

110TH CONGRESS  
1ST SESSION

# S. 2314

To amend the Internal Revenue Code of 1986 to make geothermal heat pump systems eligible for the energy credit and the residential energy efficient property credit, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 6, 2007

Mr. SALAZAR (for himself, Mr. INHOFE, and Mr. TESTER) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to make geothermal heat pump systems eligible for the energy credit and the residential energy efficient property credit, 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.**

4 This Act may be cited as the “Geothermal Heat  
5 Pump Development Act of 2007”.

1 **SEC. 2. ENERGY CREDIT FOR GEOTHERMAL HEAT PUMP**  
 2 **SYSTEMS.**

3 (a) IN GENERAL.—Subparagraph (A) of section  
 4 48(a)(3) of the Internal Revenue Code of 1986 is amended  
 5 by striking “or” at the end of clause (iii), by inserting  
 6 “or” at the end of clause (iv), and by adding at the end  
 7 the following new clause:

8 “(v) equipment which uses the ground  
 9 or ground water as a thermal energy  
 10 source to heat a structure or as a thermal  
 11 energy sink to cool a structure,”.

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

15 **SEC. 3. RESIDENTIAL ENERGY EFFICIENT PROPERTY**  
 16 **CREDIT FOR GEOTHERMAL HEAT PUMP SYS-**  
 17 **TEMS.**

18 (a) IN GENERAL.—Subsection (a) of section 25D of  
 19 the Internal Revenue Code of 1986 is amended by striking  
 20 “and” at the end of paragraph (2), by striking the period  
 21 at the end of paragraph (3) and inserting “, and”, and  
 22 by adding at the end the following new paragraph:

23 “(4) 30 percent of the qualified geothermal  
 24 heat pump property expenditures made by the tax-  
 25 payer during the taxable year.”.

1       (b) QUALIFIED GEOTHERMAL HEAT PUMP PROP-  
 2       PERTY EXPENDITURES.—Subsection (d) of section 25D of  
 3       such Code is amended by adding at the end the following  
 4       new paragraph:

5               “(4) QUALIFIED GEOTHERMAL HEAT PUMP  
 6       PROPERTY EXPENDITURES.—

7               “(A) IN GENERAL.—The term ‘qualified  
 8       geothermal heat pump property expenditures’  
 9       means an expenditure for qualified geothermal  
 10      heat pump property installed on or in connec-  
 11      tion with a dwelling unit located in the United  
 12      States and used as a principal residence (within  
 13      the meaning of section 121) by the taxpayer.

14              “(B) QUALIFIED GEOTHERMAL HEAT  
 15      PUMP PROPERTY.—The term ‘qualified geo-  
 16      thermal heat pump property’ means any equip-  
 17      ment which—

18              “(i) uses the ground or ground water  
 19      as a thermal energy source to heat the  
 20      dwelling unit referred to in subparagraph  
 21      (A) or as a thermal energy sink to cool  
 22      such dwelling unit, and

23              “(ii) meets the requirements of the  
 24      Energy Star program which are in effect

1 at the time that the expenditure for such  
 2 equipment is made.”.

3 (c) MAXIMUM CREDIT LIMITATION.—Paragraph (1)  
 4 of section 25D(b) of such Code is amended by striking  
 5 “and” at the end of subparagraph (B), by striking the  
 6 period at the end of subparagraph (C) and inserting “,  
 7 and”, and by adding at the end the following new subpara-  
 8 graph:

9 “(D) \$2,000 with respect to any qualified  
 10 geothermal heat pump property expenditures.”.

11 (d) COORDINATION WITH CREDIT FOR NONBUSI-  
 12 NESS ENERGY PROPERTY.—Subsection (b) of section 25D  
 13 of such Code is amended by adding at the end the fol-  
 14 lowing new paragraph:

15 “(3) DENIAL OF DOUBLE BENEFIT FOR GEO-  
 16 THERMAL HEAT PUMPS.—The credit allowed under  
 17 subsection (a) (determined without regard to this  
 18 paragraph and subsection (c)) with respect to any  
 19 qualified geothermal heat pump property expendi-  
 20 tures shall be reduced by the amount of any credit  
 21 allowed under section 25C with respect to such ex-  
 22 penditures.”.

23 (e) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-  
 24 IMUM TAX.—

1           (1) IN GENERAL.—Section 25D(b) of such  
 2           Code, as amended by subsection (c), is amended by  
 3           adding at the end the following new paragraph:

4           “(3) QUALIFIED GEOTHERMAL HEAT PUMP  
 5           PROPERTY EXPENDITURE CREDIT ALLOWED  
 6           AGAINST ALTERNATIVE MINIMUM TAX.—In the case  
 7           of a taxable year to which section 26(b)(2) does not  
 8           apply, the credit allowed under subsection (a)(4) for  
 9           the taxable year shall not exceed 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 this subpart (other than subsection  
 15           (a)(4)) and section 27 for the taxable year.”.

16           (2) CONFORMING AMENDMENTS.—

17           (A) Subsection (c) of section 25D of such  
 18           Code is amended—

19                   (i) by inserting “paragraphs (1), (2),  
 20                   and (3) of” before “subsection (a)” both  
 21                   places it appears in paragraph (2), and

22                   (ii) by adding at the end the following  
 23                   new paragraph:

24           “(3) CARRYFORWARD OF UNUSED QUALIFIED  
 25           GEOTHERMAL HEAT PUMP PROPERTY EXPENDITURE

1 CREDIT.—In the case of a taxable year to which sec-  
 2 tion 26(b)(2) does not apply, if the credit allowable  
 3 under subsection (a)(4) for any taxable year exceeds  
 4 the limitation imposed by subsection (b)(3) for such  
 5 taxable year, such excess shall be carried to the suc-  
 6 ceeding taxable year and added to the credit allow-  
 7 able under subsection (a)(4) for such succeeding tax-  
 8 able year.”.

9 (B) Section 23(b)(4)(B) of such Code is  
 10 amended by inserting “and section 25D(a)(4)”  
 11 after “this section”.

12 (C) Section 24(b)(3)(B) of such Code is  
 13 amended by striking “sections 23 and 25B”  
 14 and inserting “sections 23, 25B, and  
 15 25D(a)(4)”.

16 (D) Section 26(a)(1) of such Code is  
 17 amended by striking “and 25B” and inserting  
 18 “25B, and 25D(a)(4)”.

19 (f) EFFECTIVE DATE.—The amendments made by  
 20 this section shall apply to expenditures made after the  
 21 date of the enactment of this Act.

22 **SEC. 4. 3-YEAR ACCELERATED DEPRECIATION PERIOD FOR**  
 23 **GEOHERMAL HEAT PUMP SYSTEMS.**

24 (a) IN GENERAL.—Subparagraph (A) of section  
 25 168(e)(3) of the Internal Revenue Code of 1986 is amend-

1 ed by striking “and” at the end of clause (ii), by striking  
 2 the period at the end of clause (iii) and inserting “, and”,  
 3 and by adding at the end the following new clause:

4 “(iv) any property which is described  
 5 in clause (v) of section 48(a)(3)(A).”.

6 (b) CONFORMING AMENDMENT.—Subclause (I) of  
 7 section 168(e)(3)(B)(vi) of such Code is amended by in-  
 8 serting “clause (i), (ii), (iii), or (iv) of” before “subpara-  
 9 graph (A)”.

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

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