

107TH CONGRESS  
1ST SESSION

# S. 1873

To amend the Internal Revenue Code of 1986 to allow credits for the installation of energy efficiency home improvements, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

DECEMBER 20 (legislative day, DECEMBER 18), 2001

Ms. SNOWE 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 allow credits for the installation of energy efficiency home improvements, and for other purposes.

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

3       **SECTION 1. CREDIT FOR ENERGY EFFICIENCY IMPROVE-**  
4       **MENTS TO EXISTING HOMES.**

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

1 **“SEC. 25C. ENERGY EFFICIENCY IMPROVEMENTS TO EXIST-**  
2 **ING HOMES.**

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

9 “(b) LIMITATIONS.—

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

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

23 “(3) LIMITATION BASED ON AMOUNT OF  
24 TAX.—The credit allowed under subsection (a) for  
25 the taxable year shall not exceed the excess of—

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

4           “(B) the sum of the credits allowable  
 5           under this subpart (other than this section and  
 6           section 23) and section 27 for the taxable year.

7           “(c) CARRYFORWARD OF UNUSED CREDIT.—If the  
 8           credit allowable under subsection (a) exceeds the limita-  
 9           tion imposed by subsection (b)(3) for such taxable year,  
 10          such excess shall be carried to the succeeding taxable year  
 11          and added to the credit allowable under subsection (a) for  
 12          such succeeding taxable year.

13          “(d) QUALIFIED ENERGY EFFICIENCY IMPROVE-  
 14          MENTS.—For purposes of this section, the term ‘qualified  
 15          energy efficiency improvements’ means any energy effi-  
 16          cient building envelope component which meets the pre-  
 17          scriptive criteria for such component established by the  
 18          1998 International Energy Conservation Code, if—

19                 “(1) such component is installed in or on a  
 20          dwelling—

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

22                         “(B) owned and used by the taxpayer as  
 23          the taxpayer’s principal residence (within the  
 24          meaning of section 121),

1           “(2) the original use of such component com-  
2           mences with the taxpayer, and

3           “(3) such component reasonably can be ex-  
4           pected to remain in use for at least 5 years.

5 If the aggregate cost of such components with respect to  
6 any dwelling exceeds \$1,000, such components shall be  
7 treated as qualified energy efficiency improvements only  
8 if such components are also certified in accordance with  
9 subsection (e) as meeting such criteria.

10       “(e) CERTIFICATION.—The certification described in  
11 subsection (d) shall be—

12           “(1) determined on the basis of the technical  
13           specifications or applicable ratings (including prod-  
14           uct labeling requirements) for the measurement of  
15           energy efficiency, based upon energy use or building  
16           envelope component performance, for the energy effi-  
17           cient building envelope component,

18           “(2) provided by a local building regulatory au-  
19           thority, a utility, a manufactured home production  
20           inspection primary inspection agency (IPLA), or an  
21           accredited home energy rating system provider who  
22           is accredited by or otherwise authorized to use ap-  
23           proved energy performance measurement methods by  
24           the Home Energy Ratings Systems Council or the  
25           National Association of State Energy Officials, and

1           “(3) made in writing in a manner that specifies  
 2           in readily verifiable fashion the energy efficient  
 3           building envelope components installed and their re-  
 4           spective energy efficiency levels.

5           “(f) DEFINITIONS AND SPECIAL RULES.—

6           “(1) TENANT-STOCKHOLDER IN COOPERATIVE  
 7           HOUSING CORPORATION.—In the case of an indi-  
 8           vidual who is a tenant-stockholder (as defined in sec-  
 9           tion 216) in a cooperative housing corporation (as  
 10          defined in such section), such individual shall be  
 11          treated as having paid his tenant-stockholder’s pro-  
 12          portionate share (as defined in section 216(b)(3)) of  
 13          the cost of qualified energy efficiency improvements  
 14          made by such corporation.

15          “(2) CONDOMINIUMS.—

16          “(A) IN GENERAL.—In the case of an indi-  
 17          vidual who is a member of a condominium man-  
 18          agement association with respect to a condo-  
 19          minium which he owns, such individual shall be  
 20          treated as having paid his proportionate share  
 21          of the cost of qualified energy efficiency im-  
 22          provements made by such association.

23          “(B) CONDOMINIUM MANAGEMENT ASSO-  
 24          CIATION.—For purposes of this paragraph, the  
 25          term ‘condominium management association’

1 means an organization which meets the require-  
2 ments of paragraph (1) of section 528(c) (other  
3 than subparagraph (E) thereof) with respect to  
4 a condominium project substantially all of the  
5 units of which are used as residences.

6 “(3) BUILDING ENVELOPE COMPONENT.—The  
7 term ‘building envelope component’ means insulation  
8 material or system which is specifically and pri-  
9 marily designed to reduce the heat loss or gain of a  
10 dwelling when installed in or on such dwelling, exte-  
11 rior windows (including skylights) and doors, and  
12 metal roofs with appropriate pigmented coatings  
13 which are specifically and primarily designed to re-  
14 duce the heat gain of a dwelling when installed in  
15 or on such dwelling.

16 “(4) MANUFACTURED HOMES INCLUDED.—For  
17 purposes of this section, the term ‘dwelling’ includes  
18 a manufactured home which conforms to Federal  
19 Manufactured Home Construction and Safety Stand-  
20 ards (24 C.F.R. 3280).

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

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

3 “(h) APPLICATION OF SECTION.—This section shall  
 4 apply to qualified energy efficiency improvements installed  
 5 after December 31, 2001, and before January 1, 2007.”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Subsection (a) of section 1016 of the Inter-  
 8 nal Revenue Code of 1986 is amended by striking  
 9 “and” at the end of paragraph (27), by striking the  
 10 period at the end of paragraph (28) and inserting “,  
 11 and”, and by adding at the end the following new  
 12 paragraph:

13 “(29) to the extent provided in section 25C(g),  
 14 in the case of amounts with respect to which a credit  
 15 has been allowed under section 25C.”.

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

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

20 (c) EFFECTIVE DATE.—The amendments made by  
 21 this section shall apply to taxable years ending after De-  
 22 cember 31, 2001.

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

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

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

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

14 “(b) LIMITATIONS.—

15 “(1) MAXIMUM CREDIT.—

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

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

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

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

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

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

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

17                   “(1) ELIGIBLE CONTRACTOR.—The term ‘eligi-  
18                   ble contractor’ means the person who constructed  
19                   the new energy efficient home, or in the case of a  
20                   manufactured home which conforms to Federal  
21                   Manufactured Home Construction and Safety Stand-  
22                   ards (24 C.F.R. 3280), the manufactured home pro-  
23                   ducer of such home.

24                   “(2) ENERGY EFFICIENT PROPERTY.—The  
25                   term ‘energy efficient property’ means any energy

1 efficient building envelope component, and any en-  
2 ergy efficient heating or cooling appliance.

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

6 “(A) located in the United States,

7 “(B) the construction of which is substan-  
8 tially completed after December 31, 2001,

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

14 “(D) which is certified to have a level of  
15 annual heating and cooling energy consumption  
16 that is at least 30 percent below the annual  
17 level of heating and cooling energy consumption  
18 of a comparable dwelling constructed in accord-  
19 ance with the standards of the 1998 Inter-  
20 national Energy Conservation Code.

21 “(4) CONSTRUCTION.—The term ‘construction’  
22 includes reconstruction and rehabilitation.

23 “(5) ACQUIRE.—The term ‘acquire’ includes  
24 purchase and, in the case of reconstruction and re-

1 habilitation, such term includes a binding written  
 2 contract for such reconstruction or rehabilitation.

3 “(6) BUILDING ENVELOPE COMPONENT.—The  
 4 term ‘building envelope component’ means insulation  
 5 material or system which is specifically and pri-  
 6 marily designed to reduce the heat loss or gain of a  
 7 dwelling when installed in or on such dwelling, exte-  
 8 rior windows (including skylights) and doors, and  
 9 metal roofs with appropriate pigmented coatings  
 10 which are specifically and primarily designed to re-  
 11 duce the heat gain of a dwelling when installed in  
 12 or on such dwelling.

13 “(7) MANUFACTURED HOME INCLUDED.—The  
 14 term ‘dwelling’ includes a manufactured home con-  
 15 forming to Federal Manufactured Home Construc-  
 16 tion and Safety Standards (24 C.F.R. 3280).

17 “(d) CERTIFICATION.—

18 “(1) METHOD.—A certification described in  
 19 subsection (c)(3)(D) shall be determined on the  
 20 basis of one of the following methods:

21 “(A) The technical specifications or appli-  
 22 cable ratings (including product labeling re-  
 23 quirements) for the measurement of energy effi-  
 24 ciency for the energy efficient building envelope  
 25 component or energy efficient heating or cooling

1 appliance, based upon energy use or building  
2 envelope component performance.

3 “(B) An energy performance measurement  
4 method that utilizes computer software ap-  
5 proved by organizations designated by the Sec-  
6 retary.

7 “(2) PROVIDER.—Such certification shall be  
8 provided by—

9 “(A) in the case of a method described in  
10 paragraph (1)(A), a local building regulatory  
11 authority, a utility, a manufactured home pro-  
12 duction inspection primary inspection agency  
13 (IPIA), or an accredited home energy rating  
14 systems provider who is accredited by, or other-  
15 wise authorized to use, approved energy per-  
16 formance measurement methods by the Home  
17 Energy Ratings Systems Council or the Na-  
18 tional Association of State Energy Officials, or

19 “(B) in the case of a method described in  
20 paragraph (1)(B), an individual recognized by  
21 an organization designated by the Secretary for  
22 such purposes.

23 “(3) FORM.—Such certification shall be made  
24 in writing in a manner that specifies in readily  
25 verifiable fashion the energy efficient building enve-

1       lope components and energy efficient heating or  
 2       cooling appliances installed and their respective en-  
 3       ergy efficiency levels, and in the case of a method  
 4       described in subparagraph (B) of paragraph (1), ac-  
 5       companied by written analysis documenting the  
 6       proper application of a permissible energy perform-  
 7       ance measurement method to the specific cir-  
 8       cumstances of such dwelling.

9               “(4) REGULATIONS.—

10               “(A) IN GENERAL.—In prescribing regula-  
 11               tions under this subsection for energy perform-  
 12               ance measurement methods, the Secretary shall  
 13               prescribe procedures for calculating annual en-  
 14               ergy costs for heating and cooling and cost sav-  
 15               ings and for the reporting of the results. Such  
 16               regulations shall—

17               “(i) be based on the National Home  
 18               Energy Rating Technical Guidelines of the  
 19               National Association of State Energy Offi-  
 20               cials, the Home Energy Rating Guidelines  
 21               of the Home Energy Rating Systems  
 22               Council, or the modified 1998 California  
 23               Residential ACM manual,

24               “(ii) provide that any calculation pro-  
 25               cedures be developed such that the same

1 energy efficiency measures allow a home to  
2 qualify for the credit under this section re-  
3 gardless of whether the house uses a gas  
4 or oil furnace or boiler or an electric heat  
5 pump, and

6 “(iii) require that any computer soft-  
7 ware allow for the printing of the Federal  
8 tax forms necessary for the credit under  
9 this section and explanations for the home-  
10 buyer of the energy efficient features that  
11 were used to comply with the requirements  
12 of this section.

13 “(B) PROVIDERS.—For purposes of para-  
14 graph (2)(B), the Secretary shall establish re-  
15 quirements for the designation of individuals  
16 based on the requirements for energy consult-  
17 ants and home energy raters specified by the  
18 National Association of State Energy Officials.

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

1       “(f) APPLICATION OF SECTION.—Subsection (a) shall  
 2 apply to dwellings purchased during the period beginning  
 3 on January 1, 2002, and ending on December 31, 2006.”.

4       (b) CREDIT MADE PART OF GENERAL BUSINESS  
 5 CREDIT.—Subsection (b) of section 38 of the Internal  
 6 Revenue Code of 1986 (relating to current year business  
 7 credit) is amended by striking “plus” at the end of para-  
 8 graph (14), by striking the period at the end of paragraph  
 9 (15) and inserting “, plus”, and by adding at the end  
 10 thereof the following new paragraph:

11               “(16) the new energy efficient home credit de-  
 12 termined under section 45G.”.

13       (c) DENIAL OF DOUBLE BENEFIT.—Section 280C of  
 14 the Internal Revenue Code of 1986 (relating to certain  
 15 expenses for which credits are allowable) is amended by  
 16 adding at the end the following new subsection:

17       “(d) NEW ENERGY EFFICIENT HOME EXPENSES.—  
 18 No deduction shall be allowed for that portion of expenses  
 19 for a new energy efficient home otherwise allowable as a  
 20 deduction for the taxable year which is equal to the  
 21 amount of the credit determined for such taxable year  
 22 under section 45G.”.

23       (d) LIMITATION ON CARRYBACK.—Subsection (d) of  
 24 section 39 of the Internal Revenue Code of 1986 is amend-  
 25 ed by adding at the end the following new paragraph:

1           “(11) NO CARRYBACK OF NEW ENERGY EFFI-  
 2           CIENT HOME CREDIT BEFORE EFFECTIVE DATE.—  
 3           No portion of the unused business credit for any  
 4           taxable year which is attributable to the credit deter-  
 5           mined under section 45G may be carried back to any  
 6           taxable year ending before January 1, 2002.”.

7           (e) DEDUCTION FOR CERTAIN UNUSED BUSINESS  
 8           CREDITS.—Subsection (c) of section 196 of the Internal  
 9           Revenue Code of 1986 is amended by striking “and” at  
 10          the end of paragraph (9), by striking the period at the  
 11          end of paragraph (10) and inserting “, and”, and by add-  
 12          ing after paragraph (10) the following new paragraph:

13           “(11) the new energy efficient home credit de-  
 14          termined under section 45G.”.

15          (f) CLERICAL AMENDMENT.—The table of sections  
 16          for subpart D of part IV of subchapter A of chapter 1  
 17          of the Internal Revenue Code of 1986 is amended by in-  
 18          serting after the item relating to section 45F the following  
 19          new item:

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

20          (g) EFFECTIVE DATE.—The amendments made by  
 21          this section shall apply to taxable years ending after De-  
 22          cember 31, 2001.

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