

108TH CONGRESS
1ST SESSION

H. R. 694

To amend the Internal Revenue Code of 1986 to provide an interest-free source of capital to cover the costs of installing residential solar energy equipment.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 2003

Mr. McDERMOTT (for himself, Ms. NORTON, Mr. BROWN of Ohio, Mr. GEORGE MILLER of California, Ms. CARSON of Indiana, Mr. FROST, Mr. OWENS, Ms. JACKSON-LEE of Texas, Mr. SANDERS, Mr. INSLEE, Mr. MATSUI, and Mr. LANTOS) 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 an interest-free source of capital to cover the costs of installing residential solar energy equipment.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Residential Solar En-
5 ergy Act of 2003”.

1 **SEC. 2. CREDIT TO HOLDERS OF RESIDENTIAL SOLAR EN-**
2 **ERGY BONDS.**

3 (a) IN GENERAL.—Subpart B of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 is amended by adding at the end the following new
6 section:

7 **“SEC. 30B. CREDIT TO HOLDERS OF RESIDENTIAL SOLAR**
8 **ENERGY BONDS.**

9 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
10 payer who holds a Residential Solar Energy Bond on a
11 credit allowance date of such bond which occurs during
12 the taxable year, there shall be allowed as a credit against
13 the tax imposed by this chapter for such taxable year an
14 amount equal to the sum of the credits determined under
15 subsection (b) with respect to credit allowance dates dur-
16 ing such year on which the taxpayer holds such bond.

17 “(b) AMOUNT OF CREDIT.—

18 “(1) IN GENERAL.—The amount of the credit
19 determined under this subsection with respect to any
20 credit allowance date for a Residential Solar Energy
21 Bond is 25 percent of the annual credit determined
22 with respect to such bond.

23 “(2) ANNUAL CREDIT.—The annual credit de-
24 termined with respect to any Residential Solar En-
25 ergy Bond is the product of—

1 “(A) the applicable credit rate, multiplied
2 by

3 “(B) the outstanding face amount of the
4 bond.

5 “(3) APPLICABLE CREDIT RATE.—For purposes
6 of paragraph (1), the applicable credit rate with re-
7 spect to an issue is the rate equal to an average
8 market yield (as of the day before the date of
9 issuance of the issue) on outstanding long-term cor-
10 porate debt obligations (determined under regula-
11 tions prescribed by the Secretary).

12 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
13 DEMPTION.—In the case of a bond which is issued
14 during the 3-month period ending on a credit allow-
15 ance date, the amount of the credit determined
16 under this subsection with respect to such credit al-
17 lowance date shall be a ratable portion of the credit
18 otherwise determined based on the portion of the 3-
19 month period during which the bond is outstanding.
20 A similar rule shall apply when the bond is re-
21 deemed.

22 “(c) RESIDENTIAL SOLAR ENERGY BOND.—For pur-
23 poses of this section—

1 “(1) IN GENERAL.—The term ‘Residential
2 Solar Energy Bond’ means any bond issued as part
3 of an issue if—

4 “(A) 95 percent or more of the proceeds of
5 such issue are to be used to make qualified
6 solar energy loans,

7 “(B) the bond is issued by a qualified util-
8 ity,

9 “(C) the issuer designates such bond for
10 purposes of this section, and

11 “(D) the term of each bond which is part
12 of such issue does not exceed 15 years.

13 “(2) QUALIFIED SOLAR ENERGY LOAN.—

14 “(A) IN GENERAL.—The term ‘qualified
15 solar energy loan’ means any loan without in-
16 terest to the owner of any qualified residential
17 property for the purchase and installation of
18 photovoltaic cells on such property but only if—

19 “(i) the excess of the electricity pro-
20 duced by such cells over the electricity con-
21 sumed at the residential property is trans-
22 mitted from such property for use by oth-
23 ers,

1 “(ii) the net electricity produced or
2 consumed at the residential property is me-
3 tered,

4 “(iii) the owner receives a credit
5 against future electricity consumption for
6 the excess described in clause (i),

7 “(iv) the principal amount of the loan
8 is payable in equal installments over 15
9 years (or, if shorter, the period specified by
10 the utility), and

11 “(v) the loan is made under a pro-
12 gram of the utility that—

13 “(I) specifies an approved list of
14 photovoltaic cell equipment and in-
15 stallers, and

16 “(II) contains other safeguards
17 to ensure that the loan is used for its
18 intended purpose.

19 “(B) QUALIFIED UTILITY.—The term
20 ‘qualified utility’ means any entity (including a
21 governmental unit) engaged in the sale of elec-
22 trical energy at retail in the United States

23 “(C) QUALIFIED RESIDENTIAL PROP-
24 PERTY.—The term ‘qualified residential prop-

1 erty’ means any single-family or multi-family
2 residence.

3 “(d) LIMITATION ON AMOUNT OF BONDS DES-
4 IGNATED.—

5 “(1) IN GENERAL.—The maximum aggregate
6 face amount of bonds which may be designated
7 under subsection (c)(1) by any qualified utility shall
8 not exceed the limitation amount allocated to such
9 utility under paragraph (3).

10 “(2) NATIONAL LIMITATION ON AMOUNT OF
11 BONDS DESIGNATED.—There is a national Residen-
12 tial Solar Energy Bond limitation of
13 \$24,000,000,000.

14 “(3) ALLOCATION OF LIMITATION AMONG UTIL-
15 ITIES.—

16 “(A) IN GENERAL.—The national Residen-
17 tial Solar Energy Bond limitation shall be allo-
18 cated by the Secretary of Energy during 2004,
19 2005, 2006, and 2007 to qualified utilities. In
20 making such allocations, such Secretary shall
21 give priorities to qualified utilities which provide
22 subsidies (other than through the use of such
23 Bonds) for the purchase and installation by res-
24 idential customers of photovoltaic cells on their
25 residences.

1 “(B) UNUSED ALLOCATIONS.—Any alloca-
2 tion made to a qualified utility which is not
3 used within 6 months after the date of the allo-
4 cation may be reallocated by the Secretary of
5 Energy.

6 “(e) LIMITATION BASED ON AMOUNT OF TAX.—

7 “(1) IN GENERAL.—The credit allowed under
8 subsection (a) for any taxable year shall not exceed
9 the excess of—

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

13 “(B) the sum of the credits allowable
14 under part IV of subchapter A (other than sub-
15 part C thereof, relating to refundable credits).

16 “(2) CARRYOVER OF UNUSED CREDIT.—If the
17 credit allowable under subsection (a) exceeds the
18 limitation imposed by paragraph (1) for such taxable
19 year, such excess shall be carried to the succeeding
20 taxable year and added to the credit allowable under
21 subsection (a) for such taxable year.

22 “(f) OTHER DEFINITIONS.—For purposes of this sec-
23 tion—

24 “(1) CREDIT ALLOWANCE DATE.—The term
25 ‘credit allowance date’ means—

- 1 “(A) March 15,
2 “(B) June 15,
3 “(C) September 15, and
4 “(D) December 15.

5 Such term includes the last day on which the bond
6 is outstanding.

7 “(2) BOND.—The term ‘bond’ includes any ob-
8 ligation.

9 “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross
10 income includes the amount of the credit allowed to the
11 taxpayer under this section (determined without regard to
12 subsection (e)) and the amount so included shall be treat-
13 ed as interest income.

14 “(h) SPECIAL RULES RELATING TO ARBITRAGE.—

15 “(1) IN GENERAL.—A bond shall not be treated
16 as failing to meet the requirements of subsection
17 (c)(1) solely by reason of the fact that the proceeds
18 of the issue of which such bond is a part are in-
19 vested for a reasonable temporary period until such
20 proceeds are used in making qualified solar energy
21 loans.

22 “(2) EARNINGS ON PROCEEDS.—Any earnings
23 on proceeds during the temporary period shall be
24 treated as proceeds of the issue for purposes of ap-

1 plying subsection (c)(1) and paragraph (1) of this
2 subsection.

3 “(3) TREATMENT OF LOAN REPAYMENTS.—

4 Principal repayments received during any calendar
5 quarter shall not be treated as failing to meet the
6 requirements of subsection (c)(1) if, before the end
7 of the following calendar quarter, the amount of
8 such repayments is used to make qualified solar en-
9 ergy loans, to redeem residential solar energy bonds,
10 or to acquire zero interest State and local govern-
11 ment series bonds. The term of a loan made from
12 such repayments may extend beyond the last day
13 that any bond issued as part of the issue financing
14 the loan being repaid is outstanding; and, if so, the
15 requirement that a loan be without interest shall not
16 apply to the period after such last day.

17 “(i) OTHER SPECIAL RULES.—

18 “(1) BONDS HELD BY REGULATED INVEST-
19 MENT COMPANIES.—If any Residential Solar Energy
20 Bond is held by a regulated investment company,
21 the credit determined under subsection (a) shall be
22 allowed to shareholders of such company under pro-
23 cedures prescribed by the Secretary.

24 “(2) CREDITS MAY BE STRIPPED.—Under regu-
25 lations prescribed by the Secretary—

1 “(A) IN GENERAL.—There may be a sepa-
2 ration (including at issuance) of the ownership
3 of a Residential Solar Energy Bond and the en-
4 titlement to the credit under this section with
5 respect to such bond. In case of any such sepa-
6 ration, the credit under this section shall be al-
7 lowed to the person who on the credit allowance
8 date holds the instrument evidencing the enti-
9 tlement to the credit and not to the holder of
10 the bond.

11 “(B) CERTAIN RULES TO APPLY.—In the
12 case of a separation described in subparagraph
13 (A), the rules of section 1286 shall apply to the
14 Residential Solar Energy Bond as if it were a
15 stripped bond and to the credit under this sec-
16 tion as if it were a stripped coupon.

17 “(3) TREATMENT FOR ESTIMATED TAX PUR-
18 POSES.—Solely for purposes of sections 6654 and
19 6655, the credit allowed by this section to a tax-
20 payer by reason of holding a Residential Solar En-
21 ergy Bond on a credit allowance date shall be treat-
22 ed as if it were a payment of estimated tax made by
23 the taxpayer on such date.

24 “(4) CREDIT MAY BE TRANSFERRED.—Nothing
25 in any law or rule of law shall be construed to limit

1 the transferability of the credit allowed by this sec-
2 tion through sale and repurchase agreements.

3 “(5) REPORTING.—Issuers of Residential Solar
4 Energy Bonds shall submit reports similar to the re-
5 ports required under section 149(e).

6 “(j) RECAPTURE OF PORTION OF CREDIT WHERE
7 CESSATION OF QUALIFIED USE.—

8 “(1) IN GENERAL.—If any bond which when
9 issued purported to be a Residential Solar Energy
10 Bond ceases to meet the requirements of subsection
11 (e), the issuer shall pay to the United States (at the
12 time required by the Secretary) an amount equal to
13 the aggregate of the credits allowable under this sec-
14 tion (determined without regard to subsection (e))
15 for taxable years ending during the calendar year in
16 which such cessation occurs and the 2 preceding cal-
17 endar years.

18 “(2) FAILURE TO PAY.—If the issuer fails to
19 timely pay the amount required by paragraph (1)
20 with respect to any issue, the tax imposed by this
21 chapter on each holder of any bond which is part of
22 such issue shall be increased (for the taxable year of
23 the holder in which such cessation occurs) by the ag-
24 gregate decrease in the credits allowed under this
25 section to such holder for taxable years beginning in

1 such 3 calendar years which would have resulted
2 solely from denying any credit under this section
3 with respect to such issue for such taxable years.

4 “(3) SPECIAL RULES.—

5 “(A) TAX BENEFIT RULE.—The tax for
6 the taxable year shall be increased under para-
7 graph (2) only with respect to credits allowed
8 by reason of this section which were used to re-
9 duce tax liability. In the case of credits not so
10 used to reduce tax liability, the carryforwards
11 and carrybacks under section 39 shall be appro-
12 priately adjusted.

13 “(B) NO CREDITS AGAINST TAX.—Any in-
14 crease in tax under paragraph (2) shall not be
15 treated as a tax imposed by this chapter for
16 purposes of determining—

17 “(i) the amount of any credit allow-
18 able under this part, or

19 “(ii) the amount of the tax imposed
20 by section 55.”

21 (b) REPORTING.—Subsection (d) of section 6049 of
22 such Code (relating to returns regarding payments of in-
23 terest) is amended by adding at the end the following new
24 paragraph:

1 “(8) REPORTING OF CREDIT ON RESIDENTIAL
2 SOLAR ENERGY BONDS.—

3 “(A) IN GENERAL.—For purposes of sub-
4 section (a), the term ‘interest’ includes amounts
5 includible in gross income under section 30B(g)
6 and such amounts shall be treated as paid on
7 the credit allowance date (as defined in section
8 30B(f)(1)).

9 “(B) REPORTING TO CORPORATIONS,
10 ETC.—Except as otherwise provided in regula-
11 tions, in the case of any interest described in
12 subparagraph (A) of this paragraph, subsection
13 (b)(4) of this section shall be applied without
14 regard to subparagraphs (A), (H), (I), (J), (K),
15 and (L)(i).

16 “(C) REGULATORY AUTHORITY.—The Sec-
17 retary may prescribe such regulations as are
18 necessary or appropriate to carry out the pur-
19 poses of this paragraph, including regulations
20 which require more frequent or more detailed
21 reporting.”

22 (c) CONFORMING AMENDMENT.—The table of sec-
23 tions for subpart B of part IV of subchapter A of chapter
24 1 of such Code is amended by adding at the end the fol-
25 lowing new item:

 “Sec. 30B. Credit to holders of Residential Solar Energy Bonds.”

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to obligations issued after Decem-
3 ber 31, 2003.

4 (e) GUIDELINES FOR APPLICATIONS.—Not later than
5 January 1, 2004, guidelines specifying the criteria to be
6 used in approving applications under section 30B(d)(3) of
7 the Internal Revenue Code of 1986 (as added by this Act)
8 shall be developed and published by the Secretary of En-
9 ergy in the Federal Register.

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