106TH CONGRESS
1ST SESSION

S. 1833

To amend the Internal Revenue Code of 1986 to provide tax incentives to encourage the production and use of efficient energy sources, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 29, 1999

Mr. DASCHLE (for himself, Mr. BINGAMAN, Mr. BAUCUS, Mr. BYRD, Mr. KERREY, and Mr. INOUYE) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives to encourage the production and use of efficient energy sources, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Energy Security Tax Act of 1999''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment

to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

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

TITLE I—ENERGY-EFFICIENT PROPERTY USED IN BUSINESS

SEC. 101. CREDIT FOR CERTAIN ENERGY-EFFICIENT PROPERTY USED IN BUSINESS.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit) is amended by inserting after section 48 the following:

"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 is—

''(A) except as otherwise provided in this subparagraph, 10 percent,

"(B) in the case of energy property described in clauses (i), (iii), (vi), and (vii) of subsection (c)(1)(A), 20 percent,

"(C) in the case of energy property described in subsection (c)(1)(A)(v), 15 percent, and

"(D) in the case of energy property described in subsection (c)(1)(A)(ii) relating to a high risk geothermal well, 20 percent.

"(2) COORDINATION WITH REHABILITATION.—The energy percentage shall not apply to that portion of the basis of any property which is attributable to qualified rehabilitation expenditures.

"(c) ENERGY PROPERTY DEFINED.—

"(1) IN GENERAL.—For purposes of this subpart, the term 'energy property' means any property—

"(A) which is—

"(i) solar energy property,

"(ii) geothermal energy property,

"(iii) energy-efficient building property,

"(iv) combined heat and power system property,

"(v) low core loss distribution transformer property,

"(vi) qualified anaerobic digester property, or

"(vii) qualified wind energy systems equipment property,

"(B)(i) the construction, reconstruction, or erection of which is completed by the taxpayer, or

"(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer,

"(C) which can reasonably be expected to remain in operation for at least 5 years,

"(D) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

"(E) which meets the performance and quality standards (if any) which—

"(i) have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy), and

"(ii) are in effect at the time of the acquisition of the property.

"(2) EXCEPTIONS.—

''(A) PUBLIC UTILITY PROPERTY.—Such term shall not include any property which is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), except for property described in paragraph (1)(A)(iv).

''(B) CERTAIN WIND EQUIPMENT.—Such term shall not include equipment described in paragraph (1)(A)(vii) which is taken into account for purposes of section 45 for the taxable year.

''(d) DEFINITIONS RELATING TO TYPES OF ENERGY PROPERTY.—For purposes of this section—

''(1) SOLAR ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'solar energy property' means equipment which uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat.

''(B) SWIMMING POOLS, ETC., USED AS STORAGE MEDIUM.—The term 'solar energy property' shall not include property with respect to which expenditures are properly allocable to a swimming pool, hot tub, or any other energy

storage medium which has a function other than the function of such storage.

''(C) SOLAR PANELS.—No solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as solar energy property solely because it constitutes a structural component of the structure on which it is installed.

''(2) GEOTHERMAL ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'geothermal energy property' means equipment used to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage.

''(B) HIGH RISK GEOTHERMAL WELL.—The term 'high risk geothermal well' means a geothermal deposit (within the meaning of section 613(e)(2)) which requires high risk drilling techniques. Such deposit may not be located in a State or national park or in an area in which the relevant State park authority or the National Park Service determines the development

of such a deposit will negatively impact on a State or national park.

''(3) ENERGY-EFFICIENT BUILDING PROPERTY.—

''(A) IN GENERAL.—The term 'energy-efficient building property' means—

''(i) a fuel cell that—

''(I) generates electricity and heat using an electrochemical process,

''(II) has an electricity-only generation efficiency greater than 35 percent, and

''(III) has a minimum generating capacity of 5 kilowatts,

''(ii) an electric heat pump hot water heater that yields an energy factor of 1.7 or greater under standards prescribed by the Secretary of Energy,

''(iii) an electric heat pump that has a heating system performance factor (HSPF) of 9 or greater and a cooling seasonal energy efficiency ratio (SEER) of 13.5 or greater,

''(iv) a natural gas heat pump that has a coefficient of performance of not less

than 1.25 for heating and not less than 0.60 for cooling,

''(v) a central air conditioner that has a cooling seasonal energy efficiency ratio (SEER) of 13.5 or greater,

''(vi) an advanced natural gas water heater that—

''(I) increases steady state efficiency and reduces standby and vent losses, and

''(II) has an energy factor of at least 0.65,

''(vii) an advanced natural gas furnace that achieves a 95 percent AFUE, and

''(viii) natural gas cooling equipment—

''(I) that has a coefficient of performance of not less than .60, or

''(II) that uses desiccant technology and has an efficiency rating of 40 percent.

''(B) LIMITATIONS.—The credit under subsection (a)(1) for the taxable year may not exceed—

''(i) $500 in the case of property described in subparagraph (A) other than clauses (i) and (iv) thereof,

''(ii) $500 for each kilowatt of capacity in the case of a fuel cell described in subparagraph (A)(i), and

''(iii) $1,000 in the case of a natural gas heat pump described in subparagraph (A)(iv).

''(4) COMBINED HEAT AND POWER SYSTEM PROPERTY.—

''(A) IN GENERAL.—The term 'combined heat and power system property' means property—

''(i) comprising a system for using the same energy source for the sequential generation of electrical power, mechanical shaft power, or both, in combination with steam, heat, or other forms of useful energy,

''(ii) that has an electrical capacity of more than 50 kilowatts, and

''(iii) that produces at least 20 percent of its total useful energy in the form

of both thermal energy and electrical or mechanical power.

''(B) ACCOUNTING RULE FOR PUBLIC UTILITY PROPERTY.—In the case that combined heat and power system property is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), the taxpayer may only claim the credit under subsection (a)(1) if, with respect to such property, the taxpayer uses a normalization method of accounting.

''(5) LOW CORE LOSS DISTRIBUTION TRANSFORMER PROPERTY.—The term 'low core loss distribution transformer property' means a distribution transformer which has energy savings from a highly efficient core of at least 20 percent more than the average for power ratings reported by studies required under section 124 of the Energy Policy Act of 1992.

''(6) QUALIFIED ANAEROBIC DIGESTER PROPERTY.—The term 'qualified anaerobic digester property' means an anaerobic digester for manure or crop waste that achieves at least 65 percent efficiency measured in terms of the fraction of energy

input converted to electricity and useful thermal energy.

''(7) QUALIFIED WIND ENERGY SYSTEMS EQUIPMENT PROPERTY.—The term 'qualified wind energy systems equipment property' means wind energy systems equipment with a turbine size of not more than 50 kilowatts rated capacity.

''(e) QUALIFIED HYBRID VEHICLES.—For purposes of subsection (a)(2)—

''(1) CREDIT AMOUNT.—

''(A) IN GENERAL.—The credit amount for each qualified hybrid vehicle with a rechargeable energy storage system that provides the applicable percentage of the maximum available power shall be the amount specified in the following 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

''(B) INCREASE IN CREDIT AMOUNT FOR REGENERATIVE BRAKING SYSTEM.—In the case of a qualified hybrid vehicle that actively employs a regenerative braking system which supplies to the rechargeable energy storage system

the applicable percentage of the energy available from braking in a typical 60 miles per hour to 0 miles per hour braking event, the credit amount determined under subparagraph (A) shall be increased by the amount specified 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
60 percent		$1,000

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

''(A) A consumable fuel.

''(B) A rechargeable energy storage system.

''(3) MAXIMUM AVAILABLE POWER.—The term 'maximum available power' means the maximum value of the sum of the heat engine and electric drive system power or other non-heat energy conversion devices available for a driver's command for maximum acceleration at vehicle speeds under 75 miles per hour.

''(4) AUTOMOBILE.—The term 'automobile' has the meaning given such term by section 4064(b)(1) (without regard to subparagraphs (B) and (C) thereof). A vehicle shall not fail to be treated as an automobile solely by reason of weight if such vehicle is rated at 8,500 pounds gross vehicle weight rating or less.

''(5) DOUBLE BENEFIT; PROPERTY USED OUTSIDE UNITED STATES, ETC., NOT QUALIFIED.—No credit shall be allowed under subsection (a)(2) with respect to—

''(A) any property for which a credit is allowed under section 25B or 30,

''(B) any property referred to in section 50(b), and

''(C) the portion of the cost of any property taken into account under section 179 or 179A.

''(6) REGULATIONS.—

''(A) TREASURY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection.

''(B) ENVIRONMENTAL PROTECTION AGENCY.—The Administrator of the Environmental

Protection Agency shall prescribe such regulations as may be necessary or appropriate to specify the testing and calculation procedures that would be used to determine whether a vehicle meets the qualifications for a credit under this subsection.

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

''(f) SPECIAL RULES.—For purposes of this section—

''(1) SPECIAL RULE FOR PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL DEVELOPMENT BONDS.—

''(A) REDUCTION OF BASIS.—For purposes of applying the energy percentage to any property, if such property is financed in whole or in part by—

''(i) subsidized energy financing, or

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

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

''(B) DETERMINATION OF FRACTION.—For purposes of subparagraph (A), the fraction determined under this subparagraph is 1 reduced by a fraction—

''(i) the numerator of which is that portion of the basis of the property which is allocable to such financing or proceeds, and

''(ii) the denominator of which is the basis of the property.

''(C) SUBSIDIZED ENERGY FINANCING.—For purposes of subparagraph (A), the term 'subsidized energy financing' means financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

''(2) CERTAIN PROGRESS EXPENDITURE RULES MADE APPLICABLE.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect

on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this section.

''(g) APPLICATION OF SECTION.—

''(1) IN GENERAL.—Except as provided by paragraph (2) and subsection (e), this section shall apply to property placed in service after December 31, 1999, and before January 1, 2004.

''(2) EXCEPTIONS.—

''(A) SOLAR ENERGY AND GEOTHERMAL ENERGY PROPERTY.—Paragraph (1) shall not apply to solar energy property or geothermal energy property.

''(B) FUEL CELL PROPERTY.—In the case of property that is a fuel cell described in subsection (d)(3)(A)(i), this section shall apply to property placed in service after December 31, 1999, and before January 1, 2005.''

(b) CONFORMING AMENDMENTS.—

(1) Section 48 is amended to read as follows:

''SEC. 48. REFORESTATION CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the reforestation credit for any taxable year is 20 percent of the portion of the amortizable basis of any qualified timber property which was acquired during such taxable year and

which is taken into account under section 194 (after the application of section 194(b)(1)).

''(b) DEFINITIONS.—For purposes of this subpart, the terms 'amortizable basis' and 'qualified timber property' have the respective meanings given to such terms by section 194.''

(2) Section 39(d) is amended by adding at the end the following:

''(9) NO CARRYBACK OF ENERGY CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the energy credit determined under section 48A may be carried back to a taxable year ending before the date of the enactment of section 48A.''

(3) Section 280C is amended by adding at the end the following:

''(d) CREDIT FOR ENERGY PROPERTY EXPENSES.—

''(1) IN GENERAL.—No deduction shall be allowed for that portion of the expenses for energy property (as defined in section 48A(c)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 48A(a).

''(2) SIMILAR RULE WHERE TAXPAYER CAPITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

''(A) the amount of the credit allowable for the taxable year under section 48A (determined without regard to section 38(c)), exceeds

''(B) the amount allowable as a deduction for the taxable year for expenses for energy property (determined without regard to paragraph (1)),

the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

''(3) CONTROLLED GROUPS.—Paragraph (3) of subsection (b) shall apply for purposes of this subsection.''

(4) Section 29(b)(3)(A)(i)(III) is amended by striking ''section 48(a)(4)(C)'' and inserting ''section 48A(f)(1)(C)''.

(5) Section 50(a)(2)(E) is amended by striking ''section 48(a)(5)'' and inserting ''section 48A(f)(2)''.

(6) Section 168(e)(3)(B) is amended—

(A) by striking clause (vi)(I) and inserting the following:

''(I) is described in paragraph (1) or (2) of section 48A(d) (or would be so described if 'solar and wind' were

substituted for 'solar' in paragraph (1)(B)),'', and

(B) in the last sentence by striking ''section 48(a)(3)'' and inserting ''section 48A(c)(2)(A)''.

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

''Sec. 48. Reforestation credit.
''Sec. 48A. Energy credit.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

TITLE II—NONBUSINESS ENERGY SYSTEMS

SEC. 201. CREDIT FOR CERTAIN NONBUSINESS ENERGY SYSTEMS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following:

"SEC. 25B. NONBUSINESS ENERGY PROPERTY.

"(a) ALLOWANCE OF CREDIT.—

"(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

"(A) the applicable percentage of residential energy property expenditures made by the taxpayer during such year,

"(B) the credit amount (determined under section 48A(e)) for each vehicle purchased during the taxable year which is a qualified hybrid vehicle (as defined in section 48A(e)(2)), and

"(C) the credit amount specified in the following table for a new, highly energy-efficient principal residence:

"Column A—Description	Column B—Credit Amount	Column C—Period	
In the case of:	The credit amount is:	For the period:	
		Beginning on:	Ending on:
30 percent property	$1,000	1/1/2000	12/31/2001
40 percent property	$1,500	1/1/2000	12/31/2002
50 percent property	$2,000	1/1/2000	12/31/2003.

In the case of any new, highly energy-efficient principal residence, the credit amount shall be zero for any period for which a credit amount is not specified for such property in the table under subparagraph (C).

"(2) APPLICABLE PERCENTAGE.—

"(A) IN GENERAL.—The applicable percentage shall be determined in accordance with the following table:

"Column A—Description	Column B— Applicable Percentage	Column C—Period	
In the case of:	The applicable percentage is:	For the period: Beginning on:	For the period: 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.

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

"(b) MAXIMUM CREDIT.—

"(1) IN GENERAL.—In the case of property described in the following table, the amount of the credit allowed under subsection (a)(1)(A) for the taxable year for each item of such property with respect to a dwelling unit shall not exceed the amount 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(d)(3)(A)(i)	$500 per each kw/hr of capacity.
natural gas heat pump described in section 48A(d)(3)(D)(iv).	$1,000.
10 percent energy-efficient building property	$250.

"Description of property item:	Maximum allowable credit amount is:
Solar water heating property	$1,000.
Photovoltaic property	$2,000.

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

''(c) DEFINITIONS.—For purposes of this section—

''(1) RESIDENTIAL ENERGY PROPERTY EXPENDITURES.—The term 'residential energy property expenditures' means expenditures made by the taxpayer for qualified energy property installed on or in connection with a dwelling unit which—

''(A) is located in the United States, and

''(B) is used by the taxpayer as a residence.

Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

''(2) QUALIFIED ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'qualified energy property' means—

''(i) energy-efficient building property,

"(ii) solar water heating property, and

"(iii) photovoltaic property.

"(B) SWIMMING POOL, ETC., USED AS STORAGE MEDIUM; SOLAR PANELS.—For purposes of this paragraph, the provisions of subparagraphs (B) and (C) of section 48A(d)(1) shall apply.

"(3) ENERGY-EFFICIENT BUILDING PROPERTY.—The term 'energy-efficient building property' has the meaning given to such term by section 48A(e)(3).

"(4) SOLAR WATER HEATING PROPERTY.—The term 'solar water heating property' means property which, when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within such structure.

"(5) PHOTOVOLTAIC PROPERTY.—The term 'photovoltaic property' means property which, when installed in connection with a structure, uses a solar photovoltaic process to generate electricity for use in such structure.

"(6) NEW, HIGHLY ENERGY-EFFICIENT PRINCIPAL RESIDENCE.—

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

"(i) such property is located in the United States,

"(ii) the original use of such property commences with the taxpayer and is, at the time of such use, the principal residence of the taxpayer, and

"(iii) such property is certified before such use commences as being 50 percent property, 40 percent property, or 30 percent property.

"(B) 50, 40, OR 30 PERCENT PROPERTY.—

"(i) IN GENERAL.—For purposes of subparagraph (A), property is 50 percent property, 40 percent property, or 30 percent property if the projected energy usage of such property is reduced by 50 percent, 40 percent, or 30 percent, respectively, compared to the energy usage of a reference house that complies with minimum standard practice, such as the 1998 International Energy Conservation Code of the International Code Council, as determined according to the requirements specified in clause (ii).

"(ii) PROCEDURES.—

''(I) IN GENERAL.—For purposes of clause (i), energy usage shall be demonstrated either by a component-based approach or a performance-based approach.

''(II) COMPONENT APPROACH.—Compliance by the component approach is achieved when all of the components of the house comply with the requirements of prescriptive packages established by the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency, such that they are equivalent to the results of using the performance-based approach of subclause (III) to achieve the required reduction in energy usage.

''(III) PERFORMANCE-BASED APPROACH.—Performance-based compliance shall be demonstrated in terms of the required percentage reductions in projected energy use. Computer software used in support of performance-based compliance must meet all

of the procedures and methods for calculating energy savings reductions that are promulgated by the Secretary of Energy. Such regulations on the specifications for software shall be based in the 1998 California Residential Alternative Calculation Method Approval Manual, except that the calculation procedures shall be developed such that the same energy efficiency measures qualify a home for tax credits regardless of whether the home uses a gas or oil furnace or boiler, or an electric heat pump.

''(IV) APPROVAL OF SOFTWARE SUBMISSIONS.—The Secretary of Energy shall approve software submissions 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 qualified to determine compliance shall be only those individuals who are recognized by an organization certified by the Secretary of Energy for such purposes.

''(E) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 121, except that the period for which a building is treated as the prin-

cipal residence of the taxpayer shall also include the 60-day period ending on the 1st day on which it would (but for this subparagraph) first be treated as the taxpayer's principal residence.

''(d) SPECIAL RULES.—For purposes of this section—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which if jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such

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

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which the individual owns, such individual shall be treated as having made his proportionate share of any expenditures of such association.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to

a condominium project substantially all of the units of which are used as residences.

''(4) JOINT OWNERSHIP OF ENERGY ITEMS.—

''(A) IN GENERAL.—Any expenditure otherwise qualifying as a residential energy property expenditure shall not be treated as failing to so qualify merely because such expenditure was made with respect to 2 or more dwelling units.

''(B) LIMITS APPLIED SEPARATELY.—In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

''(5) ALLOCATION IN CERTAIN CASES.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), if less than 80 percent of the use of an item is for nonbusiness purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness purposes shall be taken into account. For purposes of this paragraph, use for a swim-

ming pool shall be treated as use which is not for nonbusiness purposes.

''(B) SPECIAL RULE FOR VEHICLES.—For purposes of this section and section 48A, a vehicle shall be treated as used entirely for business or nonbusiness purposes if the majority of the use of such vehicle is for business or nonbusiness purposes, as the case may be.

''(6) DOUBLE BENEFIT; PROPERTY USED OUTSIDE UNITED STATES, ETC., NOT QUALIFIED.—No credit shall be allowed under subsection (a)(1)(B) with respect to—

''(A) any property for which a credit is allowed under section 30 or 48A,

''(B) any property referred to in section 50(b), and

''(C) the portion of the cost of any property taken into account under section 179 or 179A.

''(7) WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE.—

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

''(B) EXPENDITURES PART OF BUILDING CONSTRUCTION.—In the case of an expenditure in connection with the construction of a structure, such expenditure shall be treated as made when the original use of the constructed structure by the taxpayer begins.

''(C) AMOUNT.—The amount of any expenditure shall be the cost thereof.

''(8) PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING.—

''(A) REDUCTION OF EXPENDITURES.—For purposes of determining the amount of residential energy property expenditures made by any individual with respect to any dwelling unit, there shall not be taken in to account expenditures which are made from subsidized energy financing (as defined in section 48A(f)(1)(C)).

''(B) DOLLAR LIMITS REDUCED.—The dollar amounts in the table contained in subsection (b)(1) with respect to each property purchased for such dwelling unit for any taxable year of such taxpayer shall be reduced proportionately by an amount equal to the sum of—

''(i) the amount of the expenditures made by the taxpayer during such taxable

year with respect to such dwelling unit and not taken into account by reason of subparagraph (A), and

''(ii) the amount of any Federal, State, or local grant received by the taxpayer during such taxable year which is used to make residential energy property expenditures with respect to the dwelling unit and is not included in the gross income of such taxpayer.

''(9) SAFETY CERTIFICATIONS.—No credit shall be allowed under this section for an item of property unless—

''(A) in the case of solar water heating property, such property is certified for performance and safety by the non-profit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the State in which such property is installed, and

''(B) in the case of photovoltaic property, such property meets appropriate fire and electric code requirements.

''(e) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in

the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.''

(b) CONFORMING AMENDMENTS.—

(1) Section 1016(a) is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting ''; and'', and by adding at the end the following:

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

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following:

''Sec. 25B. Nonbusiness energy property.''

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

TITLE III—ALTERNATIVE FUELS

SEC. 301. ALLOCATION OF ALCOHOL FUELS CREDIT TO PATRONS OF A COOPERATIVE.

(a) IN GENERAL.—Section 40(d) (relating to alcohol used as fuel) is amended by adding at the end the following:

''(6) ALLOCATION OF SMALL ETHANOL PRODUCER CREDIT TO PATRONS OF COOPERATIVE.—

''(A) IN GENERAL.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization made on a timely filed return (including extensions) for such year, be apportioned pro rata among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year. Such an election, once made, shall be irrevocable for such taxable year.

''(B) TREATMENT OF ORGANIZATIONS AND PATRONS.—The amount of the credit apportioned to patrons pursuant to subparagraph (A)—

''(i) shall not be included in the amount determined under subsection (a) for the taxable year of the organization, and

''(ii) shall be included in the amount determined under subsection (a) for the taxable year of each patron in which the

patronage dividend for the taxable year referred to in subparagraph (A) is includible in gross income.

''(C) SPECIAL RULE FOR DECREASING CREDIT FOR TAXABLE YEAR.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the cooperative organization's return for such year, an amount equal to the excess of such reduction over the amount not apportioned to the patrons under subparagraph (A) for the taxable year shall be treated as an increase in tax imposed by this chapter on the organization. Any such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this subpart or subpart A, B, E, or G of this part.''

(b) TECHNICAL AMENDMENT.—Section 1388 (relating to definitions and special rules for cooperative organizations) is amended by adding at the end the following:

''(k) CROSS REFERENCE.—

''For provisions relating to the apportionment of the alcohol fuels credit between cooperative organizations and their patrons, see section 40(d)(6).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

TITLE IV—AUTOMOBILES

SEC. 401. EXTENSION OF CREDIT FOR QUALIFIED ELECTRIC VEHICLES.

(a) EXTENSION OF CREDIT FOR QUALIFIED ELECTRIC VEHICLES.—Subsection (f) of section 30 (relating to termination) is amended by striking ''December 31, 2004'' and inserting ''December 31, 2006''.

(b) REPEAL OF PHASEOUT.—Subsection (b) of section 30 (relating to limitations) is amended by striking paragraph (2) and redesignating paragraph (3) as paragraph (2).

(c) NO DOUBLE BENEFIT.—

(1) Subsection (d) of section 30 (relating to special rules) is amended by adding at the end the following:

''(5) NO DOUBLE BENEFIT.—No credit shall be allowed under subsection (a) with respect to any vehicle if the taxpayer claims a credit for such vehicle under section 25B(a)(1)(B) or 48A(a)(2).''

(2) Paragraph (3) of section 30(d) (relating to property used outside United States, etc., not qualified) is amended by striking ''section 50(b)'' and inserting ''section 25B, 48A, or 50(b)''.

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

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

TITLE V—CLEAN COAL TECHNOLOGIES

SEC. 501. CREDIT FOR INVESTMENT IN QUALIFYING CLEAN COAL TECHNOLOGY.

(a) ALLOWANCE OF QUALIFYING CLEAN COAL TECHNOLOGY FACILITY CREDIT.—Section 46 (relating to amount of credit) is amended by striking ''and'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting '', and'', and by adding at the end the following:

''(4) the qualifying clean coal technology facility credit.''

(b) AMOUNT OF QUALIFYING CLEAN COAL TECHNOLOGY FACILITY CREDIT.—Subpart E of part IV of sub-

chapter A of chapter 1 (relating to rules for computing investment credit), as amended by section 101(a), is amended by inserting after section 48A the following:

"SEC. 48B. QUALIFYING CLEAN COAL TECHNOLOGY FACILITY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the qualifying clean coal technology facility credit for any taxable year is an amount equal to 10 percent of the qualified investment in a qualifying clean coal technology facility for such taxable year.

''(b) QUALIFYING CLEAN COAL TECHNOLOGY FACILITY.—

''(1) IN GENERAL.—For purposes of subsection (a), the term 'qualifying clean coal technology facility' means a facility of the taxpayer—

''(A)(i)(I) which replaces a conventional technology facility of the taxpayer and the original use of which commences with the taxpayer, or

''(II) which is a retrofitted or repowered conventional technology facility, the retrofitting or repowering of which is completed by the taxpayer (but only with respect to that portion of the basis which is properly attributable to such retrofitting or repowering), or

"(ii) that is acquired through purchase (as defined by section 179(d)(2)),

"(B) that is depreciable under section 167,

"(C) that has a useful life of not less than 4 years,

"(D) that is located in the United States, and

"(E) that uses qualifying clean coal technology.

"(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For purposes of subparagraph (A) of paragraph (1), in the case of a facility that—

"(A) is originally placed in service by a person, and

"(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such facility was originally placed in service, for a period of not less than 12 years,

such facility shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback (or lease) referred to in subparagraph (B). The preceding sentence shall not apply to any property if the lessee and lessor of such property make an election under this

sentence. Such an election, once made, may be revoked only with the consent of the Secretary.

''(3) QUALIFYING CLEAN COAL TECHNOLOGY.—For purposes of paragraph (1)(A)—

''(A) IN GENERAL.—The term 'qualifying clean coal technology' means, with respect to clean coal technology—

''(i) applications totaling 1,000 megawatts of advanced pulverized coal or atmospheric fluidized bed combustion technology installed as a new, retrofit, or repowering application and operated between 2000 and 2014 that has a design average net heat rate of not more than 8,750 Btu's per kilowatt hour,

''(ii) applications totaling 1,500 megawatts of pressurized fluidized bed combustion technology installed as a new, retrofit, or repowering application and operated between 2000 and 2014 that has a design average net heat rate of not more than 8,400 Btu's per kilowatt hour,

''(iii) applications totaling 1,500 megawatts of integrated gasification combined cycle technology installed as a new,

retrofit, or repowering application and operated between 2000 and 2014 that has a design average net heat rate of not more than 8,550 Btu's per kilowatt hour, and

"(iv) applications totaling 2,000 megawatts or equivalent of technology for the production of electricity installed as a new, retrofit, or repowering application and operated between 2000 and 2014 that has a carbon emission rate that is not more than 85 percent of conventional technology.

"(B) EXCEPTIONS.—Such term shall not include clean coal technology projects receiving or scheduled to receive funding under the Clean Coal Technology Program of the Department of Energy.

"(C) CLEAN COAL TECHNOLOGY.—The term 'clean coal technology' means advanced technology that utilizes coal to produce 50 percent or more of its thermal output as electricity including advanced pulverized coal or atmospheric fluidized bed combustion, pressurized fluidized bed combustion, integrated gasification combined cycle, and any other technology for

the production of electricity that exceeds the performance of conventional technology.

''(D) CONVENTIONAL COAL TECHNOLOGY.—The term 'conventional technology' means—

''(i) coal-fired combustion technology with a design average net heat rate of not less than 9,300 Btu's per kilowatt hour (HHV) and a carbon equivalents emission rate of not more than 0.53 pounds of carbon per kilowatt hour; or

''(ii) natural gas-fired combustion technology with a design average net heat rate of not less than 7,500 Btu's per kilowatt hour (HHV) and a carbon equivalents emission rate of not more than 0.24 pound of carbon per kilowatt hour.

''(E) DESIGN AVERAGE NET HEAT RATE.—The term 'design average net heat rate' shall be based on the design average annual heat input to and the design average annual net electrical output from the qualifying clean coal technology (determined without regard to such technology's co-generation of steam).

''(F) SELECTION CRITERIA.—Selection criteria for clean coal technology facilities—

''(i) shall be established by the Secretary of Energy as part of a competitive solicitation,

''(ii) shall include primary criteria of minimum design average net heat rate, maximum design average thermal efficiency, and lowest cost to the government, and

''(iii) shall include supplemental criteria as determined appropriate by the Secretary of Energy.

''(c) QUALIFIED INVESTMENT.—For purposes of subsection (a), the term 'qualified investment' means, with respect to any taxable year, the basis of a qualifying clean coal technology facility placed in service by the taxpayer during such taxable year.

''(d) QUALIFIED PROGRESS EXPENDITURES.—

''(1) INCREASE IN QUALIFIED INVESTMENT.—In the case of a taxpayer who has made an election under paragraph (5), the amount of the qualified investment of such taxpayer for the taxable year (determined under subsection (c) without regard to this section) shall be increased by an amount equal to

the aggregate of each qualified progress expenditure for the taxable year with respect to progress expenditure property.

''(2) PROGRESS EXPENDITURE PROPERTY DEFINED.—For purposes of this subsection, the term 'progress expenditure property' means any property being constructed by or for the taxpayer and which it is reasonable to believe will qualify as a qualifying clean coal technology facility which is being constructed by or for the taxpayer when it is placed in service.

''(3) QUALIFIED PROGRESS EXPENDITURES DEFINED.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—In the case of any self-constructed property, the term 'qualified progress expenditures' means the amount which, for purposes of this subpart, is properly chargeable (during such taxable year) to capital account with respect to such property.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—In the case of non-self-constructed property, the term 'qualified progress expenditures' means the amount paid during the tax-

able year to another person for the construction of such property.

''(4) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—The term 'self-constructed property' means property for which it is reasonable to believe that more than half of the construction expenditures will be made directly by the taxpayer.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—The term 'non-self-constructed property' means property which is not self-constructed property.

''(C) CONSTRUCTION, ETC.—The term 'construction' includes reconstruction and erection, and the term 'constructed' includes reconstructed and erected.

''(D) ONLY CONSTRUCTION OF QUALIFYING CLEAN COAL TECHNOLOGY FACILITY TO BE TAKEN INTO ACCOUNT.—Construction shall be taken into account only if, for purposes of this subpart, expenditures therefor are properly chargeable to capital account with respect to the property.

''(5) ELECTION.—An election under this subsection may be made at such time and in such manner as the Secretary may by regulations prescribe. Such an election shall apply to the taxable year for which made and to all subsequent taxable years. Such an election, once made, may not be revoked except with the consent of the Secretary.

''(e) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any property with respect to which the rehabilitation credit under section 47 or the energy credit under section 48A is allowed unless the taxpayer elects to waive the application of such credit to such property.

''(f) TERMINATION.—This section shall not apply with respect to any qualified investment after December 31, 2014.''

(c) RECAPTURE.—Section 50(a) (relating to other special rules) is amended by adding at the end the following:

''(6) SPECIAL RULES RELATING TO QUALIFYING CLEAN COAL TECHNOLOGY FACILITY.—For purposes of applying this subsection in the case of any credit allowable by reason of section 48B, the following shall apply:

"(A) GENERAL RULE.—In lieu of the amount of the increase in tax under paragraph (1), the increase in tax shall be an amount equal to the investment tax credit allowed under section 38 for all prior taxable years with respect to a qualifying clean coal technology facility (as defined by section 48B(b)(1)) multiplied by a fraction whose numerator is the number of years remaining to fully depreciate under this title the qualifying clean coal technology facility disposed of, and whose denominator is the total number of years over which such facility would otherwise have been subject to depreciation. For purposes of the preceding sentence, the year of disposition of the qualifying clean coal technology facility property shall be treated as a year of remaining depreciation.

"(B) PROPERTY CEASES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to the rules of paragraph (2) shall apply in the case of qualified progress expenditures for a qualifying clean coal technology facility under section 48B, except that the amount of the increase in tax under subparagraph (A) of this

paragraph shall be substituted in lieu of the amount described in such paragraph (2).

''(C) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with respect to the credit allowed under section 38 regarding a qualifying clean coal technology facility.''

(d) TRANSITIONAL RULE.—Section 39(d) of the Internal Revenue Code of 1986 (relating to transitional rules), as amended by section 101(b)(2), is amended by adding at the end the following:

''(10) NO CARRYBACK OF SECTION 48B CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the qualifying clean coal technology facility credit determined under section 48B may be carried back to a taxable year ending before the date of the enactment of section 48B.''

(e) TECHNICAL AMENDMENTS.—

(1) Section 49(a)(1)(C) is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', and'', and by adding at the end the following:

''(iv) the portion of the basis of any qualifying clean coal technology facility at-

tributable to any qualified investment (as defined by section 48B(c)).''

(2) Section 50(a)(4) is amended by striking ''and (2)'' and inserting '', (2), and (6)''.

(3) The table of sections for subpart E of part IV of subchapter A of chapter 1, as amended by section 101(d), is amended by inserting after the item relating to section 48A the following:

''Sec. 48B. Qualifying clean coal technology facility credit.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 502. CREDIT FOR PRODUCTION FROM QUALIFYING CLEAN COAL TECHNOLOGY.

(a) CREDIT FOR PRODUCTION FROM QUALIFYING CLEAN COAL TECHNOLOGY.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following:

''SEC. 45D. CREDIT FOR PRODUCTION FROM QUALIFYING CLEAN COAL TECHNOLOGY.

''(a) GENERAL RULE.—For purposes of section 38, the qualifying clean coal technology production credit of

any taxpayer for any taxable year is equal to the applicable amount for each kilowatt hour—

''(1) produced by the taxpayer at a qualifying clean coal technology facility during the 10-year period beginning on the date the facility was originally placed in service, and

''(2) sold by the taxpayer to an unrelated person during such taxable year.

''(b) APPLICABLE AMOUNT.—For purposes of this section, the applicable amount with respect to production from a qualifying clean coal technology facility shall be determined as follows:

''(1) In the case of a facility originally placed in service before 2007, if—

''The facility design average net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 8400	$.0130	$.0110
More than 8400 but not more than 8550	$.0100	$.0085
More than 8550 but not more than 8750	$.0090	$.0070.

''(2) In the case of a facility originally placed in service after 2006 and before 2011, if—

''The facility design average net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7770	$.0100	$.0080
More than 7770 but not more than 8125	$.0080	$.0065
More than 8125 but not more than 8350	$.0070	$.0055.

''(3) In the case of a facility originally placed in service after 2010 and before 2015, if—

"The facility design average net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7720	$.0085	$.0070
More than 7720 but not more than 7380	$.0070	$.0045.

"(c) INFLATION ADJUSTMENT FACTOR.—Each amount in paragraphs (1), (2), and (3) shall each be adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the amount is applied. If any amount as increased under the preceding sentence is not a multiple of 0.01 cent, such amount shall be rounded to the nearest multiple of 0.01 cent.

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) any term used in this section which is also used in section 48B shall have the meaning given such term in section 48B,

"(2) the rules of paragraphs (3), (4), and (5) of section 45 shall apply,

"(3) the term 'inflation adjustment factor' means, with respect to a calendar year, a fraction the numerator of which is the GDP implicit price deflator for the preceding calendar year and the denominator of which is the GDP implicit price deflator for the calendar year 1998, and

"(4) the term 'GDP implicit price deflator' means the most recent revision of the implicit price

deflator for the gross domestic product as computed by the Department of Commerce before March 15 of the calendar year.''

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following:

''(13) the qualifying clean coal technology production credit determined under section 45D(a).''

(c) TRANSITIONAL RULE.—Section 39(d) (relating to transitional rules), as amended by section 501(d), is amended by adding at the end the following:

''(11) NO CARRYBACK OF CERTAIN CREDITS BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credits allowable under any section added to this subpart by the amendments made by the Energy Security Tax Act of 1999 may be carried back to a taxable year ending before the date of the enactment of such Act.''

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following:

''Sec. 45D. Credit for production from qualifying clean coal technology.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

SEC. 503. RISK POOL FOR QUALIFYING CLEAN COAL TECHNOLOGY.

(a) ESTABLISHMENT.—The Secretary of the Treasury shall establish a financial risk pool which shall be available to any United States owner of qualifying clean coal technology (as defined in section 48B(b)(3) of the Internal Revenue Code of 1986) to offset for the first 3 three years of the operation of such technology the costs (not to exceed 5 percent of the total cost of installation) for modifications resulting from the technology's failure to achieve its design performance.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated such sums as are necessary to carry out the purposes of this section.

TITLE VI—METHANE RECOVERY

SEC. 601. CREDIT FOR CAPTURE OF COALBED METHANE GAS.

(a) CREDIT FOR CAPTURE OF COALBED METHANE GAS.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 502(a), is amended by adding at the end the following:

"SEC. 45E. CREDIT FOR CAPTURE OF COALBED METHANE GAS.

"For purposes of section 38, the coalbed methane gas capture credit of any taxpayer for any taxable year is $10 for each ton of carbon-equivalent coalbed methane gas captured by the taxpayer and sold by the taxpayer to an unrelated person during such taxable year (within the meaning of section 45)."

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b), as amended by section 502(b), is amended by striking "plus" at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting ", plus", and by adding at the end the following:

"(14) the coalbed methane gas capture credit determined under section 45E(a)."

(c) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 502(d), is amended by adding at the end the following:

"Sec. 45E. Credit for capture of coalbed methane gas."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

TITLE VII—OIL AND GAS PRODUCTION

SEC. 701. CREDIT FOR PRODUCTION OF RE-REFINED LUBRICATING OIL.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 601(a), is amended by adding at the end the following:

"SEC. 45F. CREDIT FOR PRODUCING RE-REFINED LUBRICATING OIL.

''(a) GENERAL RULE.—For purposes of section 38, the re-refined lubricating oil production credit of any taxpayer for any taxable year is equal to $4.05 per barrel of qualified re-refined lubricating oil production which is attributable to the taxpayer (within the meaning of section 29(d)(3)).

''(b) QUALIFIED RE-REFINED LUBRICATING OIL PRODUCTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified re-refined lubricating oil production' means a base oil manufactured from at least 95 percent used oil and not more than 2 percent of previously unused oil by a re-refining process which effectively removes physical and chemical impurities and spent and unspent additives to the extent that such base oil meets in-

dustry standards for engine oil as defined by the American Petroleum Institute document API 1509 as in effect on the date of the enactment of this section.

''(2) LIMITATION ON AMOUNT OF PRODUCTION WHICH MAY QUALIFY.—Re-refined lubricating oil produced during any taxable year shall not be treated as qualified re-refined lubricating oil production but only to the extent average daily production during the taxable year exceeds 7,000 barrels.

''(3) BARREL.—The term 'barrel' has the meaning given such term by section 613A(e)(4).

''(c) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 1999, the dollar amount contained in subsection (a) shall be increased to an amount equal to such dollar amount multiplied by the inflation adjustment factor for such calendar year (determined under section 29(d)(2)(B) by substituting '1998' for '1979').''

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) (relating to current year business credit), as amended by section 601(b), is amended by striking ''plus'' at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting '', plus'', and by adding at the end the following:

''(15) the re-refined lubricating oil production credit determined under section 45F(a).''

(c) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 601(c), is amended by adding at the end the following:

''Sec. 45F. Credit for producing re-refined lubricating oil.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

SEC. 702. 5-YEAR NET OPERATING LOSS CARRYBACK FOR LOSSES ATTRIBUTABLE TO OPERATING MINERAL INTERESTS OF INDEPENDENT OIL AND GAS PRODUCERS.

(a) IN GENERAL.—Paragraph (1) of section 172(b) (relating to years to which loss may be carried) is amended by adding at the end the following new subparagraph:

''(H) LOSSES ON OPERATING MINERAL INTERESTS OF INDEPENDENT OIL AND GAS PRODUCERS.—In the case of a taxpayer—

''(i) which has an eligible oil and gas loss (as defined in subsection (j)) for a taxable year, and

''(ii) which is not an integrated oil company (as defined in section 291(b)(4)),

such eligible oil and gas loss shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss.''

(b) ELIGIBLE OIL AND GAS LOSS.—Section 172 is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

''(j) ELIGIBLE OIL AND GAS LOSS.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible oil and gas loss' means the lesser of—

''(A) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to operating mineral interests (as defined in section 614(d)) in oil and gas wells are taken into account, or

''(B) the amount of the net operating loss for such taxable year.

''(2) COORDINATION WITH SUBSECTION (b)(2).—For purposes of applying subsection (b)(2), an eligible oil and gas loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.

''(3) ELECTION.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(H) from any

loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(H).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to net operating losses for taxable years beginning after December 31, 1998.

SEC. 703. DEDUCTION FOR DELAY RENTAL PAYMENTS.

(a) IN GENERAL.—Section 263 (relating to capital expenditures) is amended by adding after subsection (i) the following new subsection:

''(j) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL AND GAS WELLS.—

''(1) IN GENERAL.—Notwithstanding subsection (a), a taxpayer may elect to treat delay rental payments incurred in connection with the development of oil or gas within the United States (as defined in section 638) as payments which are not chargeable to capital account. Any payments so treated shall be allowed as a deduction in the taxable year in which paid or incurred.

''(2) DELAY RENTAL PAYMENTS.—For purposes of paragraph (1), the term 'delay rental payment' means an amount paid for the privilege of deferring development of an oil or gas well.''

(b) CONFORMING AMENDMENT.—Section 263A(c)(3) is amended by inserting ''263(j),'' after ''263(i),''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 1999.

SEC. 704. ELECTION TO EXPENSE GEOLOGICAL AND GEOPHYSICAL EXPENDITURES.

(a) IN GENERAL.—Section 263 (relating to capital expenditures) is amended by adding after subsection (j) the following new subsection:

''(k) GEOLOGICAL AND GEOPHYSICAL EXPENDITURES FOR DOMESTIC OIL AND GAS WELLS.—Notwithstanding subsection (a), a taxpayer may elect to treat geological and geophysical expenses incurred in connection with the exploration for, or development of, oil or gas within the United States (as defined in section 638) as expenses which are not chargeable to capital account. Any expenses so treated shall be allowed as a deduction in the taxable year in which paid or incurred.''

(b) CONFORMING AMENDMENT.—Section 263A(c)(3) is amended by inserting ''263(k),'' after ''263(j),''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred in taxable years beginning after December 31, 1999.

SEC. 705. ELIMINATION OF LIMITATION BASED ON 65 PERCENT OF TAXABLE INCOME.

(a) IN GENERAL.—Section 613A(d) (relating to limitation on percentage depletion in case of oil and gas wells) is amended by striking paragraph (1) and by redesignating paragraphs (2), (3), (4), and (5) as paragraphs (1), (2), (3), and (4), respectively.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

SEC. 706. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR MARGINAL PRODUCTION.

(a) IN GENERAL.—Subparagraph (H) of section 613A(c)(6) is amended—

(1) by striking '', and before January 1, 2000'', and

(2) by striking ''TEMPORARY SUSPENSION'' in the heading and inserting ''NONAPPLICATION''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

TITLE VIII—RENEWABLE POWER GENERATION

SEC. 801. MODIFICATIONS TO CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE RESOURCES.

(a) EXPANSION OF QUALIFIED ENERGY RESOURCES.—

(1) IN GENERAL.—Section 45(c)(1) (defining qualified energy resources) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting a comma, and by adding at the end the following:

''(C) biomass (other than closed-loop biomass), and

''(D) poultry waste.''

(2) DEFINITIONS.—Section 45(c) is amended by redesignating paragraph (3) as paragraph (4) and by striking paragraph (2) and inserting the following:

''(2) BIOMASS.—

''(A) IN GENERAL.—The term 'biomass' means—

''(i) closed-loop biomass, and

''(ii) any solid, nonhazardous, cellulosic waste material, which is segregated

from other waste materials, and which is derived from—

"(I) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,

"(II) waste pallets, crates, and dunnage, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage) and post-consumer waste-paper, or

"(III) agriculture sources, including orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues.

"(B) CLOSED-LOOP BIOMASS.—The term 'closed-loop biomass' means any organic material from a plant which is planted exclusively for purposes of being used at a qualified facility to produce electricity.

"(3) POULTRY WASTE.—The term 'poultry waste' means poultry manure and litter, including

wood shavings, straw, rice hulls, and other bedding material for the disposition of manure.''

(b) EXTENSION AND MODIFICATION OF PLACED-IN-SERVICE RULES.—Paragraph (4) of section 45(c), as redesignated by subsection (a), is amended to read as follows:

''(4) QUALIFIED FACILITY.—

''(A) WIND FACILITY.—In the case of a facility using wind to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service after December 31, 1993, and before January 1, 2004.

''(B) CLOSED-LOOP BIOMASS FACILITY.—In the case of a facility using closed-loop biomass to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service after December 31, 1992, and before January 1, 2004.

''(C) BIOMASS FACILITY.—In the case of a facility using biomass (other than closed-loop biomass) to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service

after the date of the enactment of this paragraph and before January 1, 2004.

''(D) POULTRY WASTE FACILITY.—In the case of a facility using poultry waste to produce electricity, the term 'qualified facility' means any facility of the taxpayer which is originally placed in service after the date of the enactment of this paragraph and before January 1, 2004.

''(E) SPECIAL RULES.—

''(i) COMBINED PRODUCTION FACILITIES INCLUDED.—For purposes of this paragraph, the term 'qualified facility' shall include a facility using biomass or poultry waste to produce electricity and ethanol.

''(ii) SPECIAL RULES.—In the case of a qualified facility described in subparagraph (C) or (D)—

''(I) the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this paragraph, and

''(II) subsection (b)(3) shall not apply to any such facility originally

placed in service before January 1, 1997.''

(c) ELECTRICITY PRODUCED FROM BIOMASS CO-FIRED IN COAL PLANTS.—Paragraph (1) of section 45(a) (relating to general rule) is amended by inserting ''(1.0 cents in the case of electricity produced from biomass co-fired in a facility which produces electricity from coal) after ''1.5 cents''.

(d) COORDINATION WITH OTHER CREDITS.—Section 45(d) (relating to definitions and special rules) is amended by adding at the end the following:

''(6) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any production with respect to which the clean coal technology production credit under section 45B is allowed unless the taxpayer elects to waive the application of such credit to such production.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity produced after the date of the enactment of this Act.

SEC. 802. CREDIT FOR CAPITAL COSTS OF QUALIFIED BIOMASS-BASED GENERATING SYSTEM.

(a) ALLOWANCE OF QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY CREDIT.—Section 46 (relating to amount of credit), as amended by section

501(a), is amended by striking ''and'' at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting '', and'', and by adding at the end the following:

''(5) the qualified biomass-based generating system facility credit.''

(b) AMOUNT OF CREDIT.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit), as amended by section 501(b), is amended by inserting after section 48C the following:

''SEC. 48C. QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the qualified biomass-based generating system facility credit for any taxable year is an amount equal to 20 percent of the qualified investment in a qualified biomass-based generating system facility for such taxable year.

''(b) QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY.—

''(1) IN GENERAL.—For purposes of subsection (a), the term 'qualified biomass-based generating system facility' means a facility of the taxpayer—

''(A)(i) the original use of which commences with the taxpayer or the reconstruction of which is completed by the taxpayer (but only

with respect to that portion of the basis which is properly attributable to such reconstruction), or

"(ii) that is acquired through purchase (as defined by section 179(d)(2)),

"(B) that is depreciable under section 167,

"(C) that has a useful life of not less than 4 years, and

"(D) that uses a qualified biomass-based generating system.

"(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For purposes of subparagraph (A) of paragraph (1), in the case of a facility that—

"(A) is originally placed in service by a person, and

"(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such facility was originally placed in service, for a period of not less than 12 years,

such facility shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback (or lease) referred to in subparagraph (B). The preceding sentence shall not apply to any property if the lessee and les-

sor of such property make an election under this sentence. Such an election, once made, may be revoked only with the consent of the Secretary.

''(3) QUALIFIED BIOMASS-BASED GENERATING SYSTEM.—For purposes of paragraph (1)(D), the term 'qualified biomass-based generating system' means a biomass-based integrated gasification combined cycle (IGCC) generating system which has an electricity-only generation efficiency greater than 40 percent.

''(c) QUALIFIED INVESTMENT.—For purposes of subsection (a), the term 'qualified investment' means, with respect to any taxable year, the basis of a qualified biomass-based generating system facility placed in service by the taxpayer during such taxable year.

''(d) QUALIFIED PROGRESS EXPENDITURES.—

''(1) INCREASE IN QUALIFIED INVESTMENT.—In the case of a taxpayer who has made an election under paragraph (5), the amount of the qualified investment of such taxpayer for the taxable year (determined under subsection (c) without regard to this section) shall be increased by an amount equal to the aggregate of each qualified progress expenditure for the taxable year with respect to progress expenditure property.

''(2) PROGRESS EXPENDITURE PROPERTY DEFINED.—For purposes of this subsection, the term 'progress expenditure property' means any property being constructed by or for the taxpayer and which—

''(A) cannot reasonably be expected to be completed in less than 18 months, and

''(B) it is reasonable to believe will qualify as a qualified biomass-based generating system facility which is being constructed by or for the taxpayer when it is placed in service.

''(3) QUALIFIED PROGRESS EXPENDITURES DEFINED.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—In the case of any self-constructed property, the term 'qualified progress expenditures' means the amount which, for purposes of this subpart, is properly chargeable (during such taxable year) to capital account with respect to such property.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—In the case of non-self-constructed property, the term 'qualified progress expenditures' means the amount paid during the tax-

able year to another person for the construction of such property.

''(4) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—The term 'self-constructed property' means property for which it is reasonable to believe that more than half of the construction expenditures will be made directly by the taxpayer.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—The term 'non-self-constructed property' means property which is not self-constructed property.

''(C) CONSTRUCTION, ETC.—The term 'construction' includes reconstruction and erection, and the term 'constructed' includes reconstructed and erected.

''(D) ONLY CONSTRUCTION OF QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY TO BE TAKEN INTO ACCOUNT.—Construction shall be taken into account only if, for purposes of this subpart, expenditures therefor are properly chargeable to capital account with respect to the property.

''(5) ELECTION.—An election under this subsection may be made at such time and in such manner as the Secretary may by regulations prescribe. Such an election shall apply to the taxable year for which made and to all subsequent taxable years. Such an election, once made, may not be revoked except with the consent of the Secretary.

''(e) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any property with respect to which the rehabilitation credit under section 47 or the energy credit under section 48A is allowed unless the taxpayer elects to waive the application of such credits to such property.''

(c) RECAPTURE.—Section 50(a) (relating to other special rules), as amended by section 501(c), is amended by adding at the end the following:

''(7) SPECIAL RULES RELATING TO QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY.—For purposes of applying this subsection in the case of any credit allowable by reason of section 48C, the following shall apply:

''(A) GENERAL RULE.—In lieu of the amount of the increase in tax under paragraph (1), the increase in tax shall be an amount equal to the investment tax credit allowed under

section 38 for all prior taxable years with respect to a qualified biomass-based generating system facility (as defined by section 48C(b)) multiplied by a fraction whose numerator is the number of years remaining to fully depreciate under this title the qualified biomass-based generating system facility disposed of, and whose denominator is the total number of years over which such facility would otherwise have been subject to depreciation. For purposes of the preceding sentence, the year of disposition of the qualified biomass-based generating system facility shall be treated as a year of remaining depreciation.

''(B) PROPERTY CEASES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to the rules of paragraph (2) shall apply in the case of qualified progress expenditures for a qualified biomass-based generating system facility under section 48C, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted in lieu of the amount described in such paragraph (2).

''(C) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with re-

spect to the credit allowed under section 38 regarding a qualified biomass-based generating system facility.''

(d) TRANSITIONAL RULE.—Section 39(d) of the Internal Revenue Code of 1986 (relating to transitional rules), as amended by section 501(d), is amended by adding at the end the following:

''(11) NO CARRYBACK OF SECTION 48C CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the qualified biomass-based generating system facility credit determined under section 48C may be carried back to a taxable year ending before the date of the enactment of section 48C.''

(e) TECHNICAL AMENDMENTS.—

(1) Section 49(a)(1)(C), as amended by section 501(e), is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by adding at the end the following:

''(v) the portion of the basis of any qualified biomass-based generating system facility attributable to any qualified investment (as defined by section 48C(c)).''

(2) Section 50(a)(4), as amended by section 501(e), is amended by striking ''and (6)'' and inserting '', (6), and (7)''.

(3) The table of sections for subpart E of part IV of subchapter A of chapter 1, as amended by section 501(e), is amended by inserting after the item relating to section 48B the following:

''Sec. 48C. Qualified biomass-based generating system facility credit.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 803. TREATMENT OF FACILITIES USING BAGASSE TO PRODUCE ENERGY AS SOLID WASTE DISPOSAL FACILITIES ELIGIBLE FOR TAX-EXEMPT FINANCING.

(a) IN GENERAL.—Section 142 (relating to exempt facility bond) is amended by adding at the end the following:

''(k) SOLID WASTE DISPOSAL FACILITIES.—For purposes of subsection (a)(6), the term 'solid waste disposal facilities' includes property located in Hawaii and used for the collection, storage, treatment, utilization, processing,

or final disposal of bagasse in the manufacture of ethanol.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to bonds issued after the date of the enactment of this Act.

TITLE IX—STEELMAKING

SEC. 901. CREDIT FOR INVESTMENT IN ENERGY-EFFICIENT STEELMAKING FACILITIES.

(a) ALLOWANCE OF ENERGY-EFFICIENT STEELMAKING FACILITY CREDIT.—Section 46 (relating to amount of credit), as amended by section 802(a), is amended by striking ''and'' at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting '', and'', and by adding at the end the following:

''(6) the energy-efficient steelmaking facility credit.''

(b) AMOUNT OF ENERGY-EFFICIENT STEELMAKING FACILITY CREDIT.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit), as amended by section 802(b), is amended by inserting after section 48C the following:

''SEC. 48D. ENERGY-EFFICIENT STEELMAKING FACILITY CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the energy-efficient steelmaking facility credit for any taxable

year is an amount equal to 10 percent of the qualified investment in an energy-efficient steelmaking facility for such taxable year.

''(b) ENERGY-EFFICIENT STEELMAKING FACILITY.—

''(1) IN GENERAL.—For purposes of subsection (a), the term 'energy-efficient steelmaking facility' means a facility of the taxpayer—

''(A)(i) which—

''(I) with respect to a facility the original use of which commences with the taxpayer, improves steelmaking energy efficiency by 20 percent over the energy efficiency norm of the industry as determined by the Secretary for the year in which such facility is placed in service, or

''(II) with respect to a facility which replaces an existing steelmaking facility and the original use of which commences with the taxpayer, improves steelmaking energy efficiency by 20 percent over the average energy efficiency of the replaced facility for the 2 taxable years preceding the year in which the replacing facility is placed in service (but only with respect to

that portion of the basis which is properly attributable to such replacement), or

"(ii) that is acquired through purchase (as defined by section 179(d)(2)),

"(B) that is depreciable under section 167, and

"(C) that has a useful life of not less than 4 years.

"(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For purposes of subparagraph (A) of paragraph (1), in the case of a facility that—

"(A) is originally placed in service by a person, and

"(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such facility was originally placed in service, for a period of not less than 12 years,

such facility shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback (or lease) referred to in subparagraph (B). The preceding sentence shall not apply to any property if the lessee and lessor of such property make an election under this

sentence. Such an election, once made, may be revoked only with the consent of the Secretary.

''(3) STEELMAKING ENERGY EFFICIENCY.—For purposes of paragraph (1)(A), steelmaking energy efficiency shall be measured in BTu's per ton of raw steel produced.

''(c) QUALIFIED INVESTMENT.—For purposes of subsection (a), the term 'qualified investment' means, with respect to any taxable year, the basis of an energy-efficient steelmaking facility placed in service by the taxpayer during such taxable year.

''(d) QUALIFIED PROGRESS EXPENDITURES.—

''(1) INCREASE IN QUALIFIED INVESTMENT.—In the case of a taxpayer who has made an election under paragraph (5), the amount of the qualified investment of such taxpayer for the taxable year (determined under subsection (c) without regard to this section) shall be increased by an amount equal to the aggregate of each qualified progress expenditure for the taxable year with respect to progress expenditure property.

''(2) PROGRESS EXPENDITURE PROPERTY DEFINED.—For purposes of this subsection, the term 'progress expenditure property' means any property being constructed by or for the taxpayer and which

it is reasonable to believe will qualify as an energy-efficient steelmaking facility which is being constructed by or for the taxpayer when it is placed in service.

''(3) QUALIFIED PROGRESS EXPENDITURES DEFINED.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—In the case of any self-constructed property, the term 'qualified progress expenditures' means the amount which, for purposes of this subpart, is properly chargeable (during such taxable year) to capital account with respect to such property.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—In the case of non-self-constructed property, the term 'qualified progress expenditures' means the amount paid during the taxable year to another person for the construction of such property.

''(4) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—The term 'self-constructed property' means property for which it is reasonable to believe

that more than half of the construction expenditures will be made directly by the taxpayer.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—The term 'non-self-constructed property' means property which is not self-constructed property.

''(C) CONSTRUCTION, ETC.—The term 'construction' includes reconstruction and erection, and the term 'constructed' includes reconstructed and erected.

''(D) ONLY CONSTRUCTION OF ENERGY-EFFICIENT STEELMAKING FACILITY TO BE TAKEN INTO ACCOUNT.—Construction shall be taken into account only if, for purposes of this subpart, expenditures therefor are properly chargeable to capital account with respect to the property.

''(5) ELECTION.—An election under this subsection may be made at such time and in such manner as the Secretary may by regulations prescribe. Such an election shall apply to the taxable year for which made and to all subsequent taxable years. Such an election, once made, may not be revoked except with the consent of the Secretary.

''(e) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any property with respect to which the rehabilitation credit under section 47 or the energy credit under section 48A is allowed unless the taxpayer elects to waive the application of such credits to such property.

''(f) TERMINATION.—This section shall not apply with respect to any qualified investment after December 31, 2004.''

(c) RECAPTURE.—Section 50(a) (relating to other special rules), as amended by section 802(c), is amended by adding at the end the following:

''(8) SPECIAL RULES RELATING TO ENERGY-EFFICIENT STEELMAKING FACILITY.—For purposes of applying this subsection in the case of any credit allowable by reason of section 48D, the following shall apply:

''(A) GENERAL RULE.—In lieu of the amount of the increase in tax under paragraph (1), the increase in tax shall be an amount equal to the investment tax credit allowed under section 38 for all prior taxable years with respect to an energy-efficient steelmaking facility (as defined by section 48D(b)) multiplied by a fraction whose numerator is the number of

years remaining to fully depreciate under this title the energy-efficient steelmaking facility disposed of, and whose denominator is the total number of years over which such facility would otherwise have been subject to depreciation. For purposes of the preceding sentence, the year of disposition of the energy-efficient steelmaking facility property shall be treated as a year of remaining depreciation.

''(B) PROPERTY CEASES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to the rules of paragraph (2) shall apply in the case of qualified progress expenditures for an energy-efficient steelmaking facility under section 48D, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted in lieu of the amount described in such paragraph (2).

''(C) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with respect to the credit allowed under section 38 regarding an energy-efficient steelmaking facility.''

(d) TRANSITIONAL RULE.—Section 39(d) of the Internal Revenue Code of 1986 (relating to transitional

rules), as amended by section 802(d), is amended by adding at the end the following:

"(12) NO CARRYBACK OF SECTION 48D CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the energy-efficient steelmaking facility credit determined under section 48D may be carried back to a taxable year ending before the date of the enactment of section 48D."

(e) TECHNICAL AMENDMENTS.—

(1) Section 49(a)(1)(C), as amended by section 802(e), is amended by striking "and" at the end of clause (iv), by striking the period at the end of clause (v) and inserting ", and", and by adding at the end the following:

"(vi) the portion of the basis of any energy-efficient steelmaking facility attributable to any qualified investment (as defined by section 48D(c))."

(2) Section 50(a)(4), as amended by section 802(e), is amended by striking "and (7)" and inserting ", (7), and (8)".

(3) The table of sections for subpart E of part IV of subchapter A of chapter 1, as amended by sec-

tion 802(e), is amended by inserting after the item relating to section 48C the following:

''Sec. 48D. Energy-efficient steelmaking facility credit.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 902. EXTENSION OF CREDIT FOR ELECTRICITY TO PRODUCTION FROM STEEL COGENERATION.

(a) EXTENSION OF CREDIT FOR COKE PRODUCTION AND STEEL MANUFACTURING FACILITIES.—Section 45(c)(1) (defining qualified energy resources), as amended by section 801(a)(1), is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following:

''(E) steel cogeneration.''

(b) STEEL COGENERATION.—Section 45(c), as amended by subsections (a)(2) and (b) of section 801, is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following:

''(4) STEEL COGENERATION.—

''(A) IN GENERAL.—The term 'steel cogeneration' means the production of steam or other

form of thermal energy of at least 20 percent of total production and the production of electricity or mechanical energy (or both) of at least 20 percent of total production if the cogeneration meets regulatory energy-efficiency standards established by the Secretary and only to the extent that such energy is produced from—

''(i) gases or heat generated during the production of coke,

''(ii) blast furnace gases or heat generated during the production of iron ore or iron, or

''(iii) waste gases or heat generated from the manufacture of steel that uses at least 20 percent recycled material.

''(B) TOTAL PRODUCTION.—For purposes of subparagraph (A), the term 'total production' means, with respect to any facility which produces coke, iron ore, iron, or steel, production from all waste sources described in clauses (i), (ii), and (iii) of subparagraph (A) (whichever applicable) from the entire facility.''

(c) MODIFICATION OF PLACED IN SERVICE RULES FOR STEEL COGENERATION FACILITIES.—Section

45(c)(5) (defining qualified facility), as amended by section 801(b) and redesignated by subsection (b), is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following:

''(E) STEEL COGENERATION FACILITIES.—In the case of a facility using steel cogeneration to produce electricity, the term 'qualified facility' means any facility permitted to operate under the environmental requirements of the Clean Air Act Amendments of 1990 which is owned by the taxpayer and originally placed in service after December 31, 1999, and before January 1, 2005. Such a facility may be treated as originally placed in service when such facility was last upgraded to increase efficiency or generation capability. However, no facility shall be allowed a credit under this section for more than 10 years of production.''

(d) CONFORMING AMENDMENTS.—

(1) The heading for section 45 is amended by inserting ''**AND WASTE ENERGY**'' after ''**RENEWABLE**''.

(2) The item relating to section 45 in the table of sections subpart D of part IV of subchapter A of

chapter 1 is amended by inserting ''and waste energy'' after ''renewable''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001, and before January 1, 2005.

TITLE X—AGRICULTURE

SEC. 1001. AGRICULTURAL CONSERVATION TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 701(a), is amended by adding at the end the following:

''SEC. 45G. AGRICULTURAL CONSERVATION CREDIT.

''(a) IN GENERAL.—For purposes of section 38, in the case of an eligible person, the agricultural conservation credit determined under this section for the taxable year is an amount equal to—

''(1) 10 percent of the eligible conservation tillage equipment expenses, and

''(2) 10 percent of the eligible irrigation equipment expenses,

paid or incurred by such person in connection with the active conduct of the trade or business of farming for the taxable year.

''(b) ELIGIBLE PERSON.—For purposes of this section, the term 'eligible person' means, with respect to any

taxable year, any person if the average annual gross receipts of such person for the 3 preceding taxable years do not exceed $1,000,000. For purposes of the preceding sentence, rules similar to the rules of section 448(c)(3) shall apply.

''(c) LIMITATION.—The amount of the credit allowed under subsection (a) for any taxable year shall not exceed $2,500 for each credit determined under paragraph (1) or (2) of such subsection.

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

''(1) ELIGIBLE CONSERVATION TILLAGE EQUIPMENT EXPENSES.—

''(A) IN GENERAL.—The term 'eligible conservation tillage equipment expenses' means amounts paid or incurred by a taxpayer to purchase and install conservation tillage equipment for use in the trade or business of the taxpayer.

''(B) CONSERVATION TILLAGE EQUIPMENT.—The term 'conservation tillage equipment' means a no-till planter or drill designed to minimize the disturbance of the soil in planting crops, including such planters or drills which may be attached to equipment already owned by the taxpayer.

''(2) ELIGIBLE IRRIGATION EQUIPMENT EXPENSES.—The term 'eligible irrigation equipment expenses' means amounts paid or incurred by a taxpayer—

''(A) to purchase and install on currently irrigated lands new or upgraded equipment which will improve the efficiency of existing irrigation systems used in the trade or business of the taxpayer, including—

''(i) spray jets or nozzles which improve water distribution efficiency,

''(ii) irrigation well meters,

''(iii) surge valves and surge irrigation systems, and

''(iv) conversion of equipment from gravity irrigation to sprinkler or drip irrigation, including center pivot systems, and

''(B) for service required to schedule the use of such irrigation equipment as necessary to manage water application to the crop requirement based on local evaporation and transpiration rates or soil moisture.

''(e) SPECIAL RULES.—

''(1) REDUCTION IN BASIS.—For purposes of this subtitle, if a credit is determined under this sec-

tion with respect to any property, the basis of such property shall be reduced by the amount of the credit so determined.

''(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—For purposes of this section, under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

''(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—For purposes of this section, in the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

''(4) DENIAL OF DOUBLE BENEFIT.—No other deduction or credit shall be allowed to the taxpayer under this chapter for any amount taken into account in determining the credit under this section.''

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b), as amended by section 701(b), is amended by striking ''plus'' at the end of paragraph (14), by striking the period at the end of paragraph (15), and inserting '', plus'', and by adding at the end the following:

''(16) the agricultural conservation credit determined under section 45G.''

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 701(c), is amended by adding at the end the following:

"Sec. 45G. Agricultural conservation credit."

(3) Section 1016(a), as amended by section 201(b)(1), is amended by striking "and" at the end of paragraph (27), striking the period at the end of paragraph (28) and inserting "; and", and adding at the end the following:

"(29) in the case of property with respect to which a credit was allowed under section 45G, to the extent provided in section 45G(d)(1)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

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