)(A)	\$ 500 per each kw/hr of capacity.
natural gas heat pump described in section 48A(e)(3)(D).	\$1,000.
10 percent energy-efficient building property	\$ 250.
Solar water heating property	\$1,000.
Photovoltaic property	\$2,000.

3 “(2) COORDINATION OF LIMITATIONS.—If a
 4 credit is allowed to the taxpayer for any taxable year
 5 by reason of an acquisition of a new, highly energy-
 6 efficient principal residence, no other credit shall be
 7 allowed under subsection (a)(1)(A) with respect to
 8 such residence during the 1-taxable year period be-
 9 ginning with such taxable year.

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

11 “(1) RESIDENTIAL ENERGY PROPERTY EX-
 12 PENDITURES.—The term ‘residential energy prop-
 13 erty expenditures’ means expenditures made by the
 14 taxpayer for qualified energy property installed on or
 15 in connection with a dwelling unit which—

16 “(A) is located in the United States, and

17 “(B) is used by the taxpayer as a resi-
 18 dence.

1 Such term includes expenditures for labor costs
2 properly allocable to the onsite preparation, assem-
3 bly, or original installation of the property.

4 “(2) QUALIFIED ENERGY PROPERTY.—

5 “(A) IN GENERAL.—The term ‘qualified
6 energy property’ means—

7 “(i) energy-efficient building property,

8 “(ii) solar water heating property, and

9 “(iii) photovoltaic property.

10 “(B) SWIMMING POOL, ETC., USED AS
11 STORAGE MEDIUM; SOLAR PANELS.—For pur-
12 poses of this paragraph, the provisions of sub-
13 paragraphs (D) and (E) section 48A(e)(1) shall
14 apply.

15 “(3) ENERGY-EFFICIENT BUILDING PROP-
16 ERTY.—The term ‘energy-efficient building property’
17 has the meaning given to such term by paragraphs
18 (3) and (4) of section 48A(e).

19 “(4) SOLAR WATER HEATING PROPERTY.—The
20 term ‘solar water heating property’ means property
21 which, when installed in connection with a structure,
22 uses solar energy for the purpose of providing hot
23 water for use within such structure.

1 “(5) PHOTOVOLTAIC PROPERTY.—The term
2 ‘photovoltaic property’ has the meaning given to
3 such term by section 48A(e)(1)(C).

4 “(6) NEW, HIGHLY ENERGY-EFFICIENT PRIN-
5 CIPAL RESIDENCE.—

6 “(A) IN GENERAL.—Property is a new,
7 highly energy-efficient principal residence if—

8 “(i) such property is located in the
9 United States,

10 “(ii) the original use of such property
11 commences with the taxpayer and is, at
12 the time of such use, the principal resi-
13 dence of the taxpayer, and

14 “(iii) such property is certified before
15 such use commences as being 50 percent
16 property, 40 percent property, or 30 per-
17 cent property.

18 “(B) 50, 40, OR 30 PERCENT PROPERTY.—

19 “(i) IN GENERAL.—For purposes of
20 subparagraph (A), property is 50 percent
21 property, 40 percent property, or 30 per-
22 cent property if the projected energy usage
23 of such property is reduced by 50 percent,
24 40 percent, or 30 percent, respectively,
25 compared to the energy usage of a ref-

1 erence house that complies with minimum
2 standard practice, such as the 1998 Inter-
3 national Energy Conservation Code of the
4 International Code Council, as determined
5 according to the requirements specified in
6 clause (ii).

7 “(ii) PROCEDURES.—

8 “(I) IN GENERAL.—For purposes
9 of clause (i), energy usage shall be
10 demonstrated either by a component-
11 based approach or a performance-
12 based approach.

13 “(II) COMPONENT APPROACH.—

14 Compliance by the component ap-
15 proach is achieved when all of the
16 components of the house comply with
17 the requirements of prescriptive pack-
18 ages established by the Secretary of
19 Energy, in consultation with the Ad-
20 ministrator of the Environmental Pro-
21 tection Agency, such that they are
22 equivalent to the results of using the
23 performance-based approach of sub-
24 clause (III) to achieve the required re-
25 duction in energy usage.

1 “(III) PERFORMANCE-BASED AP-

2 PROACH.—Performance-based compli-

3 ance shall be demonstrated in terms

4 of the required percentage reductions

5 in projected energy use. Computer

6 software used in support of perform-

7 ance-based compliance must meet all

8 of the procedures and methods for

9 calculating energy savings reductions

10 that are promulgated by the Secretary

11 of Energy. Such regulations on the

12 specifications for software shall be

13 based in the 1998 California Residen-

14 tial Alternative Calculation Method

15 Approval Manual, except that the cal-

16 culation procedures shall be developed

17 such that the same energy efficiency

18 measures qualify a home for tax cred-

19 its regardless of whether the home

20 uses a gas or oil furnace or boiler, or

21 an electric heat pump.

22 “(IV) APPROVAL OF SOFTWARE

23 SUBMISSIONS.—The Secretary of En-

24 ergy shall approve software submis-

sions that comply with the calculation requirements of subclause (III).

“(C) DETERMINATIONS OF COMPLIANCE.—

A determination of compliance made for the purposes of this paragraph shall be filed with the Secretary of Energy within 1 year of the date of such determination and shall include the TIN of the certifier, the address of the building in compliance, and the identity of the person for whom such determination was performed. Determinations of compliance filed with the Secretary of Energy shall be available for inspection by the Secretary.

“(D) COMPLIANCE.—

“(i) IN GENERAL.—The Secretary of Energy in consultation with the Secretary of the Treasury shall establish requirements for certification and compliance procedures after examining the requirements for energy consultants and home energy ratings providers specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems.

“(ii) INDIVIDUALS QUALIFIED TO DETERMINE COMPLIANCE.—Individuals quali-

1 fied to determine compliance shall be only
2 those individuals who are recognized by an
3 organization certified by the Secretary of
4 Energy for such purposes.

5 “(D) PRINCIPAL RESIDENCE.—The term
6 ‘principal residence’ has the same meaning as
7 when used in section 121, except that the pe-
8 riod for which a building is treated as the prin-
9 cipal residence of the taxpayer shall also include
10 the 60-day period ending on the 1st day on
11 which it would (but for this subparagraph) first
12 be treated as his principal residence.

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

15 “(1) DOLLAR AMOUNTS IN CASE OF JOINT OC-
16 CUPANCY.—In the case of any dwelling unit which if
17 jointly occupied and used during any calendar year
18 as a residence by 2 or more individuals the following
19 shall apply:

20 “(A) The amount of the credit allowable
21 under subsection (a) by reason of expenditures
22 made during such calendar year by any of such
23 individuals with respect to such dwelling unit
24 shall be determined by treating all of such indi-

1 viduals as 1 taxpayer whose taxable year is
2 such calendar year.

3 “(B) There shall be allowable with respect
4 to such expenditures to each of such individ-
5 uals, a credit under subsection (a) for the tax-
6 able year in which such calendar year ends in
7 an amount which bears the same ratio to the
8 amount determined under subparagraph (A) as
9 the amount of such expenditures made by such
10 individual during such calendar year bears to
11 the aggregate of such expenditures made by all
12 of such individuals during such calendar year.

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

21 “(3) CONDOMINIUMS.—

22 “(A) IN GENERAL.—In the case of an indi-
23 vidual who is a member of a condominium man-
24 agement association with respect to a condo-
25 minium which he owns, such individual shall be

1 treated as having made his proportionate share
2 of any expenditures of such association.

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

11 “(4) JOINT OWNERSHIP OF ENERGY ITEMS.—

12 “(A) IN GENERAL.—Any expenditure oth-
13 erwise qualifying as a residential energy prop-
14 erty expenditure shall not be treated as failing
15 to so qualify merely because such expenditure
16 was made with respect to 2 or more dwelling
17 units.

18 “(B) LIMITS APPLIED SEPARATELY.—In
19 the case of any expenditure described in sub-
20 paragraph (A), the amount of the credit allow-
21 able under subsection (a) shall (subject to para-
22 graph (1)) be computed separately with respect
23 to the amount of the expenditure made for each
24 dwelling unit.

25 “(5) ALLOCATION IN CERTAIN CASES.—

1 “(A) IN GENERAL.—Except as provided in
2 subparagraph (B), if less than 80 percent of
3 the use of an item is for nonbusiness purposes,
4 only that portion of the expenditures for such
5 item which is properly allocable to use for non-
6 business purposes shall be taken into account.
7 For purposes of this paragraph, use for a swim-
8 ming pool shall be treated as use which is not
9 for nonbusiness purposes.

10 “(B) SPECIAL RULE FOR VEHICLES.—For
11 purposes of this section and section 48A, a ve-
12 hicle shall be treated as used entirely for busi-
13 ness or nonbusiness purposes if the majority of
14 the use of such vehicle is for business or non-
15 business purposes, as the case may be.

16 “(6) DOUBLE BENEFIT; PROPERTY USED OUT-
17 SIDE UNITED STATES, ETC., NOT QUALIFIED.—No
18 credit shall be allowed under subsection (a)(1)(B)
19 with respect to—

20 “(A) any property for which a credit is al-
21 lowed under section 30 or 48A,

22 “(B) any property referred to in section
23 50(b), and

1 “(C) the portion of the cost of any prop-
2 erty taken into account under section 179 or
3 179A.

4 “(7) WHEN EXPENDITURE MADE; AMOUNT OF
5 EXPENDITURE.—

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

10 “(B) EXPENDITURES PART OF BUILDING
11 CONSTRUCTION.—In the case of an expenditure
12 in connection with the construction of a struc-
13 ture, such expenditure shall be treated as made
14 when the original use of the constructed struc-
15 ture by the taxpayer begins.

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

18 “(8) PROPERTY FINANCED BY SUBSIDIZED EN-
19 ERGY FINANCING.—

20 “(A) REDUCTION OF EXPENDITURES.—
21 For purposes of determining the amount of res-
22 idential energy property expenditures made by
23 any individual with respect to any dwelling unit,
24 there shall not be taken in to account expendi-

1 tures which are made from subsidized energy fi-
 2 nancing (as defined in section 48A(g)(1)).

3 “(B) DOLLAR LIMITS REDUCED.—The dol-
 4 lar amounts in the table contained in subsection
 5 (b)(1) with respect to each property purchased
 6 for such dwelling unit for any taxable year of
 7 such taxpayer shall be reduced proportionately
 8 by an amount equal to the sum of—

9 “(i) the amount of the expenditures
 10 made by the taxpayer during such taxable
 11 year with respect to such dwelling unit and
 12 not taken into account by reason of sub-
 13 paragraph (A), and

14 “(ii) the amount of any Federal,
 15 State, or local grant received by the tax-
 16 payer during such taxable year which is
 17 used to make residential energy property
 18 expenditures with respect to the dwelling
 19 unit and is not included in the gross in-
 20 come of such taxpayer.

21 “(e) BASIS ADJUSTMENTS.—For purposes of this
 22 subtitle, if a credit is allowed under this section for any
 23 expenditure with respect to any property, the increase in
 24 the basis of such property which would (but for this sub-

1 section) result from such expenditure shall be reduced by
 2 the amount of the credit so allowed.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Subsection (a) of section 1016 of such Code
 5 is amended by striking “and” at the end of para-
 6 graph (26), by striking the period at the end of
 7 paragraph (27) and inserting “; and”, and by add-
 8 ing at the end the following new paragraph:

9 “(28) to the extent provided in section 25B(e),
 10 in the case of amounts with respect to which a credit
 11 has been allowed under section 25B.”.

12 (2) The table of sections for subpart A of part
 13 IV of subchapter A of chapter 1 of such Code is
 14 amended by inserting after the item relating to sec-
 15 tion 25A the following new item:

“Sec. 25B. Nonbusiness energy property.”.

16 (c) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to expenditures after December 31,
 18 1999.

○