

108TH CONGRESS
1ST SESSION

H. R. 1459

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

IN THE HOUSE OF REPRESENTATIVES

MARCH 27, 2003

Mr. WELLER (for himself, Mr. CARDIN, and Mr. FOLEY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Save America’s Valuable Energy Resources Act of
6 2003”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment
 2 to, or repeal of, a section or other provision, the reference
 3 shall be considered to be made to a section or other provi-
 4 sion of the Internal Revenue Code of 1986.

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

7 (a) IN GENERAL.—Subpart A of part IV of sub-
 8 chapter A of chapter 1 (relating to nonrefundable personal
 9 credits) is amended by inserting after section 25B the fol-
 10 lowing new section:

11 **“SEC. 25C. ENERGY EFFICIENCY IMPROVEMENTS TO EXIST-**
 12 **ING HOMES.**

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

19 “(b) LIMITATIONS.—

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

23 “(2) PRIOR CREDIT AMOUNTS FOR TAXPAYER
 24 ON SAME DWELLING TAKEN INTO ACCOUNT.—If a
 25 credit was allowed to the taxpayer under subsection

1 (a) with respect to a dwelling in 1 or more prior tax-
2 able years, the amount of the credit otherwise allow-
3 able for the taxable year with respect to that dwell-
4 ing shall not exceed the amount of \$2,000 reduced
5 by the sum of the credits allowed under subsection
6 (a) to the taxpayer with respect to the dwelling for
7 all prior taxable years.

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

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

14 “(B) the sum of the credits allowable
15 under this subpart (other than this section and
16 section 23) and section 27 for the taxable year.

17 “(c) CARRYFORWARD OF UNUSED CREDIT.—If the
18 credit allowable under subsection (a) exceeds the limita-
19 tion imposed by subsection (b)(3) for such taxable year,
20 such excess shall be carried to the succeeding taxable year
21 and added to the credit allowable under subsection (a) for
22 such succeeding taxable year.

23 “(d) QUALIFIED ENERGY EFFICIENCY IMPROVE-
24 MENTS.—For purposes of this section, the term ‘qualified
25 energy efficiency improvements’ means any energy effi-

1 cient building envelope component which meets the pre-
2 scriptive criteria for such component established by the
3 1998 International Energy Conservation Code, if—

4 “(1) such component is installed in or on a
5 dwelling—

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

7 “(B) owned and used by the taxpayer as
8 the taxpayer’s principal residence (within the
9 meaning of section 121),

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

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

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

19 “(e) CERTIFICATION.—The certification described in
20 subsection (d) shall be—

21 “(1) determined on the basis of the technical
22 specifications or applicable ratings (including prod-
23 uct labeling requirements) for the measurement of
24 energy efficiency, based upon energy use or building

1 envelope component performance, for the energy effi-
2 cient building envelope component,

3 “(2) provided by a local building regulatory au-
4 thority, a utility, a manufactured home production
5 inspection primary inspection agency (IPLA), or an
6 accredited home energy rating system provider who
7 is accredited by or otherwise authorized to use ap-
8 proved energy performance measurement methods by
9 the Home Energy Ratings Systems Council or the
10 National Association of State Energy Officials, and

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

15 “(f) DEFINITIONS AND SPECIAL RULES.—

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

25 “(2) CONDOMINIUMS.—

1 “(A) IN GENERAL.—In the case of an indi-
2 vidual who is a member of a condominium man-
3 agement association with respect to a condo-
4 minium which he owns, such individual shall be
5 treated as having paid his proportionate share
6 of the cost of qualified energy efficiency im-
7 provements made by such association.

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

16 “(3) BUILDING ENVELOPE COMPONENT.—The
17 term ‘building envelope component’ means insulation
18 material or system which is specifically and pri-
19 marily designed to reduce the heat loss or gain of a
20 dwelling when installed in or on such dwelling, exte-
21 rior windows (including skylights) and doors, and
22 metal roofs with appropriate pigmented coatings
23 which are specifically and primarily designed to re-
24 duce the heat gain of a dwelling when installed in
25 or on such dwelling.

1 “(4) MANUFACTURED HOMES INCLUDED.—For
2 purposes of this section, the term ‘dwelling’ includes
3 a manufactured home which conforms to Federal
4 Manufactured Home Construction and Safety Stand-
5 ards (24 CFR 3280).

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

12 “(h) APPLICATION OF SECTION.—This section shall
13 apply to qualified energy efficiency improvements installed
14 after December 31, 2002 and before January 1, 2008.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Subsection (a) of section 1016 is amended
17 by striking “and” at the end of paragraph (27), by
18 striking the period at the end of paragraph (28) and
19 inserting “, and”, and by adding at the end the fol-
20 lowing new paragraph:

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

24 (2) The table of sections for subpart A of part
25 IV of subchapter A of chapter 1 is amended by in-

1 serting after the item relating to section 25B the fol-
 2 lowing new item:

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

3 (c) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to taxable years ending after De-
 5 cember 31, 2002.

6 **SEC. 3. BUSINESS CREDIT FOR CONSTRUCTION OF NEW EN-**
 7 **ERGY EFFICIENT HOME.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-
 9 chapter A of chapter 1 (relating to business related cred-
 10 its) is amended by inserting after section 45F the fol-
 11 lowing new section:

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

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

19 “(b) LIMITATIONS.—

20 “(1) MAXIMUM CREDIT.—

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

24 “(B) PRIOR CREDIT AMOUNTS ON SAME
 25 DWELLING TAKEN INTO ACCOUNT.—If a credit

1 was allowed under subsection (a) with respect
2 to a dwelling in 1 or more prior taxable years,
3 the amount of the credit otherwise allowable for
4 the taxable year with respect to that dwelling
5 shall not exceed the amount of \$2,000 reduced
6 by the sum of the credits allowed under sub-
7 section (a) with respect to the dwelling for all
8 prior taxable years.

9 “(2) COORDINATION WITH REHABILITATION
10 AND ENERGY CREDITS.—For purposes of this sec-
11 tion—

12 “(A) the basis of any property referred to
13 in subsection (a) shall be reduced by that por-
14 tion of the basis of any property which is attrib-
15 utable to qualified rehabilitation expenditures
16 (as defined in section 47(c)(2)) or to the energy
17 percentage of energy property (as determined
18 under section 48(a)), and

19 “(B) expenditures taken into account
20 under either section 47 or 48(a) shall not be
21 taken into account under this section.

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

23 “(1) ELIGIBLE CONTRACTOR.—The term ‘eligi-
24 ble contractor’ means the person who constructed
25 the new energy efficient home, or in the case of a

1 manufactured home which conforms to Federal
2 Manufactured Home Construction and Safety Stand-
3 ards (24 CFR 3280), the manufactured home pro-
4 ducer of such home.

5 “(2) ENERGY EFFICIENT PROPERTY.—The
6 term ‘energy efficient property’ means any energy
7 efficient building envelope component, and any en-
8 ergy efficient heating or cooling appliance.

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

12 “(A) located in the United States,

13 “(B) the construction of which is substan-
14 tially completed after December 31, 2002,

15 “(C) the original use of which is as a prin-
16 cipal residence (within the meaning of section
17 121) which commences with the person who ac-
18 quires such dwelling from the eligible con-
19 tractor, and

20 “(D) which is certified to have a level of
21 annual heating and cooling energy consumption
22 that is at least 30 percent below the annual
23 level of heating and cooling energy consumption
24 of a comparable dwelling constructed in accord-
25 ance with the standards of the 1998 Inter-

1 national Energy Conservation Code and to have
2 building envelope component improvements ac-
3 count for $\frac{1}{3}$ of such 30 percent.

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

6 “(5) ACQUIRE.—The term ‘acquire’ includes
7 purchase and, in the case of reconstruction and re-
8 habilitation, such term includes a binding written
9 contract for such reconstruction or rehabilitation.

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

20 “(7) MANUFACTURED HOME INCLUDED.—The
21 term ‘dwelling’ includes a manufactured home con-
22 forming to Federal Manufactured Home Construc-
23 tion and Safety Standards (24 CFR 3280).

24 “(d) CERTIFICATION.—

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

4 “(A) The technical specifications or appli-
5 cable ratings (including product labeling re-
6 quirements) for the measurement of energy effi-
7 ciency for the energy efficient building envelope
8 component or energy efficient heating or cooling
9 appliance, based upon energy use or building
10 envelope component performance.

11 “(B) An energy performance measurement
12 method that utilizes computer software ap-
13 proved by organizations designated by the Sec-
14 retary.

15 “(2) PROVIDER.—Such certification shall be
16 provided by—

17 “(A) in the case of a method described in
18 paragraph (1)(A), a local building regulatory
19 authority, a utility, a manufactured home pro-
20 duction inspection primary inspection agency
21 (IPIA), or an accredited home energy rating
22 systems provider who is accredited by, or other-
23 wise authorized to use, approved energy per-
24 formance measurement methods by the Home

1 Energy Ratings Systems Council or the Na-
2 tional Association of State Energy Officials, or

3 “(B) in the case of a method described in
4 paragraph (1)(B), an individual recognized by
5 an organization designated by the Secretary for
6 such purposes.

7 “(3) FORM.—Such certification shall be made
8 in writing in a manner that specifies in readily
9 verifiable fashion the energy efficient building enve-
10 lope components and energy efficient heating or
11 cooling appliances installed and their respective en-
12 ergy efficiency levels, and in the case of a method
13 described in subparagraph (B) of paragraph (1), ac-
14 companied by written analysis documenting the
15 proper application of a permissible energy perform-
16 ance measurement method to the specific cir-
17 cumstances of such dwelling.

18 “(4) REGULATIONS.—

19 “(A) IN GENERAL.—In prescribing regula-
20 tions under this subsection for energy perform-
21 ance measurement methods, the Secretary shall
22 prescribe procedures for calculating annual en-
23 ergy costs for heating and cooling and cost sav-
24 ings and for the reporting of the results. Such
25 regulations shall—

1 “(i) be based on the National Home
2 Energy Rating Technical Guidelines of the
3 National Association of State Energy Offi-
4 cials, the Home Energy Rating Guidelines
5 of the Home Energy Rating Systems
6 Council, or the modified 1998 California
7 Residential ACM manual,

8 “(ii) provide that any calculation pro-
9 cedures be developed such that the same
10 energy efficiency measures allow a home to
11 qualify for the credit under this section re-
12 gardless of whether the house uses a gas
13 or oil furnace or boiler or an electric heat
14 pump, and

15 “(iii) require that any computer soft-
16 ware allow for the printing of the Federal
17 tax forms necessary for the credit under
18 this section and explanations for the home-
19 buyer of the energy efficient features that
20 were used to comply with the requirements
21 of this section.

22 “(B) PROVIDERS.—For purposes of para-
23 graph (2)(B), the Secretary shall establish re-
24 quirements for the designation of individuals
25 based on the requirements for energy consult-

1 ants and home energy raters specified by the
2 National Association of State Energy Officials.

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

9 “(f) APPLICATION OF SECTION.—Subsection (a) shall
10 apply to dwellings purchased during the period beginning
11 on January 1, 2003, and ending on December 31, 2007.”.

12 (b) CREDIT MADE PART OF GENERAL BUSINESS
13 CREDIT.—Subsection (b) of section 38 (relating to current
14 year business credit) is amended by striking “plus” at the
15 end of paragraph (14), by striking the period at the end
16 of paragraph (15) and inserting “, plus”, and by adding
17 at the end thereof the following new paragraph:

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

20 (c) DENIAL OF DOUBLE BENEFIT.—Section 280C
21 (relating to certain expenses for which credits are allow-
22 able) is amended by adding at the end thereof the fol-
23 lowing new subsection:

24 “(d) NEW ENERGY EFFICIENT HOME EXPENSES.—
25 No deduction shall be allowed for that portion of expenses

1 for a new energy efficient home otherwise allowable as a
 2 deduction for the taxable year which is equal to the
 3 amount of the credit determined for such taxable year
 4 under section 45G.”.

5 (d) LIMITATION ON CARRYBACK.—Subsection (d) of
 6 section 39 is amended by adding at the end the following
 7 new paragraph:

8 “(11) NO CARRYBACK OF NEW ENERGY EFFI-
 9 CIENT HOME CREDIT BEFORE EFFECTIVE DATE.—
 10 No portion of the unused business credit for any
 11 taxable year which is attributable to the credit deter-
 12 mined under section 45G may be carried back to any
 13 taxable year ending before January 1, 2003.”.

14 (e) DEDUCTION FOR CERTAIN UNUSED BUSINESS
 15 CREDITS.—Subsection (c) of section 196 is amended by
 16 striking “and” at the end of paragraph (9), by striking
 17 the period at the end of paragraph (10) and inserting “,
 18 and”, and by adding after paragraph (10) the following
 19 new paragraph:

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

22 (f) CLERICAL AMENDMENT.—The table of sections
 23 for subpart D of part IV of subchapter A of chapter 1
 24 is amended by inserting after the item relating to section
 25 45F the following new item:

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

1 (g) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years ending after De-
 3 cember 31, 2002.

4 **SEC. 4. ALLOWANCE OF DEDUCTION FOR ENERGY EFFI-**
 5 **CIENT COMMERCIAL BUILDING PROPERTY.**

6 (a) IN GENERAL.—Part VI of subchapter B of chap-
 7 ter 1 (relating to itemized deductions for individuals and
 8 corporations) is amended by inserting after section 179A
 9 the following new section:

10 **“SEC. 179B. DEDUCTION FOR ENERGY EFFICIENT COMMER-**
 11 **CIAL BUILDING PROPERTY.**

12 “(a) ALLOWANCE OF DEDUCTION.—

13 “(1) IN GENERAL.—There shall be allowed as a
 14 deduction an amount equal to energy efficient com-
 15 mercial building property expenditures made by a
 16 taxpayer for the taxable year.

17 “(2) MAXIMUM AMOUNT OF DEDUCTION.—The
 18 amount of energy efficient commercial building prop-
 19 erty expenditures taken into account under para-
 20 graph (1) shall not exceed an amount equal to the
 21 product of—

22 “(A) \$2.25, and

23 “(B) the square footage of the building
 24 with respect to which the expenditures are
 25 made.

1 “(3) YEAR DEDUCTION ALLOWED.—The deduc-
 2 tion under paragraph (1) shall be allowed for the
 3 taxable year in which the building is placed in serv-
 4 ice.

5 “(b) ENERGY EFFICIENT COMMERCIAL BUILDING
 6 PROPERTY EXPENDITURES.—For purposes of this sec-
 7 tion, the term ‘energy efficient commercial building prop-
 8 erty expenditures’ means an amount paid or incurred for
 9 energy efficient commercial building property installed on
 10 or in connection with new construction or reconstruction
 11 of property—

12 “(1) for which depreciation is allowable under
 13 section 167,

14 “(2) which is located in the United States, and

15 “(3) the construction or erection of which is
 16 completed by the taxpayer.

17 Such property includes all residential rental property, in-
 18 cluding low-rise multifamily structures and single family
 19 housing property which is not within the scope of Stand-
 20 ard 90.1–1999 (described in subsection (c)). Such term
 21 includes expenditures for labor costs properly allocable to
 22 the onsite preparation, assembly, or original installation
 23 of the property.

24 “(c) ENERGY EFFICIENT COMMERCIAL BUILDING
 25 PROPERTY.—For purposes of subsection (b)—

1 “(1) IN GENERAL.—The term ‘energy efficient
2 commercial building property’ means any property
3 which reduces total annual energy and power costs
4 with respect to the lighting, heating, cooling, ventila-
5 tion, and hot water supply systems of the building
6 by 50 percent or more in comparison to a reference
7 building which meets the requirements of Standard
8 90.1–1999 of the American Society of Heating, Re-
9 frigerating, and Air Conditioning Engineers and the
10 Illuminating Engineering Society of North America
11 using methods of calculation under paragraph (2)
12 and certified by qualified professionals as provided
13 under subsection (f).

14 “(2) METHODS OF CALCULATION.—The Sec-
15 retary, in consultation with the Secretary of Energy,
16 shall promulgate regulations which describe in detail
17 methods for calculating and verifying energy and
18 power consumption and cost, taking into consider-
19 ation the provisions of the 1998 California Nonresi-
20 dential ACM Manual. These procedures shall meet
21 the following requirements:

22 “(A) In calculating tradeoffs and energy
23 performance, the regulations shall prescribe the
24 costs per unit of energy and power, such as kil-
25 owatt hour, kilowatt, gallon of fuel oil, and

1 cubic foot or Btu of natural gas, which may be
2 dependent on time of usage.

3 “(B) The calculational methodology shall
4 require that compliance be demonstrated for a
5 whole building. If some systems of the building,
6 such as lighting, are designed later than other
7 systems of the building, the method shall pro-
8 vide that either—

9 “(i) the expenses taken into account
10 under subsection (a) shall not occur until
11 the date designs for all energy-using sys-
12 tems of the building are completed,

13 “(ii) the energy performance of all
14 systems and components not yet designed
15 shall be assumed to comply minimally with
16 the requirements of such Standard 90.1–
17 1999, or

18 “(iii) the expenses taken into account
19 under subsection (a) shall be a fraction of
20 such expenses based on the performance of
21 less than all energy-using systems in ac-
22 cordance with subparagraph (C).

23 “(C) The expenditures in connection with
24 the design of subsystems in the building, such
25 as the envelope, the heating, ventilation, air

1 conditioning and water heating system, and the
2 lighting system shall be allocated to the appro-
3 priate building subsystem based on system-spe-
4 cific energy cost savings targets in regulations
5 promulgated by the Secretary of Energy which
6 are equivalent, using the calculation method-
7 ology, to the whole building requirement of 50
8 percent savings.

9 “(D) The calculational methods under this
10 subparagraph need not comply fully with sec-
11 tion 11 of such Standard 90.1–1999.

12 “(E) The calculational methods shall be
13 fuel neutral, such that the same energy effi-
14 ciency features shall qualify a building for the
15 deduction under this subsection regardless of
16 whether the heating source is a gas or oil fur-
17 nace or an electric heat pump.

18 “(F) The calculational methods shall pro-
19 vide appropriate calculated energy savings for
20 design methods and technologies not otherwise
21 credited in either such Standard 90.1–1999 or
22 in the 1998 California Nonresidential ACM
23 Manual, including the following:

24 “(i) Natural ventilation.

25 “(ii) Evaporative cooling.

1 “(iii) Automatic lighting controls such
2 as occupancy sensors, photocells, and time-
3 clocks.

4 “(iv) Daylighting.

5 “(v) Designs utilizing semi-condi-
6 tioned spaces that maintain adequate com-
7 fort conditions without air conditioning or
8 without heating.

9 “(vi) Improved fan system efficiency,
10 including reductions in static pressure.

11 “(vii) Advanced unloading mecha-
12 nisms for mechanical cooling, such as mul-
13 tiple or variable speed compressors.

14 “(viii) The calculational methods may
15 take into account the extent of commis-
16 sioning in the building, and allow the tax-
17 payer to take into account measured per-
18 formance that exceeds typical performance.

19 “(3) COMPUTER SOFTWARE.—

20 “(A) IN GENERAL.—Any calculation under
21 this subsection shall be prepared by qualified
22 computer software.

23 “(B) QUALIFIED COMPUTER SOFTWARE.—

24 For purposes of this paragraph, the term
25 ‘qualified computer software’ means software—

1 “(i) for which the software designer
2 has certified that the software meets all
3 procedures and detailed methods for calcu-
4 lating energy and power consumption and
5 costs as required by the Secretary,

6 “(ii) which provides such forms as re-
7 quired to be filed by the Secretary in con-
8 nection with energy efficiency of property
9 and the deduction allowed under this sec-
10 tion, and

11 “(iii) which provides a notice form
12 which summarizes the energy efficiency
13 features of the building and its projected
14 annual energy costs.

15 “(d) ALLOCATION OF DEDUCTION FOR PUBLIC
16 PROPERTY.—In the case of energy efficient commercial
17 building property installed on or in public property, the
18 Secretary shall promulgate a regulation to allow the allo-
19 cation of the deduction to the person primarily responsible
20 for designing the property in lieu of the public entity which
21 is the owner of such property. Such person shall be treated
22 as the taxpayer for purposes of this section.

23 “(e) NOTICE TO OWNER.—The qualified individual
24 shall provide an explanation to the owner of the building
25 regarding the energy efficiency features of the building

1 and its projected annual energy costs as provided in the
2 notice under subsection (c)(3)(B)(iii).

3 “(f) CERTIFICATION.—The Secretary, in consultation
4 with the Secretary of Energy, shall establish requirements
5 for certification and compliance procedures similar to the
6 procedures under section 45G(d).

7 “(g) BASIS REDUCTION.—For purposes of this title,
8 the basis of any property shall be reduced by the amount
9 of the deduction with respect to such property which is
10 allowed by subsection (a).

11 “(h) TERMINATION.—This section shall not apply to
12 property placed in service after December 31, 2007.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Section 1016(a) is amended by striking
15 “and” at the end of paragraph (28), by striking the
16 period at the end of paragraph (29) and inserting “,
17 and”, and by inserting the following new paragraph:

18 “(30) to the extent provided in section
19 179B(g).”.

20 (2) Section 1245(a) is amended by inserting
21 “179B,” after “179A,” both places it appears in
22 paragraphs (2)(C) and (3)(C).

23 (3) Section 1250(b)(3) is amended by inserting
24 before the period at the end of the first sentence “or
25 by section 179B”.

1 (4) Section 263(a)(1) is amended by striking
2 “or” at the end of subparagraph (G), by striking the
3 period at the end of subparagraph (H) and inserting
4 “, or”, and by inserting after subparagraph (H) the
5 following new subparagraph:

6 “(I) expenditures for which a deduction is
7 allowed under section 179B.”.

8 (5) Section 312(k)(3)(B) is amended by strik-
9 ing “or 179A” each place it appears in the heading
10 and text and inserting “, 179A, or 179B”.

11 (c) CLERICAL AMENDMENT.—The table of sections
12 for part VI of subchapter B of chapter 1 is amended by
13 adding after section 179A the following new item:

 “Sec. 179B. Deduction for energy efficient commercial building
 property.”.

14 (d) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2002.

○