

109TH CONGRESS
1ST SESSION

H. R. 424

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for certain energy efficient property placed in service or installed in an existing principal residence or property used by businesses.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 2005

Mr. TERRY (for himself, Mr. ENGEL, and Mr. GRAVES) 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 allow a credit against income tax for certain energy efficient property placed in service or installed in an existing principal residence or property used by businesses.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Energy Efficiency In-
5 vestment Act of 2005”.

1 **SEC. 2. CREDIT FOR CERTAIN ENERGY EFFICIENT PROP-**
 2 **ERTY IN RESIDENCES AND BUSINESSES.**

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 inserting after section 30A the fol-
 6 lowing new section:

7 **“SEC. 30B. CERTAIN ENERGY EFFICIENT PROPERTY IN**
 8 **RESIDENCES AND BUSINESSES.**

9 “(a) ALLOWANCE OF CREDIT.—There shall be al-
 10 lowed as a credit against the tax imposed by this chapter
 11 for the taxable year an amount equal to 25 percent of the
 12 amount paid or incurred by the taxpayer for qualified en-
 13 ergy property placed in service or installed by the taxpayer
 14 during such taxable year.

15 “(b) QUALIFIED ENERGY PROPERTY.—For purposes
 16 of this section, the term ‘qualified energy property’ means
 17 any property—

18 “(1) which is—

19 “(A) an energy efficient building envelope
 20 component which is Energy Star qualified, and

21 “(B) any energy efficient heating or cool-
 22 ing equipment (including boilers) which is En-
 23 ergy Star qualified,

24 “(2) which, in the case of an individual, is in-
 25 stalled in or on an existing residence—

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

1 “(B) owned and used by the taxpayer as
2 the taxpayer’s principal residence at the time
3 the property is placed in service or installed,

4 “(3) the original use of which commences with
5 the taxpayer, and

6 “(4) which has a useful life of at least 5 years.

7 “(c) OTHER DEFINITIONS.—For purposes of this
8 section—

9 “(1) BUILDING ENVELOPE COMPONENT.—The
10 term ‘building envelope component’ shall have the
11 same meaning as set forth in section 434.201 of title
12 10 of the Code of Federal Regulations.

13 “(2) PRINCIPAL RESIDENCE.—The term ‘prin-
14 cipal residence’ shall have the same meaning as
15 when used in section 121.

16 “(3) ENERGY STAR QUALIFIED.—The term
17 ‘Energy Star qualified’ means property which—

18 “(A) meets the guidelines, specifications,
19 and performance levels of the Energy Star pro-
20 gram jointly managed by the Environmental
21 Protection Agency and the Department of En-
22 ergy, including guidelines, specifications, and
23 performance levels for the climate region in
24 which a residence is located, and

1 “(B) displays the Energy Star label at the
2 time the property is placed in service or in-
3 stalled.

4 “(d) LIMITATION BASED ON AMOUNT OF TAX.—

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

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

11 “(B) the sum of the credits allowable
12 under this part (other than under this section
13 and subpart C thereof, relating to refundable
14 credits) and section 1397E.

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

21 “(e) SPECIAL RULES.—For purposes of this section:

22 “(1) TENANT-STOCKHOLDER IN COOPERATIVE
23 HOUSING CORPORATION.—In the case of an indi-
24 vidual who is a tenant-stockholder (as defined in sec-
25 tion 216(b)(2)) in a cooperative housing corporation

1 (as defined in section 216(b)(1)), such individual
2 shall be treated as having paid his tenant-stock-
3 holder's proportionate share (as defined in section
4 216(b)(3)) of any expenditures paid or incurred for
5 qualified energy property by such corporation, and
6 such credit shall be allocated appropriately to such
7 individual.

8 “(2) CONDOMINIUMS.—

9 “(A) IN GENERAL.—In the case of an indi-
10 vidual who is a member of a condominium man-
11 agement association with respect to a condo-
12 minium which he owns, such individual shall be
13 treated as having paid his proportionate share
14 of expenditures paid or incurred for qualified
15 energy property by such association, and such
16 credit shall be allocated appropriately to such
17 individual.

18 “(B) CONDOMINIUM MANAGEMENT ASSO-
19 CIATION.—For purposes of this paragraph, the
20 term ‘condominium management association’
21 means an organization which meets the require-
22 ments of section 528(c)(2) with respect to a
23 condominium project of which substantially all
24 of the units are used by individuals as resi-
25 dences.

1 “(3) EXPENDITURES FOR LABOR INCLUDED.—

2 For purposes of this section, the amount paid or in-
3 curred by the taxpayer for qualified energy property
4 shall also include expenditures for labor costs prop-
5 erly allocable to the onsite preparation, assembly,
6 and installation of such property.

7 “(4) ALLOCATION TO NONBUSINESS USE IN

8 CERTAIN CASES.—In the case of an individual, if
9 less than 80 percent of the use of qualified energy
10 property placed in service or installed is for nonbusi-
11 ness purposes, only that portion of the expenditure
12 paid or incurred for such property which is properly
13 allocable to use for nonbusiness purposes shall be el-
14 igible for the credit provided by this section.

15 “(f) BASIS ADJUSTMENT.—For purposes of this sub-
16 title, if a credit is allowed under this section for any ex-
17 penditure with respect to a residence or other property,
18 the basis of such residence or other property shall be re-
19 duced by the amount of the credit so allowed.

20 “(g) APPLICABILITY.—Subsection (a) shall apply to
21 qualified energy property placed in service or installed
22 after December 31, 2004.”.

23 (b) CONFORMING AMENDMENT.—Subsection (a) of
24 section 1016 of such Code (relating to general rule for
25 adjustments to basis) is amended by striking “and” at the

1 end of paragraph (30), by striking the period at the end
2 of paragraph (31) and inserting “, and”, and by adding
3 at the end the following new paragraph:

4 “(32) in the case of a residence or other prop-
5 erty with respect to which a credit was allowed
6 under section 30B, to the extent provided in section
7 30B(f).”.

8 (c) CLERICAL AMENDMENT.—The table of sections
9 for subpart B of part IV of subchapter A of chapter 1
10 of such Code is amended by inserting after the item relat-
11 ing to section 30A the following new item:

 “Sec. 30B. Certain energy efficient property in residences and businesses.”.

12 (d) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years ending after De-
14 cember 31, 2004.

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