

111TH CONGRESS
2D SESSION

S. 3935

To amend the Internal Revenue Code of 1986 to improve and extend certain energy-related tax provisions, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 29, 2010

Mr. BINGAMAN (for himself and Ms. SNOWE) 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 improve and extend certain energy-related tax provisions, 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 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Advanced Energy Tax Incentives Act of 2010”.

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
10 to, or repeal of, a section or other provision, the reference

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

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

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—INDUSTRIAL AND BUILDING ENERGY EFFICIENCY

Subtitle A—Expansion of Building Efficiency Incentives

Sec. 101. Increase in, and extension of, new energy efficient home credit.
 Sec. 102. Modification of deduction for energy efficient commercial buildings.
 Sec. 103. Energy ratings of non-business property.
 Sec. 104. Credit for home performance auditor certifications.
 Sec. 105. Performance based energy improvements for non-business property.

Subtitle B—Expansion of Industrial Energy Efficiency Incentives

Sec. 111. Qualifying efficient industrial process water use project credit.
 Sec. 112. Motor energy efficiency improvement tax credit.
 Sec. 113. Credit for replacement of CFC refrigerant chiller.
 Sec. 114. Modifications in credit for combined heat and power system property.

Subtitle C—Thermal Energy Efficiency

Sec. 121. Bonus depreciation for qualifying energy property.
 Sec. 122. Extension of reduced depreciation period for natural gas distribution facilities.

TITLE II—VEHICLE EFFICIENCY

Sec. 201. Idling reduction tax credit.

TITLE III—PROMOTION OF DOMESTIC MANUFACTURING

Sec. 301. Expansion and modification of qualifying advanced energy project credit.
 Sec. 302. Qualifying industrial energy efficiency project credit.

TITLE IV—GRID EFFICIENCY AND RELIABILITY

Sec. 401. Energy investment credit for energy storage property connected to the grid.
 Sec. 402. Energy storage property connected to the grid eligible for new clean renewable energy bonds.
 Sec. 403. Energy investment credit for onsite energy storage.
 Sec. 404. Credit for residential energy storage equipment.
 Sec. 405. Clarification of types of energy conservation subsidies provided by public utilities eligible for income exclusion.
 Sec. 406. Extension of credits related to the production of electricity from off-shore wind.

TITLE V—CARBON CAPTURE AND SEQUESTRATION

Sec. 501. Improved availability of the credit for carbon dioxide sequestration.

TITLE VI—PROMOTION OF CLEAN DOMESTIC FUELS

Sec. 601. Algae treated as a qualified feedstock for purposes of the cellulosic biofuel producer credit, etc.

TITLE I—INDUSTRIAL AND BUILDING ENERGY EFFICIENCY Subtitle A—Expansion of Building Efficiency Incentives

SEC. 101. INCREASE IN, AND EXTENSION OF, NEW ENERGY EFFICIENT HOME CREDIT.

(a) NEW TIER; CREDIT AMOUNT FOR NEW TIER.—

(1) NEW TIER.—Subsection (c) of section 45L
is amended to read as follows:

“(c) ENERGY SAVINGS REQUIREMENTS.—

“(1) IN GENERAL.—A dwelling unit meets the
energy saving requirements of this subsection if such
unit is—

“(A) described in paragraph (2),

“(B) described in paragraph (3),

“(C) a manufactured home described in
paragraph (4), or

“(D) a manufactured home described in
paragraph (5).

“(2) DWELLING UNIT DESCRIBED IN PARA-
GRAPH (2).—A dwelling unit is described in this
paragraph if such unit is certified—

1 “(A) to have a level of annual heating and
2 cooling energy consumption which is at least 50
3 percent below the annual level of heating and
4 cooling energy consumption of a comparable
5 dwelling unit—

6 “(i) which is constructed in accord-
7 ance with the standards of chapter 4 of the
8 2003 International Energy Conservation
9 Code, as such Code (including supple-
10 ments) is in effect on the date of the en-
11 actment of the Energy Tax Incentives Act
12 of 2005, and

13 “(ii) for which the heating and cooling
14 equipment efficiencies correspond to the
15 minimum allowed under the regulations es-
16 tablished by the Department of Energy
17 pursuant to the National Appliance Energy
18 Conservation Act of 1987 and in effect at
19 the time of completion of construction, and

20 “(B) to have building envelope component
21 improvements account for at least $\frac{1}{5}$ of such
22 50 percent.

23 The Secretary, in consultation with the Secretary of
24 Energy shall provide by regulation for the applica-
25 tion of this paragraph in the case of a dwelling unit

1 in a multifamily building that is more than 3 stories
2 above grade, or in any other building that is not
3 within the scope of such chapter 4. If, upon the ac-
4 quisition of such unit by any person described in
5 subsection (a)(1)(A)(ii)(I), the amount of the credit
6 allowed under this section with respect to such unit
7 shall be disclosed to such person.

8 “(3) DWELLING UNIT DESCRIBED IN PARA-
9 GRAPH (3).—A dwelling unit is described in this
10 paragraph if such unit is certified—

11 “(A) to have a level of annual total energy
12 consumption (including heating, cooling, water
13 heating, lighting, and appliance energy use)
14 which is at least 50 percent below the annual
15 level of total energy consumption of a com-
16 parable dwelling unit which is constructed in
17 accordance with the 2004 Supplement of the
18 2003 International Energy Conservation Code,
19 and

20 “(B) to have building envelope component
21 improvements account for at least $\frac{1}{5}$ of such
22 50 percent.

23 “(4) MANUFACTURED HOME DESCRIBED IN
24 PARAGRAPH (4).—A manufactured home is described
25 in this paragraph if such manufactured home con-

forms to Federal Manufactured Home Construction and Safety Standards (part 3280 of title 24, Code of Federal Regulations) and meets the requirements of a dwelling unit described in paragraph (2).

“(5) MANUFACTURED HOME DESCRIBED IN PARAGRAPH (5).—A manufactured home is described in this paragraph if such manufactured home conforms to Federal Manufactured Home Construction and Safety Standards (part 3280 of title 24, Code of Federal Regulations) and—

“(A) meets the requirements of—

“(i) a dwelling unit described in paragraph (2), applied by substituting ‘30 percent’ for ‘50 percent’ both places it appears therein and by substituting ‘ $\frac{1}{3}$ ’ for ‘ $\frac{1}{5}$ ’ in subparagraph (B) thereof, or

“(ii) a dwelling unit described in paragraph (3), or

“(B) meets the requirements established by the Administrator of the Environmental Protection Agency under the Energy Star Labeled Homes program as in effect on the date of the enactment of the Advanced Energy Tax Incentives Act of 2010, or

1 “(C) meets the requirements under the
 2 Energy Star Labeled Homes program estab-
 3 lished after the date of the enactment of the
 4 Advanced Energy Tax Incentives Act of 2010.”.

5 (2) CREDIT AMOUNT FOR NEW TIER.—Para-
 6 graph (2) of section 45L(a) is amended to read as
 7 follows:

8 “(2) APPLICABLE AMOUNT.—For purposes of
 9 paragraph (1), the applicable amount is an amount
 10 equal to—

11 “(A) in the case of a dwelling unit de-
 12 scribed in paragraph (2) or (4) of subsection
 13 (c), \$2,000,

14 “(B) in the case of a dwelling unit de-
 15 scribed in paragraph (3) of subsection (c),
 16 \$5,000,

17 “(C) in the case of a manufactured home
 18 described in paragraph (5)(A)(i) or (5)(B) of
 19 subsection (c), \$1,500, and

20 “(D) in the case of a manufactured home
 21 described in paragraph (5)(A)(ii) or (5)(C) of
 22 subsection (c), \$2,500.

23 Nothing in this section shall permit the same dwell-
 24 ing unit or manufactured home to qualify for more
 25 than one applicable amount.”.

1 (b) CREDIT AVAILABLE FOR RENTAL UNITS,
 2 OWNER-BUILDERS, AND QUALIFIED LOW-INCOME
 3 BUILDINGS; CREDIT AMOUNT FOR QUALIFIED LOW-IN-
 4 COME BUILDINGS.—

5 (1) IN GENERAL.—Paragraph (1) of section
 6 45L(a) is amended to read as follows:

7 “(1) IN GENERAL.—For purposes of section
 8 38—

9 “(A) in the case of an eligible contractor,
 10 the new energy efficient home credit for the
 11 taxable year is the applicable amount for each
 12 qualified new energy efficient home which is—

13 “(i) constructed by the eligible con-
 14 tractor, and

15 “(ii)(I) acquired by a person from
 16 such eligible contractor and used by any
 17 person as a residence during the taxable
 18 year, or

19 “(II) used by such eligible contractor
 20 as a residence during the taxable year, and

21 “(B) in the case of a taxpayer, the new en-
 22 ergy efficient home credit for the taxable year
 23 is the applicable amount for each qualified new
 24 energy efficient home which is in a qualified

1 low-income building (as defined in section
2 42(c)(2))—

3 “(i) placed in service by the taxpayer
4 during the taxable year, and

5 “(ii) for which such taxpayer is al-
6 lowed a credit under section 42 or a
7 subaward under section 1602(c) of the
8 American Recovery and Reinvestment Tax
9 Act of 2009.”.

10 (2) CREDIT AMOUNT.—Paragraph (2) of section
11 45L(a), as amended by this section, is amended by
12 adding at the end the following new flush sentence:
13 “In the case of a dwelling unit in a qualified low-
14 income building (as so defined), the applicable dollar
15 amount for such a dwelling unit described in 1 of
16 the preceding subparagraphs shall be equal to 150
17 percent of the dollar amount otherwise specified in
18 such preceding subparagraph, except that if the
19 credit under section 42 with respect to such unit is
20 determined by applying section 42(d)(5)(B), then
21 the applicable dollar amount shall be 115 percent of
22 such dollar amount so specified.”.

23 (3) NO BASIS ADJUSTMENT.—Section 45L(e) is
24 amended by inserting “(other than a qualified low-
25 income building)” after “any property”.

1 (c) CERTIFICATION METHOD FOR HIGH RISE MUL-
 2 TIFAMILY AND MIXED USE BUILDINGS.—Section
 3 45L(d)(1) is amended by inserting “, and in the case of
 4 high rise multifamily and mixed use buildings, after exam-
 5 ining the methods required for such buildings under sec-
 6 tion 179D” after “the Secretary of Energy”.

7 (d) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
 8 IMUM TAX.—Subparagraph (B) of section 38(c)(4) is
 9 amended—

10 (1) by redesignating clauses (vi), (vii), and (viii)
 11 as clauses (vii), (viii), and (ix), respectively, and

12 (2) by inserting after clause (v) the following
 13 new clause:

14 “(vi) the credit determined under sec-
 15 tion 45L,”.

16 (e) EXTENSION.—Subsection (g) of section 45L is
 17 amended to read as follows:

18 “(g) TERMINATION.—This section shall not apply to
 19 the acquisition of any qualified new energy efficient
 20 home—

21 “(1) described in subsection (a)(2)(A) after De-
 22 cember 31, 2012,

23 “(2) described in subsection (a)(2)(B) after De-
 24 cember 31, 2013,

1 “(3) described in subsection (a)(2)(C) after De-
 2 cember 31, 2010, and

3 “(4) described in subsection (a)(2)(D) after De-
 4 cember 31, 2013.”.

5 (f) EFFECTIVE DATES.—

6 (1) IN GENERAL.—The amendments made by
 7 this section shall apply to homes constructed and ac-
 8 quired or placed in service after December 31, 2008.

9 (2) AMT.—The amendments made by sub-
 10 section (d) shall apply to credits determined under
 11 section 45L of the Internal Revenue Code of 1986
 12 in taxable years beginning after December 31, 2008,
 13 and to carrybacks of such credits.

14 **SEC. 102. MODIFICATION OF DEDUCTION FOR ENERGY EF-**
 15 **FICIENT COMMERCIAL BUILDINGS.**

16 (a) INCREASE IN MAXIMUM AMOUNT OF DEDUC-
 17 TION.—

18 (1) IN GENERAL.—Subparagraph (A) of section
 19 179D(b)(1) is amended by striking “\$1.80” and in-
 20 serting “\$3.00”.

21 (2) PARTIAL ALLOWANCE.—Paragraph (1) of
 22 section 179D(d) is amended to read as follows:

23 “(1) PARTIAL ALLOWANCE.—

24 “(A) IN GENERAL.—Except as provided in
 25 subsection (f), if—

1 “(i) the requirement of subsection
2 (c)(1)(D) is not met, but

3 “(ii) there is a certification in accord-
4 ance with paragraph (6) that—

5 “(I) any system referred to in
6 subsection (c)(1)(C) satisfies the en-
7 ergy-savings targets established by the
8 Secretary under subparagraph (B)
9 with respect to such system, or

10 “(II) the systems referred to in
11 subsection (c)(1)(C)(ii) and subsection
12 (c)(1)(C)(iii) together satisfy the en-
13 ergy-savings targets established by the
14 Secretary under subparagraph (B)
15 with respect to such systems,

16 then the requirement of subsection (c)(1)(D)
17 shall be treated as met with respect to such sys-
18 tem or systems, and the deduction under sub-
19 section (a) shall be allowed with respect to en-
20 ergy efficient commercial building property in-
21 stalled as part of such system and as part of
22 a plan to meet such targets, except that sub-
23 section (b) shall be applied to such property de-
24 scribed in clause (ii)(I) by substituting ‘\$1.00’
25 for ‘\$3.00’ and to such property described in

1 clause (ii)(II) by substituting ‘\$2.20’ for
 2 ‘\$3.00’.

3 “(B) REGULATIONS.—

4 “(i) IN GENERAL.—The Secretary,
 5 after consultation with the Secretary of
 6 Energy, shall establish a target for each
 7 system described in subsection (c)(1)(C)
 8 which, if such targets were met for all such
 9 systems, the building would meet the re-
 10 quirements of subsection (c)(1)(D).

11 “(ii) COMBINED SYSTEMS.—The Sec-
 12 retary, after consultation with the Sec-
 13 retary of Energy, shall establish not later
 14 than 6 months after the date of the enact-
 15 ment of the Advanced Energy Tax Incen-
 16 tives Act of 2010 a prescriptive partial
 17 compliance pathway for combined envelope
 18 and mechanical system performance that
 19 details the appropriate components, effi-
 20 ciency levels, or other relevant information
 21 for which the required level of combined
 22 savings in both categories can be deemed
 23 to have been achieved.”.

24 (b) DENIAL OF DOUBLE BENEFIT.—Section 179D is
 25 amended by redesignating subsections (g) and (h) as sub-

1 sections (h) and (i), respectively, and by inserting after
2 subsection (f) the following new subsection:

3 “(g) COORDINATION WITH NEW ENERGY EFFICIENT
4 HOME CREDIT.—No deduction shall be allowed under this
5 section with respect to any building or dwelling unit with
6 respect to which a credit under section 45L was allowed.”.

7 (c) EARNINGS AND PROFITS CONFORMITY FOR REAL
8 ESTATE INVESTMENT TRUSTS.—Subparagraph (B) of
9 section 312(k)(3) is amended—

10 (1) by striking “.—For purposes of” and in-
11 serting “.—

12 “(1) IN GENERAL.—Except as provided in para-
13 graph (2), for purposes of”, and

14 (2) by adding at the end the following new
15 paragraph:

16 “(2) EXCEPTION.—

17 “(A) IN GENERAL.—For purposes of com-
18 puting the earnings and profits of a real estate
19 investment trust (other than a captive real es-
20 tate investment trust), the entire amount de-
21 ductible under section 179D shall be allowed as
22 a deduction in the taxable year for which such
23 amount is deductible under section 179D.

24 “(B) CAPTIVE REAL ESTATE INVESTMENT
25 TRUST.—

1 “(i) IN GENERAL.—For purposes of
 2 subparagraph (A), the term ‘captive real
 3 estate investment trust’ means any real es-
 4 tate investment trust more than 50 percent
 5 of the voting power or value of the bene-
 6 ficial interests or shares of which are
 7 owned or controlled by a single entity that
 8 is treated as an association taxable as a
 9 corporation.

10 “(ii) ASSOCIATION TAXABLE AS A
 11 CORPORATION.—For purposes of clause (i),
 12 the term ‘association taxable as a corpora-
 13 tion’ shall not include a real estate invest-
 14 ment trust.

15 “(iii) ATTRIBUTION RULES.—For pur-
 16 poses of clause (i), the attribution rules of
 17 section 856(d)(5) shall apply in deter-
 18 mining ownership.”.

19 (d) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to property placed in service in
 21 taxable years beginning after the date of the enactment
 22 of this Act.

23 **SEC. 103. ENERGY RATINGS OF NON-BUSINESS PROPERTY.**

24 (a) IN GENERAL.—Subpart A of part IV of sub-
 25 chapter A of chapter 1, as amended by section 105, is

1 amended by inserting after section 25E the following new
2 section:

3 **“SEC. 25F. ENERGY RATINGS OF NON-BUSINESS PROPERTY.**

4 “(a) IN GENERAL.—In the case of an individual,
5 there shall be allowed as a credit against the tax imposed
6 by this chapter for the taxable year an amount equal to
7 the amount paid or incurred by the taxpayer for a quali-
8 fied home energy rating conducted during such taxable
9 year.

10 “(b) LIMITATION.—The amount allowed as a credit
11 under subsection (a) with respect to any taxpayer for any
12 taxable year shall not exceed \$200.

13 “(c) QUALIFIED HOME ENERGY RATING.—For pur-
14 poses of this section, the term ‘qualified home energy rat-
15 ing’ means a home energy rating conducted with respect
16 to any residence of the taxpayer by a home performance
17 auditor certified by a provider accredited by the Building
18 Performance Institute (BPI), the Residential Energy
19 Services Network (RESNET), or equivalent rating system
20 as determined by the Secretary of Energy.

21 “(d) TERMINATION.—This section shall not apply
22 with respect to any rating conducted after December 31,
23 2011.”.

24 (b) CLERICAL AMENDMENT.—The table of sections
25 for subpart A of part IV of subchapter A chapter 1, as

1 amended by section 105, is amended by inserting after the
 2 item relating to section 25E the following new item:

“Sec. 25F. Energy ratings of non-business property.”.

3 (c) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to amounts paid or incurred in tax-
 5 able years beginning after the date of the enactment of
 6 this Act.

7 **SEC. 104. CREDIT FOR HOME PERFORMANCE AUDITOR**
 8 **CERTIFICATIONS.**

9 (a) IN GENERAL.—Subpart D of part IV of sub-
 10 chapter A of chapter 1 is amended by adding at the end
 11 the following new section:

12 **“SEC. 45S. HOME PERFORMANCE AUDITOR CERTIFICATION**
 13 **CREDIT.**

14 “(a) IN GENERAL.—For purposes of section 38, the
 15 home performance auditor certification credit determined
 16 under this section for any taxable year is an amount equal
 17 to the qualified training and certification costs paid or in-
 18 curred by the taxpayer which may be taken into account
 19 for such taxable year.

20 “(b) QUALIFIED TRAINING AND CERTIFICATION
 21 COSTS.—

22 “(1) IN GENERAL.—The term ‘qualified train-
 23 ing and certification costs’ means costs paid or in-
 24 curred for training which is required for the tax-
 25 payer or employees of the taxpayer to be certified as

1 home performance auditors for purposes of providing
 2 qualified home energy ratings under section 25F(c).

3 “(2) LIMITATION.—The qualified training and
 4 certification costs taken into account under sub-
 5 section (a)(1) for the taxable year with respect to
 6 any individual shall not exceed \$500 reduced by the
 7 amount of the credit allowed under subsection (a)(1)
 8 to the taxpayer (or any predecessor) with respect to
 9 such individual for all prior taxable years.

10 “(3) YEAR COSTS TAKEN INTO ACCOUNT.—
 11 Qualified training and certifications costs with re-
 12 spect to any individual shall not be taken into ac-
 13 count under subsection (a)(1) before the taxable
 14 year in which the individual with respect to whom
 15 such costs are paid or incurred has performed 25
 16 qualified home energy ratings under section 25F(c).

17 “(c) SPECIAL RULES.—

18 “(1) AGGREGATION RULES.—For purposes of
 19 this section, all persons treated as a single employer
 20 under subsections (a) and (b) of section 52 shall be
 21 treated as 1 person.

22 “(2) DENIAL OF DOUBLE BENEFIT.—

23 “(A) IN GENERAL.—No deduction shall be
 24 allowed for that portion of the expenses other-
 25 wise allowable as a deduction for the taxable

1 year which is equal to the amount taken into
 2 account under subsection (a) for such taxable
 3 year.

4 “(B) AMOUNT PREVIOUSLY DEDUCTED.—
 5 No credit shall be allowed under subsection (a)
 6 with respect to any amount for which a deduc-
 7 tion has been allowed in any preceding taxable
 8 year.”.

9 (b) CREDIT TREATED AS PART OF GENERAL BUSI-
 10 NESS CREDIT.—Section 38(b) is amended by striking
 11 “plus” at the end of paragraph (35), by striking the period
 12 at the end of paragraph (36) and inserting “plus”, and
 13 by adding at the end the following new paragraph:

14 “(37) the home performance auditor certifi-
 15 cation credit determined under section 45S(a).”.

16 (c) CONFORMING AMENDMENT.—The table of sec-
 17 tions for subpart D of part IV of subchapter A of chapter
 18 1 is amended by adding at the end the following new item:

 “Sec. 45S. Home performance auditor certification credit.”.

19 (d) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to amounts paid or incurred after
 21 the date of the enactment of this Act.

1 **SEC. 105. PERFORMANCE BASED ENERGY IMPROVEMENTS**
 2 **FOR NON-BUSINESS PROPERTY.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-
 4 chapter A of chapter 1 is amended by inserting after sec-
 5 tion 25D the following new section:

6 **“SEC. 25E. PERFORMANCE BASED ENERGY IMPROVE-**
 7 **MENTS.**

8 “(a) IN GENERAL.—In the case of an individual,
 9 there shall be allowed as a credit against the tax imposed
 10 by this chapter for the taxable year an amount equal to
 11 50 percent of the amount of qualified home energy effi-
 12 ciency expenditures paid or incurred by the taxpayer dur-
 13 ing the taxable year.

14 “(b) LIMITATIONS.—

15 “(1) DOLLAR LIMITATION.—

16 “(A) IN GENERAL.—The amount of the
 17 credit allowed under subsection (a) with respect
 18 to any individual for any taxable year shall not
 19 exceed the amount determined under subpara-
 20 graph (B) with respect to the principal resi-
 21 dence of such individual.

22 “(B) AMOUNT DETERMINED.—

23 “(i) IN GENERAL.—Subject to clause
 24 (iv), the amount determined under this
 25 subparagraph is the base amount increased

1 by the amount determined under clause
2 (iii).

3 “(ii) BASE AMOUNT.—For purposes of
4 this subparagraph, the base amount is—

5 “(I) \$3,000, in the case of a resi-
6 dence the construction of which is
7 completed before January 1, 1940,
8 and

9 “(II) \$2,000, in the case of a res-
10 idence the construction of which is
11 completed after December 31, 1939.

12 “(iii) INCREASE AMOUNT.—The
13 amount determined under this clause is—

14 “(I) in the case of a residence de-
15 scribed in clause (ii)(I) which has a
16 rating system score lower than or
17 equal to the rating system score which
18 corresponds to the IECC Standard
19 Reference Design for a home of the
20 size and in the climate zone of such
21 residence, \$1,000, and

22 “(II) in the case of any residence
23 with a rating system score which is
24 lower than that which corresponds to
25 such IECC Standard Reference De-

1 sign by not less than 5 points, \$500
 2 for each 5 points by which the rating
 3 system score which corresponds to
 4 such IECC Standard Reference De-
 5 sign exceeds the rating system score
 6 of such residence (in addition to the
 7 amount provided under clause (i), if
 8 applicable).

9 “(iv) LIMITATION.—In no event shall
 10 the amount determined under this sub-
 11 paragraph exceed \$8,000 with respect to
 12 any individual.

13 “(2) LIMITATION BASED ON AMOUNT OF
 14 TAX.—In the case of taxable years to which section
 15 26(a)(2) does not apply, the credit allowed under
 16 subsection (a) for any taxable year shall not exceed
 17 the excess of—

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

21 “(B) the sum of the credits allowable
 22 under this subpart (other than this section and
 23 sections 23, 24, and 25B) and section 27 for
 24 the taxable year.

1 “(c) QUALIFIED HOME ENERGY EFFICIENCY EX-
2 PENDITURES.—For purposes of this section—

3 “(1) IN GENERAL.—The term ‘qualified home
4 energy efficiency expenditures’ means any amount
5 paid or incurred for a qualified whole home energy
6 efficiency retrofit, including the cost of audit diag-
7 nostic procedures, of a principal residence of the tax-
8 payer which is located in the United States.

9 “(2) QUALIFIED WHOLE HOME ENERGY EFFI-
10 CIENCY RETROFIT.—

11 “(A) IN GENERAL.—The term ‘qualified
12 whole home energy efficiency retrofit’ means a
13 retrofit of an existing residence if, after such
14 retrofit, such residence—

15 “(i) has a rating system score of not
16 greater than—

17 “(I) 100, determined under the
18 HERS Index, in the case of a resi-
19 dence the construction of which is
20 completed before January 1, 1940,
21 and

22 “(II) the rating system score
23 which corresponds to the most current
24 IECC Standard Reference Design for
25 a home of the size and in the climate

1 zone of such residence, in the case of
2 a residence the construction of which
3 is completed after December 31,
4 1939, or

5 “(ii) achieves an energy efficiency
6 level which is equivalent to the standard
7 applicable to such residence under clause
8 (i), as determined by—

9 “(I) a State-certified equivalent
10 rating network, as specified by IRS
11 Notice 2008–35, which is also a
12 HERS rating system required by
13 State law, or

14 “(II) the Secretary.

15 For purposes of the preceding sentence, the
16 HERS Index is the HERS Index established by
17 the Residential Energy Services Network, as in
18 effect on January 1, 2011.

19 “(B) ACCREDITATION RULE.—A retrofit
20 shall not be treated as a qualified whole home
21 energy efficiency retrofit unless such retrofit is
22 conducted by a company which is accredited by
23 the Building Performance Institute, or which
24 fulfills an equivalent standard as determined by
25 the Secretary.

1 “(C) DETERMINATION OF RATING SYSTEM
2 SCORE OR EQUIVALENT.—

3 “(i) IN GENERAL.—Subject to clause
4 (ii), the rating system score of a residence,
5 or the equivalent described in subpara-
6 graph (A)(ii), shall be determined by an
7 auditor or rater certified by—

8 “(I) the Residential Energy Serv-
9 ices Network,

10 “(II) the Building Performance
11 Institute, or

12 “(III) a State-certified equivalent
13 rating network, as specified by IRS
14 Notice 2008–35, which is also a
15 HERS rating system required by
16 State law.

17 “(ii) SECRETARIAL DETERMINA-
18 TION.—At the discretion of the Secretary,
19 the Secretary may, in consultation with the
20 Secretary of Energy, determine an alter-
21 native standard for certification of an
22 auditor or rater for purposes of deter-
23 mining the rating system score (or equiva-
24 lent described in subparagraph (A)(ii)) of
25 a residence. If the Secretary establishes

1 such an alternative standard, clause (i)
 2 shall cease to apply unless the Secretary
 3 determines otherwise.

4 “(D) REGULATIONS.—

5 “(i) COSTS.—Not later than Decem-
 6 ber 31, 2011, in consultation with the Sec-
 7 retary, the Secretary of Energy shall pre-
 8 scribe regulations which specify the costs
 9 with respect to energy improvements which
 10 may be taken into account under this para-
 11 graph as part of a qualified whole home
 12 energy efficiency retrofit.

13 “(ii) DOCUMENTATION.—The Sec-
 14 retary of the Treasury may prescribe regu-
 15 lations directing what specific documenta-
 16 tion is required for claiming the credit
 17 under this section, which may include a
 18 certified form completed by the qualified
 19 whole home energy efficiency retrofit and
 20 signed by the individual taxpayer.

21 “(3) EXPANSION OF BUILDING ENVELOPE IN-
 22 ELIGIBLE.—The term ‘qualified home energy effi-
 23 ciency expenditures’ shall not include any amount
 24 which is paid or incurred in connection with any ex-

1 pansion of the building envelope of a principal resi-
2 dence.

3 “(4) SPECIAL RULE FOR EXPENDITURES RE-
4 LATING TO RENEWABLE ENERGY SYSTEMS.—In the
5 case of any qualified home energy efficiency expendi-
6 tures relating to a renewable energy system, sub-
7 section (a) shall be applied with respect to the ex-
8 penditures relating to such system by substituting
9 ‘30 percent’ for ‘50 percent’.

10 “(5) NO DOUBLE BENEFIT.—

11 “(A) IN GENERAL.—No credit shall be al-
12 lowed under this section for any taxable year in
13 which the taxpayer elects the credit under sec-
14 tion 25C.

15 “(B) NO DOUBLE BENEFIT FOR CERTAIN
16 EXPENDITURES.—The term ‘qualified home en-
17 ergy efficiency expenditures’ shall not include
18 any expenditure for which a deduction or credit
19 is otherwise allowed to the taxpayer under this
20 chapter for the taxable year or with respect to
21 which the taxpayer receives any Federal rebate.

22 “(6) PRINCIPAL RESIDENCE.—The term ‘prin-
23 cipal residence’ has the same meaning as when used
24 in section 121, except that—

1 “(A) no ownership requirement shall be
2 imposed, and

3 “(B) the period for which a building is
4 treated as used as a principal residence shall
5 also include the 60-day period ending on the 1st
6 day on which it would (but for this subpara-
7 graph) first be treated as used as a principal
8 residence.

9 “(d) RATING SYSTEM SCORE.—For purposes of this
10 section—

11 “(1) IN GENERAL.—Subject to paragraph (2),
12 the rating system score shall be the score assigned
13 under—

14 “(A) the HERS Index established by the
15 Residential Energy Services Network, or

16 “(B) an equivalent described in subpara-
17 graph (c)(2)(A)(ii) by a State-certified equiva-
18 lent rating network, as specified by IRS Notice
19 2008–35, which is also a HERS rating system
20 required by State law.

21 “(2) SECRETARIAL DETERMINATION.—At the
22 discretion of the Secretary, the Secretary may, in
23 consultation with the Secretary of Energy, determine
24 an alternative rating system (including an alter-
25 native system based on the HERS Index established

1 by the Residential Energy Services Network). If the
 2 Secretary establishes such an alternative rating sys-
 3 tem, the rating system score with respect to any res-
 4 idence shall be the score assigned under such alter-
 5 native rating system.

6 “(e) IECC STANDARD REFERENCE DESIGN.—

7 “(1) IN GENERAL.—The term ‘IECC Standard
 8 Reference Design’ means the Standard Reference
 9 Design determined under the International Energy
 10 Conservation Code in effect for the taxable year in
 11 which the credit under this section is determined.

12 “(2) LIMITATION TO RESIDENCES CON-
 13 STRUCTED AFTER EFFECTIVE DATE OF MOST RE-
 14 CENT CODE.—No credit shall be allowed under this
 15 section with respect to a principal residence the con-
 16 struction of which is completed after the effective
 17 date of the International Energy Conservation Code
 18 in effect for the taxable year for which such credit
 19 would otherwise be determined.

20 “(f) SPECIAL RULES.—For purposes of this section,
 21 rules similar to the rules under paragraphs (4), (5), (6),
 22 (7), and (8) of section 25D(e) and section 25C(e)(2) shall
 23 apply.

24 “(g) BASIS ADJUSTMENTS.—For purposes of this
 25 subtitle, if a credit is allowed under this section with re-

1 spect to any expenditure with respect to any property, the
 2 increase in the basis of such property which would (but
 3 for this subsection) result from such expenditure shall be
 4 reduced by the amount of the credit so allowed.

5 “(h) 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 “(i) TERMINATION.—This section shall not apply
 10 with respect to any costs paid or incurred after December
 11 31, 2013.”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Section 26(a)(1) is amended by inserting
 14 “25E,” after “25D,”.

15 (2) Section 1016(a) is amended—

16 (A) by striking “and” at the end of para-
 17 graph (36),

18 (B) by striking the period at the end of
 19 paragraph (37) and inserting “, and”, and

20 (C) by adding at the end the following new
 21 paragraph:

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

1 (3) Section 6501(m) is amended by inserting
 2 “25E(h),” after “section”.

3 (4) The table of sections for subpart A of part
 4 IV of subchapter A chapter 1 is amended by insert-
 5 ing after the item relating to section 25D the fol-
 6 lowing new item:

“Sec. 25E. Performance based energy improvements.”.

7 (c) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to amounts paid or incurred in tax-
 9 able years beginning on or after January 1, 2011.

10 **Subtitle B—Expansion of Indus-**
 11 **trial Energy Efficiency Incen-**
 12 **tives**

13 **SEC. 111. QUALIFYING EFFICIENT INDUSTRIAL PROCESS**
 14 **WATER USE PROJECT CREDIT.**

15 (a) IN GENERAL.—Section 46 is amended by striking
 16 “and” at the end of paragraph (5), by striking the period
 17 at the end of paragraph (6), and by adding at the end
 18 the following new paragraph:

19 “(7) the qualifying efficient industrial process
 20 water use project credit.”.

21 (b) AMOUNT OF CREDIT.—Subpart E of part IV of
 22 subchapter A of chapter 1 is amended by inserting after
 23 section 48D the following new section:

1 **“SEC. 48E. QUALIFYING EFFICIENT INDUSTRIAL PROCESS**
2 **WATER USE PROJECT CREDIT.**

3 “(a) IN GENERAL.—

4 “(1) ALLOWANCE OF CREDIT.—For purposes of
5 section 46, the qualifying efficient industrial process
6 water use project credit for any taxable year is an
7 amount equal to the applicable percentage of the
8 qualified investment for such taxable year with re-
9 spect to any qualifying efficient industrial process
10 water use project of the taxpayer.

11 “(2) APPLICABLE PERCENTAGE.—For purposes
12 of subsection (a), the applicable percentage is—

13 “(A) 10 percent in the case of a qualifying
14 efficient industrial process water use project
15 which achieves a net energy consumption of less
16 than 3,000 kilowatt hours per million gallons of
17 water, and is placed in service before January
18 1, 2013,

19 “(B) 20 percent in the case of a qualifying
20 efficient industrial process water use project
21 which achieves a net energy consumption of less
22 than 2,000 kilowatt hours per million gallons of
23 water, and

24 “(C) 30 percent in the case of a qualifying
25 efficient industrial process water use project
26 which achieves a net energy consumption of less

1 than 1,000 kilowatt hours per million gallons of
2 water.

3 “(b) QUALIFIED INVESTMENT.—

4 “(1) IN GENERAL.—For purposes of subsection
5 (a), the qualified investment for any taxable year is
6 the basis of eligible property placed in service by the
7 taxpayer during such taxable year which is part of
8 a qualifying efficient industrial process water use
9 project.

10 “(2) EXCEPTIONS.—Such term shall not in-
11 clude any portion of the basis related to—

12 “(A) permitting,

13 “(B) land acquisition, or

14 “(C) infrastructure associated with
15 sourcing or water discharge.

16 “(3) CERTAIN QUALIFIED PROGRESS EXPENDI-
17 TURES RULES MADE APPLICABLE.—Rules similar to
18 the rules of subsections (c)(4) and (d) of section 46
19 (as in effect on the day before the enactment of the
20 Revenue Reconciliation Act of 1990) shall apply for
21 purposes of this section.

22 “(4) SPECIAL RULE FOR SUBSIDIZED ENERGY
23 FINANCING.—Rules similar to the rules of section
24 48(a)(4) (without regard to subparagraph (D) there-
25 of) shall apply for purposes of this section.

1 “(5) LIMITATION.—The amount which is treat-
2 ed for all taxable years with respect to any quali-
3 fying efficient industrial process water use project
4 with respect to any site shall not exceed
5 \$10,000,000.

6 “(c) DEFINITIONS.—

7 “(1) QUALIFYING EFFICIENT INDUSTRIAL
8 PROCESS WATER USE PROJECT.—The term ‘quali-
9 fying efficient industrial process water use project’
10 means, with respect to any site, a project—

11 “(A) which replaces or modifies a system
12 for the use of water or steam in the production
13 of goods in the trade or business of manufac-
14 turing (including any system for the use of
15 water derived from blow-down from cooling tow-
16 ers and steam systems in the generation of elec-
17 tric power at a site also used for the production
18 of goods in the trade or business of manufac-
19 turing), and

20 “(B) which is designed to achieve—

21 “(i) a reduction of not less than 20
22 percent in water withdrawal and a reduc-
23 tion of not less than 10 percent of water
24 discharge when compared to the existing
25 water use at the site, or

1 “(ii) a reduction of not less than 10
2 percent in water withdrawal and a reduc-
3 tion of not less than 20 percent of water
4 discharge when compared to the existing
5 water use at the site.

6 “(2) ELIGIBLE PROPERTY.—The term ‘eligible
7 property’ means any property—

8 “(A) which is part of a qualifying efficient
9 industrial process water use project and which
10 is necessary for the reduction in withdrawals or
11 discharge described in paragraph (1)(B),

12 “(B)(i) the construction, reconstruction, or
13 erection of which is completed by the taxpayer,
14 or

15 “(ii) which is acquired by the taxpayer if
16 the original use of such property commences
17 with the taxpayer, and

18 “(C) with respect to which depreciation (or
19 amortization in lieu of depreciation) is allow-
20 able.

21 “(3) NET ENERGY CONSUMPTION.—The term
22 ‘net energy consumption’ means the energy con-
23 sumed, both on-site and off-site, with respect to the
24 water described in paragraph (1)(A). Net energy
25 consumption shall be normalized per unit of indus-

1 trial output and measured under rules and proce-
 2 dures established by the Secretary, in consultation
 3 with the Administrator of the Environmental Protec-
 4 tion Agency.

5 “(4) WATER DISCHARGE.—The term ‘water dis-
 6 charge’ means all water leaving the site via per-
 7 mitted or unpermitted surface water discharges, dis-
 8 charges to publicly owned treatment works, and
 9 shallow- or deep-injection (whether on-site or off-
 10 site).

11 “(5) WATER WITHDRAWAL.—The term ‘water
 12 withdrawal’ means all water taken for use at the site
 13 from on-site ground and surface water sources to-
 14 gether with any water supplied to the site by a pub-
 15 lic water system.

16 “(d) TERMINATION.—This section shall not apply to
 17 periods after December 31, 2014, under rules similar to
 18 the rules of section 48(m) (as in effect on the day before
 19 the date of the enactment of the Revenue Reconciliation
 20 Act of 1990).”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 49(a)(1)(C) is amended by striking
 23 “and” at the end of clause (v), by striking the pe-
 24 riod at the end of clause (vi) and inserting “, and”,

1 and by adding after clause (vi) the following new
 2 clause:

3 “(vii) the basis of any property which
 4 is part of a qualifying efficient industrial
 5 use water project under section 48E.”.

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

“Sec. 48E. Qualifying efficient industrial process water use project credit.”.

10 (d) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to periods after January 1, 2011,
 12 under rules similar to the rules of section 48(m) of the
 13 Internal Revenue Code of 1986 (as in effect on the day
 14 before the date of the enactment of the Revenue Reconcili-
 15 ation Act of 1990).

16 **SEC. 112. MOTOR ENERGY EFFICIENCY IMPROVEMENT TAX**
 17 **CREDIT.**

18 (a) IN GENERAL.—Subpart D of part IV of sub-
 19 chapter A of chapter 1, as amended by section 104, is
 20 amended by adding at the end the following new section:

21 **“SEC. 45T. MOTOR ENERGY EFFICIENCY IMPROVEMENT**
 22 **TAX CREDIT.**

23 “(a) IN GENERAL.—For purposes of section 38, the
 24 motor energy efficiency improvement tax credit deter-
 25 mined under this section for the taxable year is an amount

1 equal to \$120 multiplied by the motor horsepower of an
2 appliance, machine, or equipment—

3 “(1) manufactured in such taxable year by a
4 manufacturer which incorporates an advanced motor
5 system into a newly designed appliance, machine, or
6 equipment or into a redesigned appliance, machine,
7 or equipment which did not previously make use of
8 the advanced motor system, or

9 “(2) placed back into service in such taxable
10 year by an end user which upgrades an existing ap-
11 pliance, machine, or equipment with an advanced
12 motor system.

13 For any advanced motor system with a total horsepower
14 of less than 10, such motor energy efficiency improvement
15 tax credit is an amount which bears the same ratio to
16 \$120 as such total horsepower bears to 1 horsepower.

17 “(b) ADVANCED MOTOR SYSTEM.—For purposes of
18 this section, the term ‘advanced motor system’ means a
19 motor and any required associated electronic control
20 which—

21 “(1) offers variable or multiple speed operation,
22 and

23 “(2) uses permanent magnet technology, elec-
24 tronically commutated motor technology, switched
25 reluctance motor technology, or such other motor

1 systems technologies as determined by the Secretary
2 of Energy.

3 “(c) AGGREGATE PER TAXPAYER LIMITATION.—

4 “(1) IN GENERAL.—The amount of the credit
5 determined under this section for any taxpayer for
6 any taxable year shall not exceed the excess (if any)
7 of \$2,000,000 over the aggregate credits allowed
8 under this section with respect to such taxpayer for
9 all prior taxable years.

10 “(2) AGGREGATION RULES.—For purposes of
11 this section, all persons treated as a single employer
12 under subsections (a) and (b) of section 52 shall be
13 treated as 1 taxpayer.

14 “(d) SPECIAL RULES.—

15 “(1) BASIS REDUCTION.—For purposes of this
16 subtitle, the basis of any property for which a credit
17 is allowable under subsection (a) shall be reduced by
18 the amount of such credit so allowed.

19 “(2) NO DOUBLE BENEFIT.—No other credit
20 shall be allowable under this chapter for property
21 with respect to which a credit is allowed under this
22 section.

23 “(3) PROPERTY USED OUTSIDE UNITED STATES
24 NOT QUALIFIED.—No credit shall be allowable under

1 subsection (a) with respect to any property referred
2 to in section 50(b)(1).

3 “(e) APPLICATION.—This section shall not apply to
4 property manufactured or placed back into service before
5 the date which is 6 months after the date of the enactment
6 of this section or after December 31, 2013.”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 38(b), as amended by section 104,
9 is amended by striking “plus” at the end of para-
10 graph (36), by striking the period at the end of
11 paragraph (37) and inserting “, plus”, and by add-
12 ing at the end the following new paragraph:

13 “(38) the motor energy efficiency improvement
14 tax credit determined under section 45T.”.

15 (2) Section 1016(a), as amended by section
16 105, is amended by striking “and” at the end of
17 paragraph (37), by striking the period at the end of
18 paragraph (38) and inserting “, and”, and by add-
19 ing at the end the following new paragraph:

20 “(39) to the extent provided in section
21 45T(d)(1).”.

22 (3) The table of sections for subpart D of part
23 IV of subchapter A of chapter 1, as amended by sec-
24 tion 104, is amended by adding at the end the fol-
25 lowing new item:

“Sec. 45T. Motor energy efficiency improvement tax credit.”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to property manufactured or
 3 placed back into service after the date which is 6 months
 4 after the date of the enactment of this Act.

5 **SEC. 113. CREDIT FOR REPLACEMENT OF CFC REFRIG-**
 6 **ERANT CHILLER.**

7 (a) IN GENERAL.—Subpart D of part IV of sub-
 8 chapter A of chapter 1, as amended by section 112, is
 9 amended by adding at the end the following new section:

10 **“SEC. 45U. CFC CHILLER REPLACEMENT CREDIT.**

11 “(a) IN GENERAL.—For purposes of section 38, the
 12 CFC chiller replacement credit determined under this sec-
 13 tion for the taxable year is an amount equal to—

14 “(1) \$150 multiplied by the tonnage rating of
 15 a CFC chiller replaced with a new efficient chiller
 16 that is placed in service by the taxpayer during the
 17 taxable year, plus

18 “(2) if all chilled water distribution pumps con-
 19 nected to the new efficient chiller include variable
 20 frequency drives, \$100 multiplied by any tonnage
 21 downsizing.

22 “(b) CFC CHILLER.—For purposes of this section,
 23 the term ‘CFC chiller’ includes property which—

24 “(1) was installed after 1980 and before 1993,

25 “(2) utilizes chlorofluorocarbon refrigerant, and

1 “(3) until replaced by a new efficient chiller,
2 has remained in operation and utilized for cooling a
3 commercial building.

4 “(c) NEW EFFICIENT CHILLER.—For purposes of
5 this section, the term ‘new efficient chiller’ includes a
6 water-cooled chiller which is certified to meet efficiency
7 standards effective on January 1, 2010, as defined in table
8 6.8.1c in Addendum M to Standard 90.1–2007 of the
9 American Society of Heating, Refrigerating, and Air Con-
10 ditioning Engineers.

11 “(d) TONNAGE DOWNSIZING.—For purposes of this
12 section, the term ‘tonnage downsizing’ means the amount
13 by which the tonnage rating of the CFC chiller exceeds
14 the tonnage rating of the new efficient chiller.

15 “(e) ENERGY AUDIT.—As a condition of receiving a
16 tax credit under this section, an energy audit shall be per-
17 formed on the building prior to installation of the new effi-
18 cient chiller, identifying cost-effective energy-saving meas-
19 ures, particularly measures that could contribute to chiller
20 downsizing. The audit shall satisfy criteria that shall be
21 issued by the Secretary of Energy.

22 “(f) PROPERTY USED BY TAX-EXEMPT ENTITY.—In
23 the case of a CFC chiller replaced by a new efficient chiller
24 the use of which is described in paragraph (3) or (4) of
25 section 50(b), the person who sold such new efficient chill-

1 er to the entity shall be treated as the taxpayer that placed
 2 in service the new efficient chiller that replaced the CFC
 3 chiller, but only if such person clearly discloses to such
 4 entity in a document the amount of any credit allowable
 5 under subsection (a) and the person certifies to the Sec-
 6 retary that the person reduced the price the entity paid
 7 for such new efficient chiller by the entire amount of such
 8 credit.

9 “(g) TERMINATION.—This section shall not apply to
 10 replacements made after December 31, 2012.”.

11 (b) CONFORMING AMENDMENTS.—

12 (1) Section 38(b), as amended by section 112,
 13 is amended by striking “plus” at the end of para-
 14 graph (37), by striking the period at the end of
 15 paragraph (38) and inserting “, plus”, and by add-
 16 ing at the end the following new paragraph:

17 “(39) the CFC chiller replacement credit deter-
 18 mined under section 45U.”.

19 (2) The table of sections for subpart D of part
 20 IV of subchapter A of chapter 1, as amended by sec-
 21 tion 112, is amended by adding at the end the fol-
 22 lowing new item:

“Sec. 45U. CFC chiller replacement credit.”.

23 (c) EFFECTIVE DATE.—The amendments made by
 24 this section shall apply to replacements made after the
 25 date of the enactment of this Act.

1 **SEC. 114. MODIFICATIONS IN CREDIT FOR COMBINED HEAT**
2 **AND POWER SYSTEM PROPERTY.**

3 (a) MODIFICATION OF CERTAIN CAPACITY LIMITA-
4 TIONS.—Section 48(c)(3)(B) is amended—

5 (1) by striking “15 megawatts” in clause (ii)
6 and inserting “25 megawatts”,

7 (2) by striking “20,000 horsepower” in clause
8 (ii) and inserting “34,000 horsepower”, and

9 (3) by striking clause (iii).

10 (b) NONAPPLICATION OF CERTAIN RULES.—Section
11 48(c)(3)(C) is amended by adding at the end the following
12 new clause:

13 “(iv) NONAPPLICATION OF CERTAIN
14 RULES.—For purposes of determining if
15 the term ‘combined heat and power system
16 property’ includes technologies which gen-
17 erate electricity or mechanical power using
18 back-pressure steam turbines in place of
19 existing pressure-reducing valves or which
20 make use of waste heat from industrial
21 processes such as by using organic
22 rankine, stirling, or kalina heat engine sys-
23 tems, subparagraph (A) shall be applied
24 without regard to clause (ii).”.

25 (c) EFFECTIVE DATE.—The amendments made by
26 this section shall apply to periods after the date of the

1 enactment of this Act, under rules similar to the rules of
 2 section 48(m) of the Internal Revenue Code of 1986 (as
 3 in effect on the day before the date of the enactment of
 4 the Revenue Reconciliation Act of 1990).

5 **Subtitle C—Thermal Energy**
 6 **Efficiency**

7 **SEC. 121. BONUS DEPRECIATION FOR QUALIFYING ENERGY**
 8 **PROPERTY.**

9 (a) IN GENERAL.—Section 168 is amended by adding
 10 at the end the following new subsection:

11 “(o) SPECIAL ALLOWANCE FOR QUALIFYING EN-
 12 ERGY PROPERTY.—

13 “(1) IN GENERAL.—In the case of any efficient
 14 commercial energy property—

15 “(A) the depreciation deduction provided
 16 by section 167(a) for the taxable year in which
 17 such property is placed in service shall include
 18 an allowance equal to 50 percent of the ad-
 19 justed basis of the efficient commercial energy
 20 property, and

21 “(B) the adjusted basis of the efficient
 22 commercial energy property shall be reduced by
 23 the amount of such deduction before computing
 24 the amount otherwise allowable as a deprecia-

1 tion deduction under this chapter for such tax-
2 able year and any subsequent taxable year.

3 “(2) EFFICIENT COMMERCIAL ENERGY PROP-
4 ERTY.—For purposes of this subsection—

5 “(A) IN GENERAL.—The term ‘efficient
6 commercial energy property’ means any prop-
7 erty placed in service before January 1, 2012,
8 which is used in a qualifying heating conver-
9 sion.

10 “(B) TREATMENT OF CERTAIN EXPENDI-
11 TURES.—Such term shall include fuel service
12 connection installation costs specifically related
13 to fuel service to the qualified energy property
14 described in clause (ii) of subparagraph (C)
15 used in such conversion, but does not include
16 expenditures for soil cleanup.

17 “(C) QUALIFYING HEATING CONVER-
18 SION.—

19 “(i) IN GENERAL.—The term ‘quali-
20 fying heating conversion’ means the use of
21 qualified energy property described in
22 clause (ii) to eliminate the reliance on fuel
23 oil for a heating system and the removal of
24 the fuel oil equipment (including any stor-
25 age tank).

1 “(ii) QUALIFIED ENERGY PROP-
2 PERTY.—Qualified energy property is de-
3 scribed in this clause if such property is—

4 “(I) a qualified natural gas hot
5 water boiler as defined in section
6 25C(d)(4)(B) by substituting ‘85 per-
7 cent’ for ‘90 percent’,

8 “(II) a qualified natural gas fur-
9 nace as defined in section
10 25C(d)(4)(A) by substituting ‘92 per-
11 cent’ for ‘95 percent’,

12 “(III) a biomass heating appli-
13 ance described in section
14 25C(d)(3)(E), or

15 “(IV) a commercial natural gas
16 hot water boiler or commercial natural
17 gas furnace the efficiency of which is
18 not measured based on an annual fuel
19 utilization efficiency rate but which
20 has a combustion efficiency com-
21 parable to the efficiency rate specified
22 under subclause (I) or (II) as the Sec-
23 retary shall determine (in consultation
24 with the Department of Energy).”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 this section shall apply to property placed in service after
 3 the date of the enactment of this Act.

4 **SEC. 122. EXTENSION OF REDUCED DEPRECIATION PERIOD**
 5 **FOR NATURAL GAS DISTRIBUTION FACILI-**
 6 **TIES.**

7 (a) IN GENERAL.—Clause (viii) of section
 8 168(e)(3)(E) is amended to read as follows:

9 “(viii) any natural gas distribution fa-
 10 cility the original use of which commences
 11 with the taxpayer after April 11, 2005,
 12 and which is placed in service before Janu-
 13 ary 1, 2013, and”.

14 (b) EFFECTIVE DATE.—The amendment made by
 15 this section shall take effect as if included in the amend-
 16 ments made section 1325(a) of the Energy Tax Incentives
 17 Act of 2005.

18 **TITLE II—VEHICLE EFFICIENCY**

19 **SEC. 201. IDLING REDUCTION TAX CREDIT.**

20 (a) IN GENERAL.—Subpart D of part IV of sub-
 21 chapter A of chapter 1, as amended by section 113, is
 22 amended by adding at the end the following new section:

23 **“SEC. 45V. IDLING REDUCTION CREDIT.**

24 “(a) GENERAL RULE.—For purposes of section 38,
 25 the idling reduction tax credit determined under this sec-

tion for the taxable year is an amount equal to the applicable percentage of the amount paid or incurred for each qualifying idling reduction device placed in service by the taxpayer during the taxable year.

“(b) LIMITATION.—The maximum amount allowed as a credit under subsection (a) for each qualifying idling reduction device shall not exceed the applicable credit amount for such device.

“(c) APPLICABLE PERCENTAGE; APPLICABLE CREDIT AMOUNT.—

“(1) DEVICES WITH COOLING CAPABILITY.—In the case of any qualifying idling reduction device with cooling capability for the vehicle passenger compartment, the applicable percentage and applicable credit amount shall be determined in accordance with the following table:

“Device consumption of diesel gallon equivalent per hour	Applicable percentage	Applicable credit amount
Not more than 0.10	50	\$5,000
More than 0.10 but not more than 0.15.	40	\$4,000
More than 0.15 but not more than 0.25.	30	\$3,000
More than 0.25	0	\$0.

“(2) DEVICES WITH NO COOLING CAPABILITY.—In the case of any qualifying idling reduction device without any cooling capability, the applicable percentage and applicable credit amount shall

1 be determined in accordance with the following
2 table:

“Device consumption of diesel gallon equivalent per hour	Applicable percentage	Applicable credit amount
Not more than 0.04	50	\$1,000
More than 0.04 but not more than 0.06.	50	\$800
More than 0.06	0	\$0.

3 “(3) MODIFICATION AUTHORITY.—The Admin-
4 istrator of the Environmental Protection Agency, in
5 consultation with the Secretary, may modify the con-
6 sumption thresholds categories specified in the tables
7 under paragraphs (1) and (2) by not more than 0.05
8 diesel gallon equivalent per hour, but only if testing
9 procedures do not prove accurate enough to discern
10 between such specified categories.

11 “(d) QUALIFYING IDLING REDUCTION DEVICE.—For
12 purposes of this section—

13 “(1) IN GENERAL.—The term ‘qualifying idling
14 reduction device’ means any on-board device or sys-
15 tem of devices which—

16 “(A) is installed on a heavy-duty diesel-
17 powered on-highway vehicle in conformance
18 with safety regulations under section 393 of
19 title 49 of the Code of Federal Regulations,

20 “(B) is designed to provide to such vehicle
21 those services (such as heat, air conditioning, or

1 electricity) that would otherwise require the op-
2 eration of the main drive engine while the vehi-
3 cle is temporarily parked or remains stationary,

4 “(C) is capable of providing power continu-
5 ously for such services for at least 8 consecutive
6 hours,

7 “(D) emits fewer oxides of nitrogen (NOx)
8 and particulate matter (PM) on a cumulative
9 basis than would be emitted by a 2010-compli-
10 ant engine running for the same amount of
11 time (as determined under Environmental Pro-
12 tection Agency emission standards and supple-
13 mental requirements for 2007 and later model
14 year diesel heavy-duty engines and vehicles (40
15 C.F.R. 86.007–11)),

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

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

20 “(G) has had its average hourly fuel con-
21 sumption in diesel equivalent gallons verified by
22 the Secretary, in consultation with the Admin-
23 istrator of the Environmental Protection Agen-
24 cy.

1 “(2) HEAVY-DUTY DIESEL-POWERED ON-HIGH-
 2 WAY VEHICLE.—The term ‘heavy-duty diesel-pow-
 3 ered on-highway vehicle’ means any diesel-powered
 4 commercial motor vehicle with a gross vehicle reg-
 5 istered weight of at least 26,000 pounds (as defined
 6 by the Secretary of Transportation) which is pro-
 7 pelled or drawn by mechanical power and used upon
 8 the highways in the transportation of passengers or
 9 property.

10 “(3) DETERMINATION OF VERIFICATION
 11 STANDARDS.—The Secretary, in consultation with
 12 the Administrator of the Environmental Protection
 13 Agency, shall establish testing methodology and
 14 standards for verifying qualifying idling reduction
 15 devices.

16 “(e) NO DOUBLE BENEFIT.—For purposes of this
 17 section—

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

23 “(2) OTHER DEDUCTIONS AND CREDITS.—No
 24 deduction or credit shall be allowed under any other

1 provision of this chapter with respect to the amount
 2 of the credit determined under this section.

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

7 “(g) TERMINATION.—This section shall not apply to
 8 any device placed in service after December 31, 2014.”.

9 (b) CREDIT TO BE PART OF GENERAL BUSINESS
 10 CREDIT.—Subsection (b) of section 38, as amended by
 11 section 201, is amended by striking “plus” at the end of
 12 paragraph (39), by striking the period at the end of para-
 13 graph (40) and inserting “, plus”, and by adding at the
 14 end the following new paragraph:

15 “(41) the idling reduction tax credit determined
 16 under section 45V(a).”.

17 (c) CONFORMING AMENDMENTS.—

18 (1) The table of sections for subpart D of part
 19 IV of subchapter A of chapter 1, as amended by sec-
 20 tion 113, is amended by adding at the end the fol-
 21 lowing new item:

“Sec. 45V. Idling reduction credit.”.

22 (2) Section 1016(a), as amended by section
 23 201, is amended by striking “and” at the end of
 24 paragraph (39), by striking the period at the end of

1 paragraph (40) and inserting “, and”, and by add-
 2 ing at the end the following:

3 “(41) in the case of a facility with respect to
 4 which a credit was allowed under section 45V, to the
 5 extent provided in section 45V(e)(A).”.

6 (3) Section 6501(m), as amended by section
 7 201, is amended by inserting “45V(f)” after
 8 “45H(g)”.

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

12 **TITLE III—PROMOTION OF** 13 **DOMESTIC MANUFACTURING**

14 **SEC. 301. EXPANSION AND MODIFICATION OF QUALIFYING** 15 **ADVANCED ENERGY PROJECT CREDIT.**

16 (a) CREDIT RATE.—Section 48C(a) is amended by
 17 striking “equal to 30 percent” and inserting “the percent-
 18 age determined by the Secretary (not to exceed 30 per-
 19 cent)”.

20 (b) DOLLAR LIMITATION.—Section 48C(d)(1)(B) is
 21 amended by striking “\$2,300,000,000” and inserting
 22 “\$4,800,000,000”.

23 (c) EFFECTIVE DATE.—The amendment made by
 24 this section shall apply to allocations for applications sub-
 25 mitted after December 31, 2009.

1 **SEC. 302. QUALIFYING INDUSTRIAL ENERGY EFFICIENCY**
 2 **PROJECT CREDIT.**

3 (a) IN GENERAL.—Section 46 of the Internal Rev-
 4 enue Code of 1986, as amended by section 111, is amend-
 5 ed by striking “and” at the end of paragraph (6), by strik-
 6 ing the period at the end of paragraph (7), and by adding
 7 at the end the following new paragraph:

8 “(8) the qualifying industrial energy efficiency
 9 project credit.”.

10 (b) AMOUNT OF CREDIT.—Subpart E of part IV of
 11 subchapter A of chapter 1, as amended by section 111,
 12 is amended by inserting after section 48E the following
 13 new section:

14 **“SEC. 48F. CREDIT FOR INDUSTRIAL ENERGY EFFICIENCY**
 15 **PROJECTS.**

16 “(a) IN GENERAL.—For purposes of section 46, the
 17 qualifying industrial energy efficiency project credit for
 18 any taxable year is an amount equal to 30 percent of the
 19 qualified investment for such taxable year with respect to
 20 any qualifying industrial energy efficiency project of an
 21 eligible taxpayer.

22 “(b) ELIGIBLE TAXPAYER.—For purposes of this
 23 section—

24 “(1) IN GENERAL.—The term ‘eligible taxpayer’
 25 means, with respect to any taxable year, any tax-
 26 payer which is an industrial source.

1 “(2) INDUSTRIAL SOURCE.—The term ‘indus-
2 trial source’ means any stationary source which—

3 “(A) is not primarily an electricity source,
4 and

5 “(B) is in—

6 “(i) the manufacturing sector (as de-
7 fined in North American Industrial Classi-
8 fication System codes 31, 32, and 33), or

9 “(ii) the natural gas processing or
10 natural gas pipeline transportation sector
11 (as defined in North American Industrial
12 Classification System code 211112 or
13 486210).

14 “(c) QUALIFIED INVESTMENT.—

15 “(1) IN GENERAL.—For purposes of subsection
16 (a), the qualified investment for any taxable year is
17 the basis of eligible property placed in service by the
18 taxpayer during such taxable year which is part of
19 a qualifying industrial energy efficiency project.

20 “(2) CERTAIN QUALIFIED PROGRESS EXPENDI-
21 TURES RULES MADE APPLICABLE.—Rules similar to
22 the rules of subsections (c)(4) and (d) of section 46
23 (as in effect on the day before the enactment of the
24 Revenue Reconciliation Act of 1990) shall apply for
25 purposes of this section.

1 “(3) LIMITATION.—The amount which is treat-
 2 ed for all taxable years with respect to any quali-
 3 fying industrial energy efficiency project shall not
 4 exceed the amount designated by the Secretary as el-
 5 igible for the credit under this section.

6 “(d) DEFINITIONS.—

7 “(1) QUALIFYING INDUSTRIAL ENERGY EFFI-
 8 CIENCY PROJECT.—The term ‘qualifying industrial
 9 energy efficiency project’ means a project which re-
 10 duces energy inputs for a given level of production
 11 by capital expenditures.

12 “(2) ELIGIBLE PROPERTY.—The term ‘eligible
 13 property’ means any property—

14 “(A) which is necessary for the energy effi-
 15 ciency improvement described in paragraph (1),

16 “(B) which is—

17 “(i) tangible personal property, or

18 “(ii) other tangible property (not in-
 19 cluding a building or its structural compo-
 20 nents), but only if such property is used as
 21 an integral part of the qualifying industrial
 22 energy efficiency project, and

23 “(C) with respect to which depreciation (or
 24 amortization in lieu of depreciation) is allow-
 25 able.

1 “(e) QUALIFYING CREDIT FOR INDUSTRIAL ENERGY
2 EFFICIENCY PROGRAM.—

3 “(1) ESTABLISHMENT.—

4 “(A) IN GENERAL.—Not later than 180
5 days after the date of the enactment of this sec-
6 tion, the Secretary, in consultation with the
7 Secretary of Energy, shall establish a qualifying
8 credit for industrial energy efficiency program
9 to consider and award certifications for quali-
10 fied investments eligible for credits under this
11 section to qualifying industrial energy efficiency
12 project sponsors.

13 “(B) LIMITATION.—The total amount of
14 credits that may be allocated under the pro-
15 gram shall not exceed \$1,000,000,000.

16 “(2) CERTIFICATION.—

17 “(A) APPLICATION PERIOD.—Each appli-
18 cant for certification under this paragraph shall
19 submit an application containing such informa-
20 tion as the Secretary may require during the 2-
21 year period beginning on the date the Secretary
22 establishes the program under paragraph (1).

23 “(B) TIME TO MEET CRITERIA FOR CER-
24 TIFICATION.—Each applicant for certification
25 shall have 1 year from the date of acceptance

by the Secretary of the application during which to provide to the Secretary evidence that the requirements of the certification have been met.

“(C) PERIOD OF ISSUANCE.—An applicant which receives a certification shall have 3 years from the date of issuance of the certification in order to place the project in service and if such project is not placed in service by that time period, then the certification shall no longer be valid.

“(3) SELECTION CRITERIA.—In determining which qualifying industrial energy efficiency projects to certify under this section, the Secretary—

“(A) shall take into consideration which projects—

“(i) will provide the greatest domestic job retention and creation (both direct and indirect) during the credit period,

“(ii) will provide the greatest net impact in avoiding or reducing greenhouse gas emissions, and

“(iii) will provide the greatest net reduction of pollutants.

“(4) REVIEW AND REDISTRIBUTION.—

1 “(A) REVIEW.—Not later than 4 years
2 after the date of the enactment of this section,
3 the Secretary shall review the credits allocated
4 under this section as of such date.

5 “(B) REDISTRIBUTION.—The Secretary
6 may reallocate credits awarded under this sec-
7 tion if the Secretary determines that—

8 “(i) there is an insufficient quantity
9 of qualifying applications for certification
10 pending at the time of the review, or

11 “(ii) any certification made pursuant
12 to paragraph (2) has been revoked pursu-
13 ant to paragraph (2)(B) because the
14 project subject to the certification has been
15 delayed as a result of third party opposi-
16 tion or litigation to the proposed project.

17 “(C) REALLOCATION.—If the Secretary de-
18 termines that credits under this section are
19 available for reallocation pursuant to the re-
20 quirements set forth in paragraph (2), the Sec-
21 retary is authorized to conduct an additional
22 program for applications for certification.

23 “(5) DISCLOSURE OF ALLOCATIONS.—The Sec-
24 retary shall, upon making a certification under this
25 subsection, publicly disclose the identity of the appli-

1 cant, the location of the project which is the subject
 2 of the application, and the amount of the credit with
 3 respect to such applicant.

4 “(f) DENIAL OF DOUBLE BENEFIT.—A credit shall
 5 not be allowed under this section for any qualified invest-
 6 ment for which a credit is allowed under section 48, 48A,
 7 48B, or 48C.”.

8 (c) CONFORMING AMENDMENTS.—

9 (1) Section 49(a)(1)(C), as amended by section
 10 111, is amended—

11 (A) by striking “and” at the end of clause
 12 (vi),

13 (B) by striking the period at the end of
 14 clause (vii) and inserting “, and”; and

15 (C) by adding after clause (vii) the fol-
 16 lowing new clause:

17 “(viii) the basis of any property which
 18 is part of a qualifying industrial energy ef-
 19 ficiency project under section 48F.”.

20 (2) The table of sections for subpart E of part
 21 IV of subchapter A of chapter 1, as amended by sec-
 22 tion 111, is amended by inserting after the item re-
 23 lating to section 48E the following new item:

“48F. Credit for industrial energy efficiency projects.”.

24 (d) EFFECTIVE DATE.—The amendments made by
 25 this section shall apply to periods after the date of the

1 enactment of this Act, under rules similar to the rules of
 2 section 48(m) of the Internal Revenue Code of 1986 (as
 3 in effect on the day before the date of the enactment of
 4 the Revenue Reconciliation Act of 1990).

5 **TITLE IV—GRID EFFICIENCY**
 6 **AND RELIABILITY**

7 **SEC. 401. ENERGY INVESTMENT CREDIT FOR ENERGY**
 8 **STORAGE PROPERTY CONNECTED TO THE**
 9 **GRID.**

10 (a) UP TO 20 PERCENT CREDIT ALLOWED.—Sub-
 11 paragraph (A) of section 48(a)(2) is amended—

12 (1) by striking “and” at the end of subclause
 13 (IV) of clause (i),

14 (2) by striking “clause (i)” in clause (ii) and in-
 15 serting “clause (i) or (ii)”,

16 (3) by redesignating clause (ii) as clause (iii),
 17 and

18 (4) by inserting after clause (i) the following
 19 new clause:

20 “(ii) as provided in subsection
 21 (c)(5)(D), the percentage determined by
 22 the Secretary (not to exceed 20 percent) in
 23 the case of qualified energy storage prop-
 24 erty, and”.

1 (b) QUALIFIED ENERGY STORAGE PROPERTY.—Sub-
 2 section (c) of section 48 is amended by adding at the end
 3 the following new paragraph:

4 “(5) QUALIFIED ENERGY STORAGE PROP-
 5 ERTY.—

6 “(A) IN GENERAL.—The term ‘qualified
 7 energy storage property’ means property—

8 “(i) which is directly connected to the
 9 electrical grid, and

10 “(ii) which is designed to receive elec-
 11 trical energy, to store such energy, and—

12 “(I) to convert such energy to
 13 electricity and deliver such electricity
 14 for sale, or

15 “(II) to use such energy to pro-
 16 vide improved reliability or economic
 17 benefits to the grid.

18 Such term may include hydroelectric pumped
 19 storage and compressed air energy storage, re-
 20 generative fuel cells, batteries, superconducting
 21 magnetic energy storage, flywheels, thermal en-
 22 ergy storage systems, and hydrogen storage, or
 23 combination thereof, or any other technologies
 24 as the Secretary, in consultation with the Sec-
 25 retary of Energy, shall determine.

1 “(B) MINIMUM CAPACITY.—The term
 2 ‘qualified energy storage property’ shall not in-
 3 clude any property unless such property in ag-
 4 gregate has the ability to sustain a power rat-
 5 ing of at least 1 megawatt for a minimum of
 6 1 hour.

7 “(C) ELECTRICAL GRID.—The term ‘elec-
 8 trical grid’ means the system of generators,
 9 transmission lines, and distribution facilities
 10 which—

11 “(i) are under the jurisdiction of the
 12 Federal Energy Regulatory Commission or
 13 State public utility commissions, or

14 “(ii) are owned by—

15 “(I) the Federal government,

16 “(II) a State or any political sub-
 17 division of a State,

18 “(III) an electric cooperative that
 19 receives financing under the Rural
 20 Electrification Act of 1936 (7 U.S.C.
 21 901 et seq.) or that sells less than
 22 4,000,000 megawatt hours of elec-
 23 tricity per year, or

24 “(IV) any agency, authority, or
 25 instrumentality of any one or more of

1 the entities described in subclause (I)
2 or (II), or any corporation which is
3 wholly owned, directly or indirectly, by
4 any one or more of such entities.

5 “(D) ALLOCATION OF CREDITS.—

6 “(i) IN GENERAL.—In the case of
7 qualified energy storage property placed in
8 service during the taxable year, the credit
9 otherwise determined under subsection (a)
10 for such year with respect to such property
11 shall not exceed the amount allocated to
12 such project under clause (ii).

13 “(ii) NATIONAL LIMITATION AND AL-
14 LOCATION.—There is a qualified energy
15 storage property investment credit limita-
16 tion of \$1,500,000,000. Such limitation
17 shall be allocated by the Secretary among
18 qualified energy storage property projects
19 selected by the Secretary, in consultation
20 with the Secretary of Energy, for taxable
21 years beginning after the date of the enact-
22 ment of the Advanced Energy Tax Incen-
23 tives Act of 2010, except that not more
24 than \$30,000,000 shall be allocated to any
25 project for all such taxable years.

1 “(iii) SELECTION CRITERIA.—In mak-
 2 ing allocations under clause (ii), the Sec-
 3 retary, in consultation with the Secretary
 4 of Energy, shall select only those projects
 5 which have a reasonable expectation of
 6 commercial viability, select projects rep-
 7 resenting a variety of technologies, applica-
 8 tions, and project sizes, and give priority
 9 to projects which—

10 “(I) provide the greatest increase
 11 in reliability or the greatest economic
 12 benefit,

13 “(II) enable the greatest im-
 14 provement in integration of renewable
 15 resources into the grid, or

16 “(III) enable the greatest in-
 17 crease in efficiency in operation of the
 18 grid.

19 “(iv) DEADLINES.—

20 “(I) IN GENERAL.—If a project
 21 which receives an allocation under
 22 clause (ii) is not placed in service
 23 within 2 years after the date of such
 24 allocation, such allocation shall be in-
 25 valid.

1 “(II) SPECIAL RULE FOR HYDRO-
2 ELECTRIC PUMPED STORAGE.—Not-
3 withstanding subclause (I), in the case
4 of a hydroelectric pumped storage
5 project, if such project has not re-
6 ceived such permits or licenses as are
7 determined necessary by the Sec-
8 retary, in consultation with the Sec-
9 retary of Energy, within 3 years after
10 the date of such allocation, begun con-
11 struction within 5 years after the date
12 of such allocation, and been placed in
13 service within 8 years after the date
14 of such allocation, such allocation
15 shall be invalid.

16 “(III) SPECIAL RULE FOR COM-
17 PRESSED AIR ENERGY STORAGE.—
18 Notwithstanding subclause (I), in the
19 case of a compressed air energy stor-
20 age project, if such project has not
21 begun construction within 3 years
22 after the date of the allocation and
23 been placed in service within 5 years
24 after the date of such allocation, such
25 allocation shall be invalid.

1 “(IV) EXCEPTIONS.—The Sec-
 2 retary may extend the 2-year period
 3 in subclause (I) or the periods de-
 4 scribed in subclauses (II) and (III) on
 5 a project-by-project basis if the Sec-
 6 retary, in consultation with the Sec-
 7 retary of Energy, determines that
 8 there has been a good faith effort to
 9 begin construction or to place the
 10 project in service, whichever is appli-
 11 cable, and that any delay is caused by
 12 factors not in the taxpayer’s control.

13 “(E) REVIEW AND REDISTRIBUTION.—

14 “(i) REVIEW.—Not later than 4 years
 15 after the date of the enactment of the Ad-
 16 vanced Energy Tax Incentives Act of 2010,
 17 the Secretary shall review the credits allo-
 18 cated under subparagraph (D) as of the
 19 date of such review.

20 “(ii) REDISTRIBUTION.—Upon the re-
 21 view described in clause (i), the Secretary
 22 may reallocate credits allocated under sub-
 23 paragraph (D) if the Secretary determines
 24 that—

1 “(I) there is an insufficient quan-
2 tity of qualifying applications for cer-
3 tification pending at the time of the
4 review, or

5 “(II) any allocation made under
6 subparagraph (D)(ii) has been re-
7 voked pursuant to subparagraph
8 (D)(iv) because the project subject to
9 such allocation has been delayed.

10 “(F) DISCLOSURE OF ALLOCATIONS.—The
11 Secretary shall, upon making an allocation
12 under subparagraph (D)(ii), publicly disclose
13 the identity of the applicant, the location of the
14 project, and the amount of the credit with re-
15 spect to such applicant.

16 “(G) TERMINATION.—No credit shall be
17 allocated under subparagraph (D) for any pe-
18 riod ending after December 31, 2020.”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to periods after the date of the
21 enactment of this Act, under rules similar to the rules of
22 section 48(m) of the Internal Revenue Code of 1986 (as
23 in effect on the day before the date of the enactment of
24 the Revenue Reconciliation Act of 1990).

1 **SEC. 402. ENERGY STORAGE PROPERTY CONNECTED TO**
 2 **THE GRID ELIGIBLE FOR NEW CLEAN RENEW-**
 3 **ABLE ENERGY BONDS.**

4 (a) IN GENERAL.—Paragraph (1) of section 54C(d)
 5 is amended to read as follows:

6 “(1) QUALIFIED RENEWABLE ENERGY FACIL-
 7 ITY.—The term ‘qualified renewable energy facility’
 8 means a facility which is—

9 “(A)(i) a qualified facility (as determined
 10 under section 45(d) without regard to para-
 11 graphs (8) and (10) thereof and to any placed
 12 in service date), or

13 “(ii) a qualified energy storage property
 14 (as defined in section 48(c)(5)), and

15 “(B) owned by a public power provider, a
 16 governmental body, or a cooperative electric
 17 company.”.

18 (b) EFFECTIVE DATE.—The amendment made by
 19 this section shall apply to obligations issued after the date
 20 of the enactment of this Act.

21 **SEC. 403. ENERGY INVESTMENT CREDIT FOR ONSITE EN-**
 22 **ERGY STORAGE.**

23 (a) CREDIT ALLOWED.—Clause (i) of section
 24 48(a)(2)(A), as amended by section 401, is amended—

25 (1) by striking “and” at the end of subclause
 26 (III),

1 (2) by inserting “and” at the end of subclause
2 (IV), and

3 (3) by adding at the end the following new sub-
4 clause:

5 “(V) qualified onsite energy stor-
6 age property,”.

7 (b) QUALIFIED ONSITE ENERGY STORAGE PROP-
8 ERTY.—Subsection (c) of section 48, as amended by sec-
9 tion 401, is amended by adding at the end the following
10 new paragraph:

11 “(6) QUALIFIED ONSITE ENERGY STORAGE
12 PROPERTY.—

13 “(A) IN GENERAL.—The term ‘qualified
14 onsite energy storage property’ means property
15 which—

16 “(i) provides supplemental energy to
17 reduce peak energy requirements primarily
18 on the same site where the storage is lo-
19 cated, or

20 “(ii) is designed and used primarily to
21 receive and store intermittent renewable
22 energy generated onsite and to deliver such
23 energy primarily for onsite consumption.

24 Such term may include thermal energy storage
25 systems and property used to charge plug-in

1 and hybrid electric vehicles if such property or
2 vehicles are equipped with smart grid services
3 which control time-of-day charging and dis-
4 charging of such vehicles. Such term shall not
5 include any property for which any other credit
6 is allowed under this chapter.

7 “(B) MINIMUM CAPACITY.—The term
8 ‘qualified onsite energy storage property’ shall
9 not include any property unless such property
10 in aggregate—

11 “(i) has the ability to store the energy
12 equivalent of at least 20 kilowatt hours of
13 energy,

14 “(ii) has the ability to have an output
15 of the energy equivalent of 5 kilowatts of
16 electricity for a period of 4 hours, and

17 “(iii) has a roundtrip energy storage
18 efficiency of not less than 70 percent.

19 “(C) LIMITATION.—In the case of qualified
20 onsite energy storage property placed in service
21 during the taxable year, the credit otherwise de-
22 termined under subsection (a) for such year
23 with respect to such property shall not exceed
24 \$1,000,000.”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to periods after the date of the
 3 enactment of this Act, under rules similar to the rules of
 4 section 48(m) of the Internal Revenue Code of 1986 (as
 5 in effect on the day before the date of the enactment of
 6 the Revenue Reconciliation Act of 1990).

7 **SEC. 404. CREDIT FOR RESIDENTIAL ENERGY STORAGE**
 8 **EQUIPMENT.**

9 (a) CREDIT ALLOWED.—Subsection (a) of section
 10 25C is amended—

11 (1) by redesignating paragraphs (2) and (3) as
 12 paragraphs (3) and (4), respectively, and

13 (2) by inserting after paragraph (1) the fol-
 14 lowing new paragraph:

15 “(2) 30 percent of the amount paid or incurred
 16 by the taxpayer for qualified residential energy stor-
 17 age equipment installed during such taxable year,”.

18 (b) QUALIFIED RESIDENTIAL ENERGY STORAGE
 19 EQUIPMENT.—

20 (1) IN GENERAL.—Section 25C is amended—

21 (A) by redesignating subsections (e), (f),
 22 and (g) subsections (f), (g), and (h), respec-
 23 tively, and

24 (B) by inserting after subsection (d) the
 25 following new subsection:

1 “(d) QUALIFIED RESIDENTIAL ENERGY STORAGE
2 EQUIPMENT.—For purposes of this section, the term
3 ‘qualified residential energy storage equipment’ means
4 property—

5 “(1) which is installed in or on a dwelling unit
6 located in the United States and owned and used by
7 the taxpayer as the taxpayer’s principal residence
8 (within the meaning of section 121), or on property
9 owned by the taxpayer on which such a dwelling unit
10 is located,

11 “(2) which—

12 “(A) provides supplemental energy to re-
13 duce peak energy requirements primarily on the
14 same site where the storage is located, or

15 “(B) is designed and used primarily to re-
16 ceive and store intermittent renewable energy
17 generated onsite and to deliver such energy pri-
18 marily for onsite consumption,

19 “(3) which has a roundtrip energy storage effi-
20 ciency of not less than 70 percent, and

21 “(4) which—

22 “(A) has the ability to store the energy
23 equivalent of at least 2 kilowatt hours of en-
24 ergy, and

1 “(B) has the ability to have an output of
 2 the energy equivalent of 500 watts of electricity
 3 for a period of 4 hours.

4 Such term may include thermal energy storage systems
 5 and property used to charge plug-in and hybrid electric
 6 vehicles if such property or vehicles are equipped with
 7 smart grid services which control time-of-day charging and
 8 discharging of such vehicles. Such term shall not include
 9 any property for which any other credit is allowed under
 10 this chapter.”.

11 (2) CONFORMING AMENDMENT.—Section
 12 1016(a)(33) is amended by striking “section 25C(f)”
 13 and inserting “section 25C(g)”.

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

17 **SEC. 405. CLARIFICATION OF TYPES OF ENERGY CON-**
 18 **SERVATION SUBSIDIES PROVIDED BY PUBLIC**
 19 **UTILITIES ELIGIBLE FOR INCOME EXCLU-**
 20 **SION.**

21 (a) IN GENERAL.—Section 136 is amended by redes-
 22 ignating subsection (d) as subsection (e) and by inserting
 23 after subsection (c) the following new subsection:

24 “(d) NET METERING OR NET BILLING PROGRAMS;
 25 RENEWABLE ENERGY CREDITS.—

1 “(1) IN GENERAL.—For purposes of this sec-
2 tion, the term ‘subsidy’ includes amounts received by
3 a customer from a public utility—

4 “(A) to pay for electricity generated from
5 an energy conservation measure under a net
6 metering or net billing program, or

7 “(B) to pay for renewable energy credits
8 attributable to an energy conservation measure.

9 “(2) LIMITATION.—The amount treated as a
10 subsidy for any taxable year by reason of paragraph
11 (1)(B) shall not exceed an amount equal to—

12 “(A) \$2,000, multiplied by

13 “(B) the whole number of years worth of
14 renewable energy credits that are sold by the
15 customer.

16 “(3) NO BASIS REDUCTION.—Subsection (b)
17 shall not apply with respect to property any portion
18 of the basis of which is attributable to an amount
19 described in paragraph (1).”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to amounts received after the date
22 of the enactment of this Act.

1 **SEC. 406. EXTENSION OF CREDITS RELATED TO THE PRO-**
 2 **DUCTION OF ELECTRICITY FROM OFFSHORE**
 3 **WIND.**

4 (a) EXTENSION FOR PRODUCTION CREDIT.—

5 (1) IN GENERAL.—Paragraph (1) of section
 6 45(d) is amended by inserting “(January 1, 2016, in
 7 the case of any offshore facility)” after “and before
 8 January 1, 2013”.

9 (2) OFFSHORE FACILITY.—Section 45(e) is
 10 amended by adding at the end the following new
 11 paragraph:

12 “(12) OFFSHORE FACILITY.—The term ‘off-
 13 shore facility’ means any facility located in the in-
 14 land navigable waters of the United States, includ-
 15 ing the Great Lakes, or in the coastal waters of the
 16 United States, including the territorial seas of the
 17 United States, the exclusive economic zone of the
 18 United States, and the outer Continental Shelf of
 19 the United States.”.

20 (b) EXTENSION FOR INVESTMENT CREDIT.—Clause
 21 (i) of section 48(a)(5)(C) is amended—

22 (1) by striking “is placed in service in” and in-
 23 serting “is—

24 “(I) except as provided in sub-
 25 clause (II), placed in service in”,

1 (2) by striking the period at the end and insert-
 2 ing “, and”, and

3 (3) by adding at the end the following new sub-
 4 clause:

5 “(II) in the case of an offshore
 6 facility (as defined in section
 7 45(e)(12)), such facility is placed in
 8 service after 2008 and before 2016.”.

9 (c) 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 **TITLE V—CARBON CAPTURE** 13 **AND SEQUESTRATION**

14 **SEC. 501. IMPROVED AVAILABILITY OF THE CREDIT FOR** 15 **CARBON DIOXIDE SEQUESTRATION.**

16 (a) INCREASE IN TOTAL CREDIT AVAILABLE.—Sec-
 17 tion 45Q(e) is amended by striking “75,000,000 metric
 18 tons” and inserting “100,000,000 metric tons”.

19 (b) AMOUNT OF CREDIT PER PROJECT.—Section
 20 45Q(a) is amended by adding at the end the following new
 21 flush sentence:

22 “The amount which is treated as a carbon dioxide seques-
 23 tration credit for all taxable years with respect to any
 24 qualified facility shall not exceed the amount designated
 25 by the Secretary, in consultation with the Secretary of En-

1 ergy, as eligible for the credit under this section, but in
 2 no event shall such designated credit result in more than
 3 10,000,000 metric tons of qualified carbon dioxide being
 4 taken into account under this subsection.”.

5 (c) INCREASE IN CREDIT AMOUNT FOR PERMANENT
 6 SEQUESTRATION.—Section 45Q(a)(1) is amended by
 7 striking “\$20” and inserting “\$35”.

8 (d) MODIFICATION OF QUALIFIED FACILITY ELIGI-
 9 BILITY.—Section 45Q(c) is amended by striking “and” at
 10 the end of paragraph (2), by striking the period at the
 11 end of paragraph (3) and inserting “, and”, and by adding
 12 at the end the following new paragraph:

13 “(4) with respect to which such taxpayer shows
 14 contractual intent to inject and permanently seques-
 15 ter the full amount of captured carbon dioxide.”.

16 (e) CREDIT ALLOCATION PROGRAM.—Section 45Q is
 17 amended by adding at the end the following new sub-
 18 section:

19 “(f) CARBON DIOXIDE SEQUESTRATION PROGRAM.—

20 “(1) ESTABLISHMENT.—Not later than 180
 21 days after the date of enactment of this section, the
 22 Secretary, in consultation with the Secretary of En-
 23 ergy, shall establish a carbon dioxide sequestration
 24 program to consider and award certifications for

1 carbon dioxide sequestration credits under this sec-
2 tion to qualified facility sponsors.

3 “(2) CERTIFICATION.—

4 “(A) APPLICATION PERIOD.—Each appli-
5 cant for certification under this paragraph shall
6 submit an application containing such informa-
7 tion as the Secretary, in consultation with the
8 Secretary of Energy, may require during 1 or
9 more application periods. Each application pe-
10 riod shall be announced at least 6 months in
11 advance of the application due dates, along with
12 the evaluation criteria that will be used to as-
13 sess applications.

14 “(B) SCOPE AND REVIEW OF APPLICA-
15 TIONS.—Applicants may apply to the Secretary
16 for an allocation of tax credits under this sec-
17 tion for a period of 10 years based on expected
18 carbon dioxide injection rates once the sponsor
19 of the qualified facility has received air permits
20 necessary to commence construction under the
21 Clean Air Act. The Secretary, in consultation
22 with the Secretary of Energy, shall notify each
23 qualified applicant for such credits that the ap-
24 plicant has met the requirements for an alloca-
25 tion of the anticipated metric tons of carbon di-

1 oxide injected from the qualified facility within
2 180 days of receipt of an application.

3 “(C) CONTENTS OF APPLICATION.—Each
4 application shall include the following:

5 “(i) Identification of facility, location,
6 and ownership.

7 “(ii) Status and outlook for any State
8 or Federal regulatory approvals required.

9 “(iii) The total amount of metric tons
10 of carbon dioxide requested for a tax credit
11 under this section.

12 “(iv) The total dollar value of the re-
13 quested tax credit under this section.

14 “(D) PERIOD OF ISSUANCE; REALLOCA-
15 TION.—An applicant which receives a certifi-
16 cation shall have 18 months from the date of
17 issuance of the certification in order to com-
18 mence construction of the qualified facility
19 within the meaning of the Clean Air Act. If
20 such construction is not begun within such time
21 period, or if the sponsor fails as determined by
22 the Secretary, in consultation with the Sec-
23 retary of Energy, to commence operation within
24 the meaning of the Clean Air Act or establish
25 carbon dioxide injection of at least 50 percent

1 of the annualized pre-certified carbon dioxide
2 injection metric tons for such facility within 72
3 months of such issuance, the certification shall
4 no longer be valid and the credits shall be for-
5 feited and reallocated by the Secretary, in con-
6 sultation with the Secretary of Energy.

7 “(3) SELECTION CRITERIA.—

8 “(A) IN GENERAL.—In determining which
9 facilities to certify under this section, the Sec-
10 retary, in consultation with the Secretary of
11 Energy, shall take into consideration—

12 “(i) which facilities—

13 “(I) participate in a public-pri-
14 vate partnership,

15 “(II) achieve commercial scale
16 and a reasonable expectation of eco-
17 nomic viability, and

18 “(III) achieve the highest per-
19 centage of carbon dioxide captured
20 and sequestered from the facility’s
21 nameplate capacity, and

22 “(ii) to the extent that it does not
23 compromise facility quality or environ-
24 mental benefits of the total program,
25 awarding credits to facilities in a variety of

1 geographic locations and geologic seques-
2 tration formations.

3 “(B) PUBLIC-PRIVATE PARTNERSHIP.—

4 For purposes of subparagraph (A)(i)(I), the
5 term ‘public-private partnership’ means a con-
6 tract between a public sector authority and a
7 private party, in which the private party pro-
8 vides a public service or facility and assumes
9 substantial financial, technical, and operational
10 risk in the facility. The public sector authority
11 may also bear financial, technical, or oper-
12 ational risk in the form of grants, loans, or tax
13 incentives.

14 “(4) DISCLOSURE OF ALLOCATIONS.—The Sec-
15 retary shall, upon making a certification under this
16 subsection, publicly disclose the identity of the appli-
17 cant, the location of the relevant project, and the
18 amount of the credit with respect to such appli-
19 cant.”.

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

TITLE VI—PROMOTION OF CLEAN DOMESTIC FUELS

SEC. 601. ALGAE TREATED AS A QUALIFIED FEEDSTOCK FOR PURPOSES OF THE CELLULOSIC BIOFUEL PRODUCER CREDIT, ETC.

(a) IN GENERAL.—Subclause (I) of section 40(b)(6)(E)(i) is amended to read as follows:

“(I) is derived solely from qualified feedstocks, and”.

(b) QUALIFIED FEEDSTOCK; SPECIAL RULES FOR ALGAE.—Paragraph (6) of section 40(b) is amended by redesignating subparagraphs (F), (G), and (H) as subparagraphs (H), (I), and (J), respectively, and by inserting after subparagraph (E) the following new subparagraphs:

“(F) QUALIFIED FEEDSTOCK.—For purposes of this paragraph, the term ‘qualified feedstock’ means—

“(i) any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, and

“(ii) any cultivated algae, cyanobacteria, or lemna.

“(G) SPECIAL RULES FOR ALGAE.—In the case of fuel which is derived from feedstock de-

scribed in subparagraph (F)(ii) and which is sold by the taxpayer to another person for refining by such other person into a fuel which meets the requirements of subparagraph (E)(i)(II)—

“(i) such sale shall be treated as described in subparagraph (C)(i),

“(ii) such fuel shall be treated as meeting the requirements of subparagraph (E)(i)(II) in the hands of such taxpayer, and

“(iii) except as provided in this subparagraph, such fuel (and any fuel derived from such fuel) shall not be taken into account under subparagraph (C) with respect to the taxpayer or any other person.”.

(c) ALGAE TREATED AS A QUALIFIED FEEDSTOCK FOR PURPOSES OF BONUS DEPRECIATION FOR BIOFUEL PLANT PROPERTY.—

(1) IN GENERAL.—Subparagraph (A) of section 168(l)(2) is amended by striking “solely to produce cellulosic biofuel” and inserting “solely to produce second generation biofuel (as defined in section 40(b)(6)(E))”.

1 (2) CONFORMING AMENDMENTS.—Subsection
2 (l) of section 168 is amended—

3 (A) by striking “cellulosic biofuel” each
4 place it appears in the text thereof and insert-
5 ing “second generation biofuel”,

6 (B) by striking paragraph (3) and redesign-
7 nating paragraphs (4) through (8) as para-
8 graphs (3) through (7), respectively,

9 (C) by striking “CELLULOSIC” in the
10 heading of such subsection and inserting “SEC-
11 OND GENERATION”, and

12 (D) by striking “CELLULOSIC” in the head-
13 ing of paragraph (2) and inserting “SECOND
14 GENERATION”.

15 (d) CONFORMING AMENDMENTS.—

16 (1) Section 40, as amended by subsection (b),
17 is amended—

18 (A) by striking “cellulosic biofuel” each
19 place it appears in the text thereof and insert-
20 ing “second generation biofuel”,

21 (B) by striking “CELLULOSIC” in the
22 headings of subsections (b)(6), (b)(6)(E), and
23 (d)(3)(D) and inserting “SECOND GENERA-
24 TION”, and

1 (C) by striking “CELLULOSIC” in the head-
 2 ings of subsections (b)(6)(C), (b)(6)(D),
 3 (b)(6)(H), (d)(6), and (e)(3) and inserting
 4 “SECOND GENERATION”.

5 (2) Clause (ii) of section 40(b)(6)(E) is amend-
 6 ed by striking “Such term shall not” and inserting
 7 “The term ‘second generation biofuel’ shall not”.

8 (3) Paragraph (1) of section 4101(a) is amend-
 9 ed by striking “cellulosic biofuel” and inserting “sec-
 10 ond generation biofuel”.

11 (e) EFFECTIVE DATE.—

12 (1) IN GENERAL.—Except as provided in para-
 13 graph (2), the amendments made by this section
 14 shall apply to fuels sold or used after the date of the
 15 enactment of this Act.

16 (2) APPLICATION TO BONUS DEPRECIATION.—
 17 The amendments made by subsection (c) shall apply
 18 to property placed in service after the date of the en-
 19 actment of this Act.

○