AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

I

114TH CONGRESS
2D SESSION

H. R. 5350

To amend the Internal Revenue Code of 1986 to provide for an energy investment credit for energy storage property connected to the grid, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 26, 2016

Mr. HONDA (for himself, Mr. REED, Mr. GIBSON, and Mr. TAKANO) introduced the following bill; which was referred to the Committee on Ways and Means

---

A BILL

To amend the Internal Revenue Code of 1986 to provide for an energy investment credit for energy storage property connected to the grid, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Energy Storage for Grid Resilience and Modernization Act of 2016'' or the ''Energy Storage Act of 2016''.

SEC. 2. ENERGY INVESTMENT CREDIT FOR ENERGY STORAGE PROPERTY CONNECTED TO THE GRID.

(a) 30-PERCENT CREDIT ALLOWED.—Clause (i) of section 48(a)(2)(A) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of subclause (III) and by adding at the end the following new subclause:

''(V) qualified energy storage property, and''.

(b) QUALIFIED ENERGY STORAGE PROPERTY.—Subsection (c) of section 48 of such Code is amended by adding at the end the following new paragraph:

''(5) QUALIFIED ENERGY STORAGE PROPERTY.—

''(A) IN GENERAL.—The term 'qualified energy storage property' means property described in subparagraph (B) that is capable of absorbing energy, storing such energy for a period of time, and thereafter dispatching such energy for the purposes of—

''(i) reducing demand for peak electrical generation,

''(ii) deferring or substituting for an investment in generation, transmission, or distribution assets,

''(iii) providing back up energy for variable generation sources,

"(iv) improving the reliable operation of the electrical transmission or distribution grid,

"(v) enabling management of end-user energy consumption, or

"(vi) enabling the disconnection of a load from the main grid.

"(B) STORAGE AND USE OF ENERGY.—Property is described in this subparagraph if the property, whether centralized or distributed—

"(i) uses mechanical, chemical, thermal, or electrostatic processes to store energy that was generated at one time for use at a later time,

"(ii) stores thermal energy for direct use for heating or cooling at a later time in a manner that avoids the need to use electricity at that later time,

"(iii) uses mechanical, chemical, thermal, or electrostatic processes to store electricity generated from renewable resources for use at a later time, or

"(iv) uses mechanical, chemical, thermal, or electrostatic processes to store, for

delivery at a later time, energy generated from mechanical processes that would otherwise be wasted.

''(C) SPECIAL RULE FOR ONSITE ENERGY STORAGE.—

''(i) IN GENERAL.—Property which performs its purpose primarily for onsite consumption shall not be treated as qualified energy storage property unless such property in aggregate—

''(I) has the ability to store the energy equivalent of at least 5 kilowatt hours of energy, and

''(II) has the ability to have an output of the energy equivalent of 1 kilowatt of electricity for a period of 5 hours.

''(ii) LIMITATION.—In the case of qualified energy storage property described in clause (i) that is placed in service during the taxable year, the credit otherwise determined under subsection (a) for such year with respect to such property shall not exceed $1,000,000.

''(D) ALLOCATION OF CREDITS.—

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

''(ii) NATIONAL LIMITATION AND ALLOCATION.—There is a qualified energy storage property investment credit limitation of $2,000,000,000. Such limitation shall be allocated by the Secretary among qualified energy storage property projects selected by the Secretary, in consultation with the Secretary of Energy, for taxable years beginning after the date of the enactment of the Energy Storage for Grid Resilience and Modernization Act of 2016, except that not more than $40,000,000 shall be allocated to any project for all such taxable years.

''(iii) SELECTION CRITERIA.—In making allocations under clause (ii), the Secretary, in consultation with the Secretary of Energy, shall select only those projects

which have a reasonable expectation of commercial viability, select projects representing a variety of technologies, applications, and project sizes, and give priority to projects—

"(I) which provide the greatest increase in reliability or the greatest economic benefit,

"(II) which enable the greatest improvement in integration of renewable resources into the grid,

"(III) which enable the greatest increase in efficiency in operation of the grid, or

"(IV) the owner of which has not received an allocation under this paragraph for energy storage property for a different project.

"(iv) DEADLINES.—

"(I) IN GENERAL.—If a project which receives an allocation under clause (ii) has not commenced construction within 2 years after the date of such allocation, such allocation shall be invalid.

"(II) SPECIAL RULE FOR HYDROELECTRIC PUMPED STORAGE.—Notwithstanding subclause (I), in the case of a hydroelectric pumped storage project, if such project has not received such permits or licenses as are determined necessary by the Secretary, in consultation with the Secretary of Energy, within 3 years after the date of such allocation, begun construction within 5 years after the date of such allocation, and been placed in service within 8 years after the date of such allocation, such allocation shall be invalid.

"(III) SPECIAL RULE FOR COMPRESSED AIR ENERGY STORAGE.—Notwithstanding subclause (I), in the case of a compressed air energy storage project, if such project has not begun construction within 3 years after the date of the allocation and been placed in service within 5 years after the date of such allocation, such allocation shall be invalid.

''(IV) EXCEPTIONS.—The Secretary may extend the 2-year period in subclause (I) or the periods described in subclauses (II) and (III) on a project-by-project basis if the Secretary, in consultation with the Secretary of Energy, determines that there has been a good faith effort to begin construction or to place the project in service, whichever is applicable, and that any delay is caused by factors not in the taxpayer's control.

''(E) REVIEW AND REDISTRIBUTION.—

''(i) REVIEW.—Not later than 4 years after the date of the enactment of the Energy Storage for Grid Resilience and Modernization Act of 2016, the Secretary shall review the credits allocated under subparagraph (D) as of the date of such review.

''(ii) REDISTRIBUTION.—Upon the review described in clause (i), the Secretary may reallocate credits allocated under subparagraph (D) if the Secretary determines that—

''(I) there is an insufficient quantity of qualifying applications for certification pending at the time of the review, or

''(II) any allocation made under subparagraph (D)(ii) has been revoked pursuant to subparagraph (D)(iv) because the project subject to such allocation has been delayed.

''(F) DISCLOSURE OF ALLOCATIONS.—The Secretary shall, upon making an allocation under subparagraph (D)(ii), publicly disclose the identity of the applicant, the location of the project, the energy storage project size and output, and the amount of the credit with respect to such applicant.

''(G) COORDINATION.—

''(i) DENIAL OF DOUBLE BENEFIT.—The term 'qualified energy storage property' does not include any property for which a credit is allowable under any provision of this section for the taxable year other than by reason of this paragraph.

''(ii) SPECIAL RULE FOR SECTION 45.—The term 'qualified energy storage

property' shall not include any property with respect to which a credit is allowable under section 45 for the taxable year or any prior taxable year.

''(H) TERMINATION.—No credit shall be allocated under subparagraph (D) for any period ending after December 31, 2026.''.

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

SEC. 3. ENERGY STORAGE PROPERTY CONNECTED TO THE GRID ELIGIBLE FOR NEW CLEAN RENEWABLE ENERGY BONDS.

(a) IN GENERAL.—Paragraph (1) of section 54C(d) of the Internal Revenue Code of 1986 is amended to read as follows:

''(1) QUALIFIED RENEWABLE ENERGY FACILITY.—The term 'qualified renewable energy facility' means a facility which is—

''(A)(i) a qualified facility (as determined under section 45(d) without regard to para-

graphs (8) and (10) thereof and to any placed in service date), or

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

''(B) owned by a public power provider, a governmental body, or a cooperative electric company.''.

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

SEC. 4. CREDIT FOR RESIDENTIAL ENERGY STORAGE EQUIPMENT.

(a) CREDIT ALLOWED.—Subsection (a) of section 25D of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting '', and'', and by adding at the end the following new paragraph:

''(6) 30 percent of the qualified residential energy storage equipment expenditures made by the taxpayer during such taxable year.''.

(b) QUALIFIED RESIDENTIAL ENERGY STORAGE EQUIPMENT EXPENDITURES.—Section 25D(d) of such Code is amended by adding at the end the following new paragraph:

''(6) QUALIFIED RESIDENTIAL ENERGY STORAGE EQUIPMENT EXPENDITURES.—For purposes of this section, the term 'qualified residential energy storage equipment expenditure' means an expenditure for property—

''(A) which is installed in or on a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of section 121), or on property owned by the taxpayer on which such a dwelling unit is located,

''(B) which—

''(i) provides supplemental energy to reduce peak energy requirements, or

''(ii) is designed and used primarily to receive and store, firm, or shape variable renewable or off-peak energy and to deliver such energy primarily for onsite consumption, and

''(C) which—

''(i) has the ability to store the energy equivalent of at least 5 kilowatt hours of energy, and

"(ii) has the ability to have an output of the energy equivalent of 1 kilowatt of electricity for a period of 4 hours.".

(c) TERMINATION.—Section 25D(g) of such Code is amended by inserting "(December 31, 2026, in the case of property described in subsection (d)(6))" after "December 31, 2016".

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

○