I

106TH CONGRESS
2D SESSION

H. R. 5345

To amend the Internal Revenue Code of 1986 to provide incentives to introduce new technologies to reduce energy consumption in buildings.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 2000

Mr. CUNNINGHAM (for himself, Mr. MARKEY, Mr. BILBRAY, Mr. LEWIS of California, Mr. FARR of California, and Mr. HUNTER) 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 incentives to introduce new technologies to reduce energy consumption in buildings.

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 Efficient Buildings Incentives Act''.

SEC. 2. INCENTIVE FOR CERTAIN ENERGY EFFICIENT PROPERTY USED IN BUSINESS.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 199. ENERGY PROPERTY DEDUCTION.

"(a) IN GENERAL.—There shall be allowed as a deduction for the taxable year an amount equal to the sum of—

"(1) the amount determined under subsection (b) for each energy property of the taxpayer placed in service during such taxable year, and

"(2) the energy efficient commercial building amount determined under subsection (f).

"(b) AMOUNT FOR ENERGY PROPERTY.—

"(1) IN GENERAL.—The amount determined under this subsection for the taxable year for each item of energy property shall equal the amount specified for such property in the following table:

Description of property:	Allowable amount is:
Elected solar hot water property	$1.00 per each kwh/year of savings.
Photovoltaic property	$4.50 per peak watt.
Natural gas heat pump described in subsection (d)(2)(C).	$3,000.
Tier 2 energy-efficient building property (other than a natural gas heat pump).	$1,500.
Tier 1 energy-efficient building property	$750.

''(2) ELECTED SOLAR HOT WATER PROPERTY.—In the case of elected solar hot water property, the taxpayer may elect to substitute '$21 per annual Therm of natural gas savings' for '$1.00 per each kwh/year of savings' in the table contained in paragraph (1).

''(c) ENERGY PROPERTY DEFINED.—

''(1) IN GENERAL.—For purposes of this part, the term 'energy property' means any property—

''(A) which is—

''(i) solar energy property,

''(ii) Tier 2 energy-efficient building property, or

''(iii) Tier 1 energy-efficient building property,

''(B)(i) the construction, reconstruction, or erection of which is completed by the taxpayer, or

''(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer,

''(C) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

''(D) which meets the performance and quality standards, and the certification requirements (if any), which—

''(i) have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy or the Administrator of the Environmental Protection Agency, as appropriate), and

''(ii) are in effect at the time of the acquisition of the property.

''(2) SOLAR ENERGY PROPERTY.—In the case of—

''(A) elected solar hot water property, the regulations under paragraph (1)(D) shall be based on the OG–300 Standard for the Annual Performance of OG–300 Certified Systems of the Solar Rating and Certification Corporation, and

''(B) photovoltaics, such regulations shall be based on the ASTM Standard E 1036 and E 1036M–96 Standard Test Method for Electric Performance of Nonconcentrator Terrestrial Photovoltaic Modules and Arrays Using Reference Cells,

to the extent the Secretary determines such standards carry out the purposes of this section.

''(3) EXCEPTION.—Such term shall not include any property which is public utility property (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

''(d) DEFINITIONS RELATING TO TYPES OF ENERGY PROPERTY.—For purposes of this section—

''(1) SOLAR ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'solar energy property' means equipment which uses solar energy—

''(i) to generate electricity, or

''(ii) to provide hot water for use in a structure.

''(B) ELECTED SOLAR HOT WATER PROPERTY.—

''(i) IN GENERAL.—The term 'elected solar hot water property' means property which is solar energy property by reason of subparagraph (A)(ii) and for which an election under this subparagraph is in effect.

"(ii) ELECTION.—For purposes of clause (i), a taxpayer may elect to treat property described in clause (i) as elected solar hot water property.

"(C) PHOTOVOLTAIC PROPERTY.—The term 'photovoltaic property' means solar energy property which uses a solar photovoltaic process to generate electricity.

"(D) SWIMMING POOLS, ETC., USED AS STORAGE MEDIUM.—The term 'solar energy property' shall not include a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage.

"(E) SOLAR PANELS.—No solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as solar energy property solely because it constitutes a structural component of the structure on which it is installed.

"(2) TIER 2 ENERGY-EFFICIENT BUILDING PROPERTY.—The term 'Tier 2 energy-efficient building property' means—

"(A) an electric heat pump hot water heater that yields an energy factor of 1.7 or greater,

"(B) an electric heat pump that has a heating system performance factor (HSPF) of 9 or greater and a cooling seasonal energy efficiency ratio (SEER) of 15 or greater and a peak energy efficiency ratio (EER) of 12.5 or greater,

"(C) a natural gas heat pump that has a coefficient of performance of not less than 1.25 for heating and not less than 0.70 for cooling,

"(D) a central air conditioner that has a cooling seasonal energy efficiency ratio (SEER) of 15 or greater and a peak EER of 12.5 or greater, and

"(E) an advanced natural gas water heater that has an energy factor of at least 0.80.

"(3) TIER 1 ENERGY-EFFICIENT BUILDING PROPERTY.—The term 'Tier 1 energy-efficient building property' means—

"(A) an electric heat pump that has a heating system performance factor (HSPF) of 7.5 or greater and a cooling seasonal energy efficiency ratio (SEER) of 13.5 or greater and a peak energy efficiency ratio (EER) of 11.5 or greater,

''(B) a central air conditioner that has a cooling seasonal energy efficiency ratio (SEER) of 13.5 or greater and a peak EER of 11.5 or greater, and

''(C) an advanced natural gas water heater that has an energy factor of at least 0.65.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) BASIS REDUCTION.—For purposes of this subtitle, if a deduction is allowed under this section with respect to any energy property, the basis of such property shall be reduced by the amount of the deduction so allowed.

''(2) DOUBLE BENEFIT.—Property which would, but for this paragraph, be eligible for deduction under more than one provision of this section shall be eligible only under one such provision, the provision specified by the taxpayer.

''(f) ENERGY EFFICIENT COMMERCIAL BUILDING PROPERTY DEDUCTION.—

''(1) DEDUCTION ALLOWED.—For purposes of subsection (a)—

''(A) IN GENERAL.—The energy efficient commercial building property deduction determined under this subsection is an amount equal

to energy efficient commercial building property expenditures made by a taxpayer for the taxable year.

''(B) MAXIMUM AMOUNT OF DEDUCTION.—The amount of energy efficient commercial building property expenditures taken into account under subparagraph (A) shall not exceed an amount equal to the product of—

''(i) $2.25, and

''(ii) the square footage of the building with respect to which the expenditures are made.

''(C) YEAR DEDUCTION ALLOWED.—The deduction under subparagraph (A) shall be allowed in the taxable year in which the construction of the building is completed.

''(2) ENERGY EFFICIENT COMMERCIAL BUILDING PROPERTY EXPENDITURES.—For purposes of this subsection, the term 'energy efficient commercial building property expenditures' means an amount paid or incurred for energy efficient commercial building property installed on or in connection with new construction or reconstruction of property—

"(A) for which depreciation is allowable under section 167,

"(B) which is located in the United States, and

"(C) the construction or erection of which is completed by the taxpayer.

Such property includes all residential rental property, including low-rise multifamily structures and single family housing property which is not within the scope of Standard 90.1–1999 (described in paragraph (3)). Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

"(3) ENERGY EFFICIENT COMMERCIAL BUILDING PROPERTY.—For purposes of paragraph (2)—

"(A) IN GENERAL.—The term 'energy efficient commercial building property' means any property which reduces total annual energy and power costs with respect to the lighting, heating, cooling, ventilation, and hot water supply systems of the building by 50 percent or more in comparison to a reference building which meets the requirements of Standard 90.1–1999 of the American Society of Heating, Refrig-

erating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America using methods of calculation under subparagraph (B) and certified by qualified professionals as provided under paragraph (6).

''(B) METHODS OF CALCULATION.—The Secretary, in consultation with the Secretary of Energy, shall promulgate regulations which describe in detail methods for calculating and verifying energy and power consumption and cost, taking into consideration the provisions of the 1998 California Nonresidential ACM Manual. These procedures shall meet the following requirements:

''(i) In calculating tradeoffs and energy performance, the regulations shall prescribe the costs per unit of energy and power, such as kilowatt hour, kilowatt, gallon of fuel oil, and cubic foot or Btu of natural gas, which may be dependent on time of usage.

''(ii) The calculational methodology shall require that compliance be demonstrated for a whole building. If some systems of the building, such as lighting, are

designed later than other systems of the building, the method shall provide that either—

''(I) the expenses taken into account under paragraph (1) shall not occur until the date designs for all energy-using systems of the building are completed,

''(II) the energy performance of all systems and components not yet designed shall be assumed to comply minimally with the requirements of such Standard 90.1–1999, or

''(III) the expenses taken into account under paragraph (1) shall be a fraction of such expenses based on the performance of less than all energy-using systems in accordance with clause (iii).

''(iii) The expenditures in connection with the design of subsystems in the building, such as the envelope, the heating, ventilation, air conditioning and water heating system, and the lighting system shall be allocated to the appropriate building sub-

system based on system-specific energy cost savings targets in regulations promulgated by the Secretary of Energy which are equivalent, using the calculation methodology, to the whole building requirement of 50 percent savings.

''(iv) The calculational methods under this subparagraph need not comply fully with section 11 of such Standard 90.1–1999.

''(v) The calculational methods shall be fuel neutral, such that the same energy efficiency features shall qualify a building for the deduction under this subsection regardless of whether the heating source is a gas or oil furnace or an electric heat pump.

''(vi) The calculational methods shall provide appropriate calculated energy savings for design methods and technologies not otherwise credited in either such Standard 90.1–1999 or in the 1998 California Nonresidential ACM Manual, including the following:

''(I) Natural ventilation.

''(II) Evaporative cooling.

''(III) Automatic lighting controls such as occupancy sensors, photocells, and timeclocks.

''(IV) Daylighting.

''(V) Designs utilizing semi-conditioned spaces that maintain adequate comfort conditions without air conditioning or without heating.

''(VI) Improved fan system efficiency, including reductions in static pressure.

''(VII) Advanced unloading mechanisms for mechanical cooling, such as multiple or variable speed compressors.

''(VIII) The calculational methods may take into account the extent of commissioning in the building, and allow the taxpayer to take into account measured performance that exceeds typical performance.

''(C) COMPUTER SOFTWARE.—

''(i) IN GENERAL.—Any calculation under this paragraph shall be prepared by qualified computer software.

''(ii) QUALIFIED COMPUTER SOFTWARE.—For purposes of this subparagraph, the term 'qualified computer software' means software—

''(I) for which the software designer has certified that the software meets all procedures and detailed methods for calculating energy and power consumption and costs as required by the Secretary,

''(II) which provides such forms as required to be filed by the Secretary in connection with energy efficiency of property and the deduction allowed under this subsection, and

''(III) which provides a notice form which summarizes the energy efficiency features of the building and its projected annual energy costs.

''(4) ALLOCATION OF DEDUCTION FOR PUBLIC PROPERTY.—In the case of energy efficient commercial building property installed on or in public property, the Secretary shall promulgate a regulation to allow the allocation of the deduction to the person primarily responsible for designing the property in

lieu of the public entity which is the owner of such property. Such person shall be treated as the tax payer for purposes of this subsection.

''(5) NOTICE TO OWNER.—The qualified individual shall provide an explanation to the owner of the building regarding the energy efficiency features of the building and its projected annual energy costs as provided in the notice under paragraph (3)(C)(ii)(III).

''(6) CERTIFICATION.—

''(A) IN GENERAL.—Except as provided in this paragraph, the Secretary, in consultation with the Secretary of Energy, shall establish requirements for certification and compliance procedures similar to the procedures under section 25B(c)(7).

''(B) QUALIFIED INDIVIDUALS.—Individuals qualified to determine compliance shall be only those individuals who are recognized by an organization certified by the Secretary for such purposes.

''(C) PROFICIENCY OF QUALIFIED INDIVIDUALS.—The Secretary shall consult with nonprofit organizations and State agencies with expertise in energy efficiency calculations and in-

spections to develop proficiency tests and training programs to qualify individuals to determine compliance.

''(g) TERMINATION.—This section shall not apply with respect to—

''(1) any energy property placed in service after December 31, 2006, and

''(2) any energy efficient commercial building property expenditures in connection with property—

''(A) the plans for which are not certified under subsection (f)(6) on or before December 31, 2006, and

''(B) the construction of which is not completed on or before December 31, 2008.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 48(a)(3)(A) of such Code is amended to read as follows:

''(A) which is equipment used to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage,''.

(2) Subparagraph (B) of section 168(e)(3) of such Code is amended—

(A) in clause (vi)(I)—

(i) by striking ''section 48(a)(3)'' and inserting ''section 199(d)(1)'', and

(ii) by striking ''clause (i)'' and inserting ''such subparagraph (A)'', and

(B) in the last sentence, by striking ''section 48(a)(3)'' and inserting ''section 199(c)(3)''.

(3) Section 1016(a) of such Code is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by inserting the following new paragraph:

''(28) for amounts allowed as a deduction under section 199(a).''.

(c) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 of such Code is amended by adding at the end the following new item:

''Sec. 199. Energy property deduction.''.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Department of Energy out of amounts not already appropriated such sums as necessary to carry out this section.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 3. CREDIT FOR CERTAIN NONBUSINESS ENERGY PROPERTY.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:

"SEC. 25B. NONBUSINESS ENERGY PROPERTY.

''(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

''(1) the amount determined under subsection (b) for each qualified energy property of the taxpayer placed in service during such taxable year, and

''(2) the credit amount specified in the following table for a new, highly energy-efficient principal residence:

"New, highly energy-efficient principal residence:	**Credit amount:**
30 percent property	$750
50 percent property	$2,000.

''(b) AMOUNT FOR QUALIFIED ENERGY PROPERTY.—

''(1) RESIDENTIAL ENERGY PROPERTY EXPENDITURES.—Except as provided in paragraph (2), the amount determined under this subsection for the

taxable year for each item of qualified energy property shall equal the amount of residential energy property expenditures made by the taxpayer with respect to such property during such taxable year.

''(2) SOLAR HOT WATER PROPERTY; PHOTOVOLTAIC PROPERTY.—

''(A) IN GENERAL.—In the case of solar hot water property and photovoltaic property, the amount determined under this subsection for the taxable year shall equal the amount specified for such property in the following table:

Description of property:	Allowable amount is:
Elected solar hot water property	35¢ per each kwh/year of savings.
Photovoltaic property	$1.50 per peak watt.

''(B) ELECTED SOLAR HOT WATER PROPERTY.—In the case of elected solar hot water property, the taxpayer may elect to substitute '$7 per annual Therm of natural gas savings' for '35¢ per each kwh/year of savings' in the table contained in subparagraph (A).

''(3) MAXIMUM AMOUNT.—In the case of property described in the following table, the amount of expenditures taken into account under paragraph

(1) and the amount determined under paragraph (2) for the taxable year for each item of qualified energy property with respect to a dwelling unit shall not exceed the amount specified for such property in such table:

"Description of property item:	Maximum allowable credit amount is:
Tier 2 energy-efficient building property (other than a natural gas heat pump).	$500.
Natural gas heat pump described in section 199(d)(2)(C).	$1,000.
Tier 1 energy-efficient building property	$ 250.
Solar hot water property	$1,000.
Photovoltaic property	$6,000.

''(c) DEFINITIONS.—For purposes of this section—

''(1) RESIDENTIAL ENERGY PROPERTY EXPENDITURES.—The term 'residential energy property expenditures' means expenditures made by the taxpayer for qualified energy property installed on or in connection with a dwelling unit which—

''(A) is located in the United States, and

''(B) is used by the taxpayer as a residence.

Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

''(2) QUALIFIED ENERGY PROPERTY.—

''(A) IN GENERAL.—The term 'qualified energy property' means—

"(i) energy-efficient building property,

"(ii) solar hot water property, and

"(iii) photovoltaic property.

"(B) SWIMMING POOL, ETC., USED AS STORAGE MEDIUM; SOLAR PANELS.—For purposes of this paragraph, the provisions of subparagraphs (D) and (E) section 199(d)(1) shall apply.

"(C) REQUIRED STANDARDS.—Property described under subparagraph (A) shall meet the performance and quality standards and certification standards of paragraphs (1)(D) and (2) of section 199(c).

"(3) ENERGY-EFFICIENT BUILDING PROPERTY.—The term 'energy-efficient building property' has the same meaning given the terms 'Tier 2 energy-efficient property' and 'Tier 1 energy-efficient property' in paragraphs (2) and (3) of section 199(d), respectively.

"(4) SOLAR HOT WATER PROPERTY.—The term 'solar hot water property' means property which, when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within such structure.

''(5) PHOTOVOLTAIC PROPERTY.—The term 'photovoltaic property' has the same meaning given such term in section 199(d)(1)(C).

''(6) RESIDENCE.—For purposes of paragraph (1)(B), the term 'residence' has the same meaning as when the term 'principal residence' is used in section 121, except no ownership requirement shall be imposed.

''(7) HIGHLY ENERGY-EFFICIENT PRINCIPAL RESIDENCE.—

''(A) IN GENERAL.—Property is a highly energy-efficient principal residence if—

''(i) such property is located in the United States,

''(ii) the use of such property commences with the taxpayer and is, at the time of such use, the principal residence of the taxpayer, and

''(iii) such property is certified before such use commences as being 50 percent property or 30 percent property.

''(B) 50 OR 30 PERCENT PROPERTY.—

''(i) IN GENERAL.—For purposes of subparagraph (A), property is 50 percent property or 30 percent property if the pro-

jected heating and cooling energy usage of such property, measured in terms of average annual energy cost to taxpayer, is reduced by 50 percent, or 30 percent, respectively, in comparison to the energy usage of the standard design reference house as determined using the procedures under clause (iv).

''(ii) STANDARD DESIGN REFERENCE HOUSE.—For purposes of this paragraph, the term 'standard design reference house' means a dwelling which conforms with the standards of chapter 4 of the 2000 International Energy Conservation Code of the International Code Council and the minimum equipment efficiency standards promulgated by the Department of Energy under the National Appliance Energy Conservation Act.

''(iii) ENERGY EFFICIENT REFERENCE HOUSE.—For purposes of this paragraph, the term 'energy efficient reference house' means a design of a dwelling which uses the same heating fuel type as the proposed design and which uses minimum standards

equipment, as required by the Department of Energy under the National Appliance Energy Conservation Act and which achieves, on average over fuel type and house geometry, the required 30 percent or 50 percent reductions in annual energy cost as calculated using the procedures under clause (iv).

''(iv) PROCEDURES.—

''(I) IN GENERAL.—For purposes of clause (i), energy usage shall be demonstrated either by a component-based approach or a performance-based approach.

''(II) COMPONENT APPROACH.—Compliance by the component approach is achieved when all of the components of the house comply with the requirements of prescriptive packages established by the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency, such that they are equivalent, for the strong majority of houses which can use this method, to

the results of using the performance-based approach of subclause (III) to achieve the required reduction in energy usage.

''(III) PERFORMANCE-BASED APPROACH.—Performance-based compliance shall be demonstrated in terms of equivalent or less energy usage when compared to the energy efficient reference house of the same heating fuel type as the taxpayer's house or through an alternate method prescribed by the Secretary which yields equivalent results.

''(IV) COMPUTER SOFTWARE.—Computer software shall be used in support of performance-based compliance under subclause (III) and such software shall meet all of the procedures and methods for calculating energy savings reductions that are promulgated by the Secretary of Energy. Such regulations on the specifications for software and verification protocols shall be based on the 1998 California

Residential Alternative Calculation Method Approval Manual.

''(V) FUEL PARITY.—In the case of both the component and the performance-based approaches, and any software used in support of such approach, the Secretary shall assure fuel parity by requiring both the energy efficient reference house and the prescriptive package under subclause (II) to employ the same envelope energy efficiency measures for a house heated by a gas furnace as for a house heated by an electric air source heat pump or by an oil furnace or boiler; and, for equipment efficiency, to employ electric, oil, or gas equipment efficiency of corresponding efficiency improvement. Such determination of corresponding efficiency improvement shall be made on a linear scale between the minimum standard equipment efficiency and the best available marketplace technology efficiency as determined by the Secretary after considering the in-

formation provided by the Air Conditioning and Refrigeration Institute (ARI) and the Gas Appliance Manufacturers Association (GAMA) guides for the respective electric, oil, and natural gas equipment of such type (such as heating and cooling).

''(VI) APPROVAL OF SOFTWARE SUBMISSIONS.—The Secretary shall approve software submissions that comply with the calculation requirements of subclause (IV).

''(VII) PROCEDURES FOR INSPECTION AND TESTING OF HOMES.—The Secretary shall ensure that procedures for the inspection and testing for compliance comply with the calculation requirements under subclause (IV).

''(C) DETERMINATIONS OF COMPLIANCE.—A determination of compliance made for the purposes of this paragraph shall be filed with the Secretary within 1 year of the date of such determination and shall include the TIN of the certifier, the address of the building in compli-

ance, and the identity of the person for whom such determination was performed. Determinations of compliance filed with the Secretary shall be available for inspection by the Secretary of Energy.

''(D) COMPLIANCE.—

''(i) IN GENERAL.—The Secretary, in consultation with the Secretary of Energy shall establish requirements for certification and compliance procedures after examining the requirements for energy consultants and home energy ratings providers specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems.

''(ii) INDIVIDUALS QUALIFIED TO DETERMINE COMPLIANCE.—Individuals qualified to determine compliance shall be only those individuals who are recognized by an organization certified by the Secretary for such purposes. The Secretary may qualify a Home Energy Rating Systems Organization, a local building code agency, a State or local energy office, a utility, or other or-

ganizations which meet the requirements prescribed under this section.

''(E) PRINCIPAL RESIDENCE.—For purposes of this paragraph, the term 'principal residence' has the same meaning as when used in section 121, except that the period for which a building is treated as the principal residence of the taxpayer shall also include the 60-day period ending on the 1st day on which it would (but for this subparagraph) first be treated as a principal residence.

''(d) SPECIAL RULES.—For purposes of this section—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which if jointly occupied and used during any calendar year as a residence by 2 or more individuals the following rules shall apply:

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation and such credit shall be allocated pro rata to such individual.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which he owns, such individual shall be treated as having made his proportionate share

of any expenditures of such association and any credit shall be allocated appropriately.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

''(4) JOINT OWNERSHIP OF ENERGY ITEMS.—

''(A) IN GENERAL.—Any expenditure otherwise qualifying as a residential energy property expenditure shall not be treated as failing to so qualify merely because such expenditure was made with respect to 2 or more dwelling units.

''(B) LIMITS APPLIED SEPARATELY.—In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect to the amount of the expenditure made for each dwelling unit.

''(5) ALLOCATION IN CERTAIN CASES.—If less than 80 percent of the use of an item is for nonbusiness purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness purposes shall be taken into account. For purposes of this paragraph, use for a swimming pool shall be treated as use which is not for nonbusiness purposes.

''(6) COORDINATION WITH OTHER CREDITS.—Property which would, but for this paragraph, be eligible for credit under more than one provision of this section shall be eligible only under one such provision, the provision specified by the taxpayer.

''(7) WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

''(B) EXPENDITURES PART OF BUILDING CONSTRUCTION.—In the case of an expenditure in connection with the construction of a structure, such expenditure shall be treated as made when the original use of the constructed structure by the taxpayer begins.

''(8) PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING.—

''(A) REDUCTION OF EXPENDITURES.—

''(i) IN GENERAL.—For purposes of determining the amount of residential energy property expenditures made by any individual with respect to any dwelling unit, there shall not be taken in to account expenditures which are made from subsidized energy financing.

''(ii) SUBSIDIZED ENERGY FINANCING.—For purposes of clause (i), the term 'subsidized energy financing' has the same meaning given such term in section 48(a)(4)(C).

''(B) DOLLAR LIMITS REDUCED.—The dollar amounts in the table contained in subsection (b)(1) with respect to each property purchased for such dwelling unit for any taxable year of such taxpayer shall be reduced proportionately by an amount equal to the sum of—

''(i) the amount of the expenditures made by the taxpayer during such taxable year with respect to such dwelling unit and

not taken into account by reason of subparagraph (A), and

''(ii) the amount of any Federal, State, or local grant received by the taxpayer during such taxable year which is used to make residential energy property expenditures with respect to the dwelling unit and is not included in the gross income of such taxpayer.

''(e) BASIS ADJUSTMENTS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(f) TERMINATION.—This section shall not apply with respect to any taxable years beginning after December 31, 2006.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 1016 of such Code as amended by section 2(b)(3), is amended by striking ''and'' at the end of paragraph (27), by striking the period at the end of paragraph (28) and inserting '', and'', and by adding at the end the following new paragraph:

"(29) to the extent provided in section 25B(e), in the case of amounts with respect to which a credit has been allowed under section 25B.".

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 25A the following new item:

"Sec. 25B. Nonbusiness energy property.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures made after December 31, 2000.

○