

109TH CONGRESS
2D SESSION

S. 2748

To amend the Internal Revenue Code of 1986 to provide tax incentives to promote energy production and conservation, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 4, 2006

Mr. BINGAMAN (for himself, Mr. BAYH, Mr. COLEMAN, Mr. LIEBERMAN, Mr. LUGAR, Ms. CANTWELL, Ms. COLLINS, Mr. SALAZAR, Mr. KERRY, Mrs. CLINTON, and Mr. NELSON of Florida) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives to promote energy production and conservation, 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. SHORT TITLE; AMENDMENT OF CODE; TABLE**
4 **OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Enhanced Energy Security Tax Incentives Act of 2006”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
 2 shall be considered to be made to a section or other provi-
 3 sion of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; amendment of Code; table of contents.

TITLE I—EXTENSION OF INCENTIVES

- Sec. 101. Extension of credit for electricity produced from certain renewable re-
sources.
- Sec. 102. Extension and expansion of credit to holders of clean renewable en-
ergy bonds.
- Sec. 103. Extension of energy efficient commercial buildings deduction.
- Sec. 104. Extension and expansion of new energy efficient home credit.
- Sec. 105. Extension of nonbusiness energy property credit.
- Sec. 106. Extension of residential energy efficient property credit.
- Sec. 107. Extension of credit for business installation of qualified fuel cells and
stationary microturbine power plants.
- Sec. 108. Extension of business solar investment tax credit.
- Sec. 109. Extension of alternative fuel excise tax provisions, income tax credits,
and tariff duties.
- Sec. 110. Extension of full credit for qualified electric vehicles.

TITLE II—INCENTIVES FOR ALTERNATIVE FUEL VEHICLES

- Sec. 201. Consumer incentives to purchase advanced technology vehicles.
- Sec. 202. Advanced technology motor vehicles manufacturing credit.
- Sec. 203. Tax incentives for private fleets.
- Sec. 204. Modification of alternative vehicle refueling property credit.
- Sec. 205. Inclusion of heavy vehicles in limitation on depreciation of certain
luxury automobiles.
- Sec. 206. Idling reduction tax credit.

TITLE III—ADDITIONAL INCENTIVES

- Sec. 301. Energy credit for combined heat and power system property.
- Sec. 302. Three-year applicable recovery period for depreciation of qualified en-
ergy management devices.
- Sec. 303. Three-year applicable recovery period for depreciation of qualified
water submetering devices.

TITLE IV—REVENUE PROVISIONS

- Sec. 401. Revaluation of LIFO inventories of large integrated oil companies.
- Sec. 402. Elimination of amortization of geological and geophysical expendi-
tures for major integrated oil companies.
- Sec. 403. Modifications of foreign tax credit rules applicable to large integrated
oil companies which are dual capacity taxpayers.

TITLE I—EXTENSION OF INCENTIVES

SEC. 101. EXTENSION OF CREDIT FOR ELECTRICITY PRO- DUCED FROM CERTAIN RENEWABLE RE- SOURCES.

Section 45(d) (relating to qualified facilities) is amended by striking “2008” each place it appears and inserting “2011”.

SEC. 102. EXTENSION AND EXPANSION OF CREDIT TO HOLDERS OF CLEAN RENEWABLE ENERGY BONDS.

(a) IN GENERAL.—Section 54(m) (relating to termination) is amended by striking “2007” and inserting “2010”.

(b) ANNUAL VOLUME CAP FOR BONDS ISSUED DURING EXTENSION PERIOD.—Paragraph (1) of section 54(f) (relating to limitation on amount of bonds designated) is amended to read as follows:

“(1) NATIONAL LIMITATION.—

“(A) INITIAL NATIONAL LIMITATION.—

With respect to bonds issued after December 31, 2005, and before January 1, 2008, there is a national clean renewable energy bond limitation of \$800,000,000.

1 “(B) ANNUAL NATIONAL LIMITATION.—

2 With respect to bonds issued after December
 3 31, 2007, and before January 1, 2011, there is
 4 a national clean renewable energy bond limita-
 5 tion for each calendar year of \$800,000,000.”.

6 (c) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to bonds issued after the date of
 8 the enactment of this Act.

9 **SEC. 103. EXTENSION OF ENERGY EFFICIENT COMMERCIAL**
 10 **BUILDINGS DEDUCTION.**

11 Section 179D(h) (relating to termination) is amended
 12 by striking “2007” and inserting “2010”.

13 **SEC. 104. EXTENSION AND EXPANSION OF NEW ENERGY EF-**
 14 **FICIENT HOME CREDIT.**

15 (a) EXTENSION.—Section 45L(g) (relating to termi-
 16 nation) is amended by striking “2007” and inserting
 17 “2010”.

18 (b) INCLUSION OF 30 PERCENT HOMES.—

19 (1) IN GENERAL.—Section 45L(c) (relating to
 20 energy saving requirements) is amended—

21 (A) by striking “or” at the end of para-
 22 graph (2),

23 (B) by redesignating paragraph (3) as
 24 paragraph (4), and

1 (C) by inserting after paragraph (2) the
 2 following new paragraph:

3 “(3) certified—

4 “(A) to have a level of annual heating and
 5 cooling energy consumption which is at least 30
 6 percent below the annual level described in
 7 paragraph (1), and

8 “(B) to have building envelope component
 9 improvements account for at least $\frac{1}{3}$ of such
 10 30 percent, or”.

11 (2) APPLICABLE AMOUNT OF CREDIT.—Section
 12 45L(a)(2) is amended by striking “paragraph (3)”
 13 and inserting “paragraph (3) or (4)”.

14 (3) EFFECTIVE DATE.—The amendments made
 15 by this subsection shall apply to qualified new en-
 16 ergy efficient homes acquired after the date of the
 17 enactment of this Act.

18 **SEC. 105. EXTENSION OF NONBUSINESS ENERGY PROP-**
 19 **ERTY CREDIT.**

20 Section 25C(g) (relating to termination) is amended
 21 by striking “2007” and inserting “2010”.

22 **SEC. 106. EXTENSION OF RESIDENTIAL ENERGY EFFICIENT**
 23 **PROPERTY CREDIT.**

24 Section 25D(g) (relating to termination) is amended
 25 by striking “2007” and inserting “2010”.

1 **SEC. 107. EXTENSION OF CREDIT FOR BUSINESS INSTALLA-**
 2 **TION OF QUALIFIED FUEL CELLS AND STA-**
 3 **TIONARY MICROTURBINE POWER PLANTS.**

4 Sections 48(c)(1)(E) and 48(c)(2)(E) (relating to ter-
 5 mination) are each amended by striking “2007” and in-
 6 serting “2010”.

7 **SEC. 108. EXTENSION OF BUSINESS SOLAR INVESTMENT**
 8 **TAX CREDIT.**

9 Sections 48(a)(2)(A)(i)(II) and 48(a)(3)(A)(ii) (relat-
 10 ing to termination) are each amended by striking “2008”
 11 and inserting “2011”.

12 **SEC. 109. EXTENSION OF ALTERNATIVE FUEL EXCISE TAX**
 13 **PROVISIONS, INCOME TAX CREDITS, AND**
 14 **TARIFF DUTIES.**

15 (a) BIODIESEL.—Sections 40A(g), 6426(c)(6), and
 16 6427(e)(5)(B) are each amended by striking “2008” and
 17 inserting “2010”.

18 (b) ALTERNATIVE FUEL.—

19 (1) FUELS.—Sections 6426(d)(4) and
 20 6427(e)(5)(C) are each amended by striking “Sep-
 21 tember 30, 2009” and inserting “December 31,
 22 2010”.

23 (2) REFUELING PROPERTY.—Section 30C(g) is
 24 amended by striking “2009” and inserting “2010”.

25 (c) ETHANOL TARIFF SCHEDULE.—Headings
 26 9901.00.50 and 9901.00.52 of the Harmonized Tariff

1 Schedule of the United States (19 U.S.C. 3007) are each
 2 amended in the effective period column by striking “10/
 3 1/2007” each place it appears and inserting “1/1/2011”.

4 (d) EFFECTIVE DATE.—The amendments made by
 5 this section shall take effect on January 1, 2007.

6 **SEC. 110. EXTENSION OF FULL CREDIT FOR QUALIFIED**
 7 **ELECTRIC VEHICLES.**

8 (a) IN GENERAL.—Section 30(e) is amended by strik-
 9 ing “2006” and inserting “2010”.

10 (b) REPEAL OF PHASEOUT.—Section 30(b) (relating
 11 to limitations) is amended by striking paragraph (2) and
 12 by redesignating paragraph (3) as paragraph (2).

13 (c) CREDIT ALLOWABLE AGAINST ALTERNATIVE
 14 MINIMUM TAX.—Paragraph (2) of section 30(b), as redes-
 15 ignated by subsection (b), is amended to read as follows:

16 “(2) APPLICATION WITH OTHER CREDITS.—

17 The credit allowed by subsection (a) for any taxable
 18 year shall not exceed the excess (if any) of—

19 “(A) the sum of the regular tax for the
 20 taxable year plus the tax imposed by section 55,
 21 over

22 “(B) the sum of the credits allowable
 23 under subpart A and section 27.”.

1 (d) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 2005.

4 **TITLE II—INCENTIVES FOR** 5 **ALTERNATIVE FUEL VEHICLES**

6 **SEC. 201. CONSUMER INCENTIVES TO PURCHASE AD-** 7 **VANCED TECHNOLOGY VEHICLES.**

8 (a) ELIMINATION ON NUMBER OF NEW QUALIFIED
 9 HYBRID AND ADVANCED LEAN BURN TECHNOLOGY VE-
 10 HICLES ELIGIBLE FOR ALTERNATIVE MOTOR VEHICLE
 11 CREDIT.—

12 (1) IN GENERAL.—Section 30B is amended by
 13 striking subsection (f) and by redesignating sub-
 14 sections (g) through (j) as subsections (f) through
 15 (i), respectively.

16 (2) CONFORMING AMENDMENTS.—

17 (A) Paragraphs (4) and (6) of section
 18 30B(h) are each amended by striking “(deter-
 19 mined without regard to subsection (g))” and
 20 inserting “determined without regard to sub-
 21 section (f))”.

22 (B) Section 38(b)(25) is amended by strik-
 23 ing “section 30B(g)(1)” and inserting “section
 24 30B(f)(1)”.

1 (C) Section 55(c)(2) is amended by strik-
 2 ing “section 30B(g)(2)” and inserting “section
 3 30B(f)(2)”.

4 (D) Section 1016(a)(36) is amended by
 5 striking “section 30B(h)(4)” and inserting
 6 “section 30B(g)(4)”.

7 (E) Section 6501(m) is amended by strik-
 8 ing “section 30B(h)(9)” and inserting “section
 9 30B(g)(9)”.

10 (b) EXTENSION OF ALTERNATIVE VEHICLE CREDIT
 11 FOR NEW QUALIFIED HYBRID MOTOR VEHICLES.—Para-
 12 graph (3) of section 30B(i) (as redesignated by subsection
 13 (a)) is amended by striking “December 31, 2009” and in-
 14 serting “December 31, 2010”.

15 (c) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to property placed in service after
 17 December 31, 2005, in taxable years ending after such
 18 date.

19 **SEC. 202. ADVANCED TECHNOLOGY MOTOR VEHICLES MAN-**
 20 **UFACTURING CREDIT.**

21 (a) IN GENERAL.—Subpart B of part IV of sub-
 22 chapter A of chapter 1 (relating to foreign tax credit, etc.)
 23 is amended by adding at the end the following new section:

1 **“SEC. 30D. ADVANCED TECHNOLOGY MOTOR VEHICLES**
2 **MANUFACTURING CREDIT.**

3 “(a) CREDIT ALLOWED.—There shall be allowed as
4 a credit against the tax imposed by this chapter for the
5 taxable year an amount equal to 35 percent of so much
6 of the qualified investment of an eligible taxpayer for such
7 taxable year as does not exceed \$75,000,000.

8 “(b) QUALIFIED INVESTMENT.—For purposes of this
9 section—

10 “(1) IN GENERAL.—The qualified investment
11 for any taxable year is equal to the incremental costs
12 incurred during such taxable year—

13 “(A) to re-equip, expand, or establish any
14 manufacturing facility in the United States of
15 the eligible taxpayer to produce advanced tech-
16 nology motor vehicles or to produce eligible
17 components,

18 “(B) for engineering integration performed
19 in the United States of such vehicles and com-
20 ponents as described in subsection (d),

21 “(C) for research and development per-
22 formed in the United States related to advanced
23 technology motor vehicles and eligible compo-
24 nents, and

25 “(D) for employee retraining with respect
26 to the manufacturing of such vehicles or compo-

1 nents (determined without regard to wages or
2 salaries of such retrained employees).

3 “(2) **ATTRIBUTION RULES.**—In the event a fa-
4 cility of the eligible taxpayer produces both advanced
5 technology motor vehicles and conventional motor
6 vehicles, or eligible and non-eligible components, only
7 the qualified investment attributable to production
8 of advanced technology motor vehicles and eligible
9 components shall be taken into account.

10 “(c) **ADVANCED TECHNOLOGY MOTOR VEHICLES**
11 **AND ELIGIBLE COMPONENTS.**—For purposes of this sec-
12 tion—

13 “(1) **ADVANCED TECHNOLOGY MOTOR VEHI-**
14 **CLE.**—The term ‘advanced technology motor vehicle’
15 means—

16 “(A) any qualified electric vehicle (as de-
17 fined in section 30(c)(1)),

18 “(B) any new qualified fuel cell motor ve-
19 hicle (as defined in section 30B(b)(3)),

20 “(C) any new advanced lean burn tech-
21 nology motor vehicle (as defined in section
22 30B(c)(3)),

23 “(D) any new qualified hybrid motor vehi-
24 cle (as defined in section 30B(d)(2)(A) and de-

1 terminated without regard to any gross vehicle
2 weight rating),

3 “(E) any new qualified alternative fuel
4 motor vehicle (as defined in section 30B(e)(4),
5 including any mixed-fuel vehicle (as defined in
6 section 30B(e)(5)(B)), and

7 “(F) any other motor vehicle using electric
8 drive transportation technology (as defined in
9 paragraph (3)).

10 “(2) ELIGIBLE COMPONENTS.—The term ‘eligi-
11 ble component’ means any component inherent to
12 any advanced technology motor vehicle, including—

13 “(A) with respect to any gasoline or diesel-
14 electric new qualified hybrid motor vehicle—

15 “(i) electric motor or generator,

16 “(ii) power split device,

17 “(iii) power control unit,

18 “(iv) power controls,

19 “(v) integrated starter generator, or

20 “(vi) battery,

21 “(B) with respect to any hydraulic new
22 qualified hybrid motor vehicle—

23 “(i) hydraulic accumulator vessel,

24 “(ii) hydraulic pump, or

25 “(iii) hydraulic pump-motor assembly,

1 “(C) with respect to any new advanced
2 lean burn technology motor vehicle—

3 “(i) diesel engine,

4 “(ii) turbocharger,

5 “(iii) fuel injection system, or

6 “(iv) after-treatment system, such as
7 a particle filter or NOx absorber, and

8 “(D) with respect to any advanced tech-
9 nology motor vehicle, any other component sub-
10 mitted for approval by the Secretary.

11 “(3) ELECTRIC DRIVE TRANSPORTATION TECH-
12 NOLOGY.—The term ‘electric drive transportation
13 technology’ means technology used by vehicles that
14 use an electric motor for all or part of their motive
15 power and that may or may not use off-board elec-
16 tricity, such as battery electric vehicles, fuel cell ve-
17 hicles, engine dominant hybrid electric vehicles, plug-
18 in hybrid electric vehicles, and plug-in hybrid fuel
19 cell vehicles.

20 “(d) ENGINEERING INTEGRATION COSTS.—For pur-
21 poses of subsection (b)(1)(B), costs for engineering inte-
22 gration are costs incurred prior to the market introduction
23 of advanced technology vehicles for engineering tasks re-
24 lated to—

1 “(1) establishing functional, structural, and
2 performance requirements for component and sub-
3 systems to meet overall vehicle objectives for a spe-
4 cific application,

5 “(2) designing interfaces for components and
6 subsystems with mating systems within a specific ve-
7 hicle application,

8 “(3) designing cost effective, efficient, and reli-
9 able manufacturing processes to produce components
10 and subsystems for a specific vehicle application,
11 and

12 “(4) validating functionality and performance of
13 components and subsystems for a specific vehicle ap-
14 plication.

15 “(e) ELIGIBLE TAXPAYER.—For purposes of this sec-
16 tion, the term ‘eligible taxpayer’ means any taxpayer if
17 more than 50 percent of its gross receipts for the taxable
18 year is derived from the manufacture of motor vehicles
19 or any component parts of such vehicles.

20 “(f) LIMITATION BASED ON AMOUNT OF TAX.—The
21 credit allowed under subsection (a) for the taxable year
22 shall not exceed the excess of—

23 “(1) the sum of—

24 “(A) the regular tax liability (as defined in
25 section 26(b)) for such taxable year, plus

1 “(B) the tax imposed by section 55 for
 2 such taxable year and any prior taxable year
 3 beginning after 1986 and not taken into ac-
 4 count under section 53 for any prior taxable
 5 year, over

6 “(2) the sum of the credits allowable under sub-
 7 part A and sections 27, 30, and 30B for the taxable
 8 year.

9 “(g) REDUCTION IN BASIS.—For purposes of this
 10 subtitle, if a credit is allowed under this section for any
 11 expenditure with respect to any property, the increase in
 12 the basis of such property which would (but for this para-
 13 graph) result from such expenditure shall be reduced by
 14 the amount of the credit so allowed.

15 “(h) NO DOUBLE BENEFIT.—

16 “(1) COORDINATION WITH OTHER DEDUCTIONS
 17 AND CREDITS.—Except as provided in paragraph
 18 (2), the amount of any deduction or other credit al-
 19 lowable under this chapter for any cost taken into
 20 account in determining the amount of the credit
 21 under subsection (a) shall be reduced by the amount
 22 of such credit attributable to such cost.

23 “(2) RESEARCH AND DEVELOPMENT COSTS.—

24 “(A) IN GENERAL.—Except as provided in
 25 subparagraph (B), any amount described in

subsection (b)(1)(C) taken into account in determining the amount of the credit under subsection (a) for any taxable year shall not be taken into account for purposes of determining the credit under section 41 for such taxable year.

“(B) COSTS TAKEN INTO ACCOUNT IN DETERMINING BASE PERIOD RESEARCH EXPENSES.—Any amounts described in subsection (b)(1)(C) taken into account in determining the amount of the credit under subsection (a) for any taxable year which are qualified research expenses (within the meaning of section 41(b)) shall be taken into account in determining base period research expenses for purposes of applying section 41 to subsequent taxable years.

“(i) BUSINESS CARRYOVERS ALLOWED.—If the credit allowable under subsection (a) for a taxable year exceeds the limitation under subsection (f) for such taxable year, such excess (to the extent of the credit allowable with respect to property subject to the allowance for depreciation) shall be allowed as a credit carryback and carryforward under rules similar to the rules of section 39.

1 “(j) SPECIAL RULES.—For purposes of this section,
 2 rules similar to the rules of section 179A(e)(4) and para-
 3 graphs (1) and (2) of section 41(f) shall apply

4 “(k) ELECTION NOT TO TAKE CREDIT.—No credit
 5 shall be allowed under subsection (a) for any property if
 6 the taxpayer elects not to have this section apply to such
 7 property.

8 “(l) REGULATIONS.—The Secretary shall prescribe
 9 such regulations as necessary to carry out the provisions
 10 of this section.

11 “(m) TERMINATION.—This section shall not apply to
 12 any qualified investment after December 31, 2010.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Section 1016(a) is amended by striking
 15 “and” at the end of paragraph (36), by striking the
 16 period at the end of paragraph (37) and inserting “,
 17 and”, and by adding at the end the following new
 18 paragraph:

19 “(38) to the extent provided in section
 20 30D(g).”.

21 (2) Section 6501(m) is amended by inserting
 22 “30D(k),” after “30C(e)(5),”.

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

1 serting after the item relating to section 30C the fol-
 2 lowing new item:

“Sec. 30D. Advanced technology motor vehicles manufacturing credit.”.

3 (c) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to amounts incurred in taxable
 5 years beginning after December 31, 2005.

6 **SEC. 203. TAX INCENTIVES FOR PRIVATE FLEETS.**

7 (a) IN GENERAL.—Subpart E of part IV of sub-
 8 chapter A of chapter 1 is amended by inserting after sec-
 9 tion 48B the following new section:

10 **“SEC. 48C. FUEL-EFFICIENT FLEET CREDIT.**

11 “(a) GENERAL RULE.—For purposes of section 46,
 12 the fuel-efficient fleet credit for any taxable year is 15 per-
 13 cent of the qualified fuel-efficient vehicle investment
 14 amount of an eligible taxpayer for such taxable year.

15 “(b) VEHICLE PURCHASE REQUIREMENT.—In the
 16 case of any eligible taxpayer which places less than 10
 17 qualified fuel-efficient vehicles in service during the tax-
 18 able year, the qualified fuel-efficient vehicle investment
 19 amount shall be zero.

20 “(c) QUALIFIED FUEL-EFFICIENT VEHICLE INVEST-
 21 MENT AMOUNT.—For purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified fuel-ef-
 23 ficient vehicle investment amount’ means the basis
 24 of any qualified fuel-efficient vehicle placed in serv-
 25 ice by an eligible taxpayer during the taxable year.

1 “(2) QUALIFIED FUEL-EFFICIENT VEHICLE.—

2 The term ‘qualified fuel-efficient vehicle’ means an
3 automobile which has a fuel economy which is at
4 least 125 percent greater than the average fuel econ-
5 omy standard for an automobile of the same class
6 and model year.

7 “(3) OTHER TERMS.—The terms ‘automobile’,
8 ‘average fuel economy standard’, ‘fuel economy’, and
9 ‘model year’ have the meanings given to such terms
10 under section 32901 of title 49, United States Code.

11 “(d) ELIGIBLE TAXPAYER.—The term ‘eligible tax-
12 payer’ means, with respect to any taxable year, a taxpayer
13 who owns a fleet of 100 or more vehicles which are used
14 in the trade or business of the taxpayer on the first day
15 of such taxable year.

16 “(e) TERMINATION.—This section shall not apply to
17 any vehicle placed in service after December 31, 2010.”.

18 (b) CREDIT TREATED AS PART OF INVESTMENT
19 CREDIT.—Section 46 is amended by striking “and” at the
20 end of paragraph (3), by striking the period at the end
21 of paragraph (4) and inserting “, and”, and by adding
22 at the end the following new paragraph:

23 “(5) the fuel-efficient fleet credit.”.

24 (c) CONFORMING AMENDMENTS.—

1 (1) Section 49(a)(1)(C) is amended by striking
 2 “and” at the end of clause (iii), by striking the pe-
 3 riod at the end of clause (iv) and inserting “, and”,
 4 and by adding at the end the following new clause:
 5 “(v) the basis of any qualified fuel-ef-
 6 ficient vehicle which is taken into account
 7 under section 48C.”.

8 (2) The table of sections for subpart E of part
 9 IV of subchapter A of chapter 1 is amended by in-
 10 serting after the item relating to section 48 the fol-
 11 lowing new item:

“Sec. 48C. Fuel-efficient fleet credit.”.

12 (d) **EFFECTIVE DATE.**—The amendments made by
 13 this section shall apply to periods after December 31,
 14 2005, in taxable years ending after such date, under rules
 15 similar to the rules of section 48(m) of the Internal Rev-
 16 enue Code of 1986 (as in effect on the day before the date
 17 of the enactment of the Revenue Reconciliation Act of
 18 1990).

19 **SEC. 204. MODIFICATION OF ALTERNATIVE VEHICLE RE-**
 20 **FUELING PROPERTY CREDIT.**

21 (a) **INCREASE IN CREDIT AMOUNT.**—Subsection (a)
 22 of section 30C is amended by striking “30 percent” and
 23 inserting “50 percent”.

1 (b) CREDIT ALLOWABLE AGAINST ALTERNATIVE
 2 MINIMUM TAX.—Paragraph (2) of section 30C is amend-
 3 ed to read as follows:

4 “(2) PERSONAL CREDIT.—The credit allowed
 5 under subsection (a) (after the application of para-
 6 graph (1)) for any taxable year shall not exceed the
 7 excess (if any) of—

8 “(A) the sum of the regular tax for the
 9 taxable year plus the tax imposed by section 55,
 10 over

11 “(B) the sum of the credits allowable
 12 under subpart A and sections 27, 30, and
 13 30B.”.

14 (c) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to taxable years beginning after
 16 December 31, 2005.

17 **SEC. 205. INCLUSION OF HEAVY VEHICLES IN LIMITATION**
 18 **ON DEPRECIATION OF CERTAIN LUXURY**
 19 **AUTOMOBILES.**

20 (a) IN GENERAL.—Section 280F(d)(5)(A) (defining
 21 passenger automobile) is amended—

22 (1) by striking clause (ii) and inserting the fol-
 23 lowing new clause:

1 “(ii)(I) which is rated at 6,000
 2 pounds unloaded gross vehicle weight or
 3 less, or

4 “(II) which is rated at more than
 5 6,000 pounds but not more than 14,000
 6 pounds gross vehicle weight.”,

7 (2) by striking “clause (ii)” in the second sen-
 8 tence and inserting “clause (ii)(I)”.

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

12 **SEC. 206. IDLING REDUCTION TAX CREDIT.**

13 (a) IN GENERAL.—Subpart D of part IV of sub-
 14 chapter A of chapter 1 (relating to business-related cred-
 15 its) is amended by adding at the end the following new
 16 section:

17 **“SEC. 45N. IDLING REDUCTION CREDIT.**

18 “(a) GENERAL RULE.—For purposes of section 38,
 19 the idling reduction tax credit determined under this sec-
 20 tion for the taxable year is an amount equal to 25 percent
 21 of the amount paid or incurred for each qualifying idling
 22 reduction device placed in service by the taxpayer during
 23 the taxable year.

1 “(b) LIMITATION.—The maximum amount allowed as
 2 a credit under subsection (a) shall not exceed \$1,000 per
 3 device.

4 “(c) DEFINITIONS.—For purposes of subsection
 5 (a)—

6 “(1) QUALIFYING IDLING REDUCTION DE-
 7 VICE.—The term ‘qualifying idling reduction device’
 8 means any device or system of devices that—

9 “(A) is installed on a heavy-duty diesel-
 10 powered on-highway vehicle,

11 “(B) is designed to provide to such vehicle
 12 those services (such as heat, air conditioning, or
 13 electricity) that would otherwise require the op-
 14 eration of the main drive engine while the vehi-
 15 cle is temporarily parked or remains stationary,

16 “(C) the original use of which commences
 17 with the taxpayer,

18 “(D) is acquired for use by the taxpayer
 19 and not for resale, and

20 “(E) is certified by the Secretary of En-
 21 ergy, in consultation with the Administrator of
 22 the Environmental Protection Agency and the
 23 Secretary of Transportation, to reduce long-du-
 24 ration idling of such vehicle at a motor vehicle

1 rest stop or other location where such vehicles
2 are temporarily parked or remain stationary.

3 “(2) HEAVY-DUTY DIESEL-POWERED ON-HIGH-
4 WAY VEHICLE.—The term ‘heavy-duty diesel-pow-
5 ered on-highway vehicle’ means any vehicle, ma-
6 chine, tractor, trailer, or semi-trailer propelled or
7 drawn by mechanical power and used upon the high-
8 ways in the transportation of passengers or prop-
9 erty, or any combination thereof determined by the
10 Federal Highway Administration.

11 “(3) LONG-DURATION IDLING.—The term ‘long-
12 duration idling’ means the operation of a main drive
13 engine, for a period greater than 15 consecutive
14 minutes, where the main drive engine is not engaged
15 in gear. Such term does not apply to routine stop-
16 pages associated with traffic movement or conges-
17 tion.

18 “(d) NO DOUBLE BENEFIT.—For purposes of this
19 section—

20 “(1) REDUCTION IN BASIS.—If a credit is de-
21 termined under this section with respect to any
22 property by reason of expenditures described in sub-
23 section (a), the basis of such property shall be re-
24 duced by the amount of the credit so determined.

1 “(2) OTHER DEDUCTIONS AND CREDITS.—No
 2 deduction or credit shall be allowed under any other
 3 provision of this chapter with respect to the amount
 4 of the credit determined under this section.

5 “(e) ELECTION NOT TO CLAIM CREDIT.—This sec-
 6 tion shall not apply to a taxpayer for any taxable year
 7 if such taxpayer elects to have this section not apply for
 8 such taxable year.

9 “(f) TERMINATION.—This section shall not apply to
 10 any property placed in service after December 31, 2010.”.

11 (b) CREDIT TO BE PART OF GENERAL BUSINESS
 12 CREDIT.—Subsection (b) of section 38 (relating to general
 13 business credit) is amended by striking “and” at the end
 14 of paragraph (29), by striking the period at the end of
 15 paragraph (30) and inserting “, plus” , and by adding
 16 at the end the following new paragraph:

17 “(31) the idling reduction tax credit determined
 18 under section 45N(a).”.

19 (c) CONFORMING AMENDMENTS.—

20 (1) The table of sections for subpart D of part
 21 IV of subchapter A of chapter 1 is amended by in-
 22 serting after the item relating to section 45M the
 23 following new item:

 “Sec. 45N. Idling reduction credit.”.

24 (2) Section 1016(a), as amended by this Act, is
 25 amended by striking “and” at the end of paragraph

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

4 “(39) in the case of a facility with respect to
 5 which a credit was allowed under section 45N, to the
 6 extent provided in section 45N(d)(A).”.

7 (3) Section 6501(m) is amended by inserting
 8 “45N(e),” after “45D(c)(4),”.

9 (d) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to taxable years beginning after
 11 December 31, 2006.

12 (e) DETERMINATION OF CERTIFICATION STANDARDS
 13 BY SECRETARY OF ENERGY FOR CERTIFYING IDLING RE-
 14 Duction DEVICES.—Not later than 6 months after the
 15 date of the enactment of this Act and in order to reduce
 16 air pollution and fuel consumption, the Secretary of En-
 17 ergy, in consultation with the Administrator of the Envi-
 18 ronmental Protection Agency and the Secretary of Trans-
 19 portation, shall publish the standards under which the
 20 Secretary, in consultation with the Administrator of the
 21 Environmental Protection Agency and the Secretary of
 22 Transportation, will, for purposes of section 45N of the
 23 Internal Revenue Code of 1986 (as added by this section),
 24 certify the idling reduction devices which will reduce long-
 25 duration idling of vehicles at motor vehicle rest stops or

1 other locations where such vehicles are temporarily parked
 2 or remain stationary in order to reduce air pollution and
 3 fuel consumption.

4 **TITLE III—ADDITIONAL** 5 **INCENTIVES**

6 **SEC. 301. ENERGY CREDIT FOR COMBINED HEAT AND** 7 **POWER SYSTEM PROPERTY.**

8 (a) IN GENERAL.—Section 48(a)(3)(A) (defining en-
 9 ergy property) is by striking “or” at the end of clause
 10 (iii), by inserting “or” at the end of clause (iv), and by
 11 adding at the end the following new clause:

12 “(v) combined heat and power system
 13 property,”.

14 (b) COMBINED HEAT AND POWER SYSTEM PROP-
 15 erty.—Section 48 is amended by adding at the end the
 16 following new subsection:

17 “(d) COMBINED HEAT AND POWER SYSTEM PROP-
 18 erty.—For purposes of subsection (a)(3)(A)(v)—

19 “(1) COMBINED HEAT AND POWER SYSTEM
 20 PROPERTY.—The term ‘combined heat and power
 21 system property’ means property comprising a sys-
 22 tem—

23 “(A) which uses the same energy source
 24 for the simultaneous or sequential generation of
 25 electrical power, mechanical shaft power, or

1 both, in combination with the generation of
2 steam or other forms of useful thermal energy
3 (including heating and cooling applications),

4 “(B) which has an electrical capacity of
5 not more than 15 megawatts or a mechanical
6 energy capacity of not more than 2,000 horse-
7 power or an equivalent combination of electrical
8 and mechanical energy capacities,

9 “(C) which produces—

10 “(i) at least 20 percent of its total
11 useful energy in the form of thermal en-
12 ergy which is not used to produce electrical
13 or mechanical power (or combination
14 thereof), and

15 “(ii) at least 20 percent of its total
16 useful energy in the form of electrical or
17 mechanical power (or combination thereof),

18 “(D) the energy efficiency percentage of
19 which exceeds 60 percent, and

20 “(E) which is placed in service before Jan-
21 uary 1, 2011.

22 “(2) SPECIAL RULES.—

23 “(A) ENERGY EFFICIENCY PERCENT-
24 AGE.—For purposes of this subsection, the en-

1 ergy efficiency percentage of a system is the
2 fraction—

3 “(i) the numerator of which is the
4 total useful electrical, thermal, and me-
5 chanical power produced by the system at
6 normal operating rates, and expected to be
7 consumed in its normal application, and

8 “(ii) the denominator of which is the
9 higher heating value of the primary fuel
10 sources for the system.

11 “(B) DETERMINATIONS MADE ON BTU
12 BASIS.—The energy efficiency percentage and
13 the percentages under paragraph (1)(C) shall
14 be determined on a Btu basis.

15 “(C) INPUT AND OUTPUT PROPERTY NOT
16 INCLUDED.—The term ‘combined heat and
17 power system property’ does not include prop-
18 erty used to transport the energy source to the
19 facility or to distribute energy produced by the
20 facility.

21 “(D) CERTAIN EXCEPTION NOT TO
22 APPLY.—The first sentence of the matter in
23 subsection (a)(3) which follows subparagraph
24 (D) thereof shall not apply to combined heat
25 and power system property.

1 “(3) SYSTEMS USING BAGASSE.—If a system is
 2 designed to use bagasse for at least 90 percent of
 3 the energy source—

4 “(A) paragraph (1)(D) shall not apply, but

5 “(B) the amount of credit determined
 6 under subsection (a) with respect to such sys-
 7 tem shall not exceed the amount which bears
 8 the same ratio to such amount of credit (deter-
 9 mined without regard to this paragraph) as the
 10 energy efficiency percentage of such system
 11 bears to 60 percent.

12 “(4) NONAPPLICATION OF CERTAIN RULES.—

13 For purposes of determining if the term ‘combined
 14 heat and power system property’ includes tech-
 15 nologies which generate electricity or mechanical
 16 power using back-pressure steam turbines in place of
 17 existing pressure-reducing valves or which make use
 18 of waste heat from industrial processes such as by
 19 using organic rankin, stirling, or kalina heat engine
 20 systems, paragraph (1) shall be applied without re-
 21 gard to subparagraphs (C) and (D) thereof .’.

22 (c) EFFECTIVE DATE.—The amendments made by
 23 this section shall apply to periods after December 31,
 24 2006, in taxable years ending after such date, under rules
 25 similar to the rules of section 48(m) of the Internal Rev-

1 enue Code of 1986 (as in effect on the day before the date
2 of the enactment of the Revenue Reconciliation Act of
3 1990).

4 **SEC. 302. THREE-YEAR APPLICABLE RECOVERY PERIOD**
5 **FOR DEPRECIATION OF QUALIFIED ENERGY**
6 **MANAGEMENT DEVICES.**

7 (a) IN GENERAL.—Section 168(e)(3)(A) (defining 3-
8 year property) is amended by striking “and” at the end
9 of clause (ii), by striking the period at the end of clause
10 (iii) and inserting “, and”, and by adding at the end the
11 following new clause:

12 “(iv) any qualified energy manage-
13 ment device.”.

14 (b) DEFINITION OF QUALIFIED ENERGY MANAGE-
15 MENT DEVICE.—Section 168(i) (relating to definitions
16 and special rules) is amended by inserting at the end the
17 following new paragraph:

18 “(18) QUALIFIED ENERGY MANAGEMENT DE-
19 VICE.—

20 “(A) IN GENERAL.—The term ‘qualified
21 energy management device’ means any energy
22 management device which is placed in service
23 before January 1, 2011, by a taxpayer who is
24 a supplier of electric energy or a provider of
25 electric energy services.

1 “(B) ENERGY MANAGEMENT DEVICE.—
 2 For purposes of subparagraph (A), the term
 3 ‘energy management device’ means any meter
 4 or metering device which is used by the tax-
 5 payer—

6 “(i) to measure and record electricity
 7 usage data on a time-differentiated basis
 8 in at least 4 separate time segments per
 9 day, and

10 “(ii) to provide such data on at least
 11 a monthly basis to both consumers and the
 12 taxpayer.”.

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to property placed in service after
 15 the date of the enactment of this Act, in taxable years
 16 ending after such date.

17 **SEC. 303. THREE-YEAR APPLICABLE RECOVERY PERIOD**
 18 **FOR DEPRECIATION OF QUALIFIED WATER**
 19 **SUBMETERING DEVICES.**

20 (a) IN GENERAL.—Section 168(e)(3)(A) (defining 3-
 21 year property), as amended by this Act, is amended by
 22 striking “and” at the end of clause (iii), by striking the
 23 period at the end of clause (iv) and inserting “, and”, and
 24 by adding at the end the following new clause:

1 “(v) any qualified water submetering
2 device.”.

3 (b) DEFINITION OF QUALIFIED WATER SUB-
4 METERING DEVICE.—Section 168(i) (relating to defini-
5 tions and special rules), as amended by this Act, is amend-
6 ed by inserting at the end the following new paragraph:

7 “(19) QUALIFIED WATER SUBMETERING DE-
8 VICE.—

9 “(A) IN GENERAL.—The term ‘qualified
10 water submetering device’ means any water
11 submetering device which is placed in service
12 before January 1, 2011, by a taxpayer who is
13 an eligible resupplier with respect to the unit
14 for which the device is placed in service.

15 “(B) WATER SUBMETERING DEVICE.—For
16 purposes of this paragraph, the term ‘water
17 submetering device’ means any submetering de-
18 vice which is used by the taxpayer—

19 “(i) to measure and record water
20 usage data, and

21 “(ii) to provide such data on at least
22 a monthly basis to both consumers and the
23 taxpayer.

24 “(C) ELIGIBLE RESUPPLIER.—For pur-
25 poses of subparagraph (A), the term ‘eligible re-

1 supplier’ means any taxpayer who purchases
 2 and installs qualified water submetering devices
 3 in every unit in any multi-unit property.”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to property placed in service after
 6 the date of the enactment of this Act, in taxable years
 7 ending after such date.

8 **TITLE IV—REVENUE** 9 **PROVISIONS**

10 **SEC. 401. REVALUATION OF LIFO INVENTORIES OF LARGE** 11 **INTEGRATED OIL COMPANIES.**

12 (a) GENERAL RULE.—Notwithstanding any other
 13 provision of law, if a taxpayer is an applicable integrated
 14 oil company for its last taxable year ending in calendar
 15 year 2005, the taxpayer shall—

16 (1) increase, effective as of the close of such
 17 taxable year, the value of each historic LIFO layer
 18 of inventories of crude oil, natural gas, or any other
 19 petroleum product (within the meaning of section
 20 4611) by the layer adjustment amount, and

21 (2) decrease its cost of goods sold for such tax-
 22 able year by the aggregate amount of the increases
 23 under paragraph (1).

24 If the aggregate amount of the increases under paragraph
 25 (1) exceed the taxpayer’s cost of goods sold for such tax-

1 able year, the taxpayer's gross income for such taxable
 2 year shall be increased by the amount of such excess.

3 (b) LAYER ADJUSTMENT AMOUNT.—For purposes of
 4 this section—

5 (1) IN GENERAL.—The term “layer adjustment
 6 amount” means, with respect to any historic LIFO
 7 layer, the product of—

8 (A) \$18.75, and

9 (B) the number of barrels of crude oil (or
 10 in the case of natural gas or other petroleum
 11 products, the number of barrel-of-oil equiva-
 12 lents) represented by the layer.

13 (2) BARREL-OF-OIL EQUIVALENT.—The term
 14 “barrel-of-oil equivalent” has the meaning given
 15 such term by section 29(d)(5) (as in effect before its
 16 redesignation by the Energy Tax Incentives Act of
 17 2005).

18 (c) APPLICATION OF REQUIREMENT.—

19 (1) NO CHANGE IN METHOD OF ACCOUNTING.—
 20 Any adjustment required by this section shall not be
 21 treated as a change in method of accounting.

22 (2) UNDERPAYMENTS OF ESTIMATED TAX.—No
 23 addition to the tax shall be made under section 6655
 24 of the Internal Revenue Code of 1986 (relating to
 25 failure by corporation to pay estimated tax) with re-

1 spect to any underpayment of an installment re-
 2 quired to be paid with respect to the taxable year
 3 described in subsection (a) to the extent such under-
 4 payment was created or increased by this section.

5 (d) APPLICABLE INTEGRATED OIL COMPANY.—For
 6 purposes of this section, the term “applicable integrated
 7 oil company” means an integrated oil company (as defined
 8 in section 291(b)(4) of the Internal Revenue Code of
 9 1986) which has an average daily worldwide production
 10 of crude oil of at least 500,000 barrels for the taxable
 11 year and which had gross receipts in excess of
 12 \$1,000,000,000 for its last taxable year ending during cal-
 13 endar year 2005. For purposes of this subsection all per-
 14 sons treated as a single employer under subsections (a)
 15 and (b) of section 52 of the Internal Revenue Code of
 16 1986 shall be treated as 1 person and, in the case of a
 17 short taxable year, the rule under section 448(c)(3)(B)
 18 shall apply.

19 **SEC. 402. ELIMINATION OF AMORTIZATION OF GEOLOGI-**
 20 **CAL AND GEOPHYSICAL EXPENDITURES FOR**
 21 **MAJOR INTEGRATED OIL COMPANIES.**

22 (a) IN GENERAL.—Section 167(h) is amended by
 23 adding at the end the following new paragraph:

24 “(5) NONAPPLICATION TO MAJOR INTEGRATED
 25 OIL COMPANIES.—This subsection shall not apply

1 with respect to any expenses paid or incurred for
 2 any taxable year by any integrated oil company (as
 3 defined in section 291(b)(4)) which has an average
 4 daily worldwide production of crude oil of at least
 5 500,000 barrels for such taxable year.”.

6 (b) EFFECTIVE DATE.—The amendment made by
 7 this section shall take effect as if included in the amend-
 8 ment made by section 1329(a) of the Energy Policy Act
 9 of 2005.

10 **SEC. 403. MODIFICATIONS OF FOREIGN TAX CREDIT RULES**

11 **APPLICABLE TO LARGE INTEGRATED OIL**
 12 **COMPANIES WHICH ARE DUAL CAPACITY**
 13 **TAXPAYERS.**

14 (a) IN GENERAL.—Section 901 (relating to credit for
 15 taxes of foreign countries and of possessions of the United
 16 States) is amended by redesignating subsection (m) as (n)
 17 and by inserting after subsection (l) the following new sub-
 18 section:

19 “(m) SPECIAL RULES RELATING TO LARGE INTE-
 20 GRATED OIL COMPANIES WHICH ARE DUAL CAPACITY
 21 TAXPAYERS.—

22 “(1) GENERAL RULE.—Notwithstanding any
 23 other provision of this chapter, any amount paid or
 24 accrued by a dual capacity taxpayer which is a large
 25 integrated oil company to a foreign country or pos-

1 session of the United States for any period shall not
2 be considered a tax—

3 “(A) if, for such period, the foreign coun-
4 try or possession does not impose a generally
5 applicable income tax, or

6 “(B) to the extent such amount exceeds
7 the amount (determined in accordance with reg-
8 ulations) which—

9 “(i) is paid by such dual capacity tax-
10 payer pursuant to the generally applicable
11 income tax imposed by the country or pos-
12 session, or

13 “(ii) would be paid if the generally ap-
14 plicable income tax imposed by the country
15 or possession were applicable to such dual
16 capacity taxpayer.

17 Nothing in this paragraph shall be construed to
18 imply the proper treatment of any such amount
19 not in excess of the amount determined under
20 subparagraph (B).

21 “(2) DUAL CAPACITY TAXPAYER.—For pur-
22 poses of this subsection, the term ‘dual capacity tax-
23 payer’ means, with respect to any foreign country or
24 possession of the United States, a person who—

1 “(A) is subject to a levy of such country or
2 possession, and

3 “(B) receives (or will receive) directly or
4 indirectly a specific economic benefit (as deter-
5 mined in accordance with regulations) from
6 such country or possession.

7 “(3) GENERALLY APPLICABLE INCOME TAX.—
8 For purposes of this subsection—

9 “(A) IN GENERAL.—The term ‘generally
10 applicable income tax’ means an income tax (or
11 a series of income taxes) which is generally im-
12 posed under the laws of a foreign country or
13 possession on income derived from the conduct
14 of a trade or business within such country or
15 possession.

16 “(B) EXCEPTIONS.—Such term shall not
17 include a tax unless it has substantial applica-
18 tion, by its terms and in practice, to—

19 “(i) persons who are not dual capacity
20 taxpayers, and

21 “(ii) persons who are citizens or resi-
22 dents of the foreign country or possession.

23 “(4) LARGE INTEGRATED OIL COMPANY.—For
24 purposes of this subsection, the term ‘large inte-
25 grated oil company’ means, with respect to any tax-

1 able year, an integrated oil company (as defined in
2 section 291(b)(4)) which—

3 “(A) had gross receipts in excess of
4 \$1,000,000,000 for such taxable year, and

5 “(B) has an average daily worldwide pro-
6 duction of crude oil of at least 500,000 barrels
7 for such taxable year.”

8 (b) EFFECTIVE DATE.—

9 (1) IN GENERAL.—The amendments made by
10 this section shall apply to taxes paid or accrued in
11 taxable years beginning after the date of the enact-
12 ment of this Act.

13 (2) CONTRARY TREATY OBLIGATIONS
14 UPHELD.—The amendments made by this section
15 shall not apply to the extent contrary to any treaty
16 obligation of the United States.

○